

March 31, 2025

DSP Asset Managers Private Limited: [ICRA]A1+ assigned to bank facilities

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Short-term fund-based bank facilities – others^	15,000.00	[ICRA]A1+; assigned

[^]comprises of overnight WCDL facility and Intraday facility for managing redemptions of schemes of DSP Mutual Fund

Rationale

ICRA has assigned [ICRA]A1+ rating to the bank lines of DSP Asset Managers Private Limited or DSP AMC [for managing redemptions of schemes of DSP Mutual Fund (DSP MF)]. The rated facilities are used for the asset management company's (AMC) schemes to bridge the intraday timing mismatch between redemption payouts to unitholders and cash inflows through fresh subscription and/or sale/redemption of securities in the schemes during the day. Further, the need for availing overnight bank borrowings may also arise to plug the cashflow mismatch during periods of sustained redemptions, though such mismatches are expected to be temporary for few days.

For the redemptions in the equity schemes, the sale of assets is typically carried out on the day of the redemption request and deployed the next day on TREPS¹ for redemption payout and repayment of the intraday lines on the subsequent day. However, for open-ended debt schemes (OEDS), intraday liquidity management is a combination of the fresh inflows expected in the scheme, maturity of underlying investments in the scheme, the liquidity of the underlying investments (sale) and the ability of the schemes to raise funds by pledging securities (primarily TREPS of G-Secs/T-bills). Hence, the ability of the OEDS to repay the intraday liquidity lines is a function of the credit quality of the underlying investments and the ability to raise funds by pledging securities. Since OEDS are required to maintain liquid assets² as per regulations, they can pledge these assets on TREPS to manage redemptions. However, if there is high volatility in the assets under management (AUM) due to redemptions, the sale of the underlying investments or the ability to raise borrowings (under TREPS) against the investments becomes a paramount factor for intraday liquidity management.

Accordingly, ICRA has analysed the OEDS that have displayed high negative volatility in the AUM. ICRA's assessment of the credit quality of these OEDS is guided by the credit ratings of the individual investments and the relative share of the scheme's allocation towards investments, besides the maturity schedule of such investments. These schemes typically have a high share of investments in sovereign and/or AAA rated instruments (proportion above 75%), except for DSP Credit Risk fund which has almost 80% of its assets in instruments rated AA or above. This provides comfort on the AMC's ability to generate liquidity to repay the rated lines in a timely manner. There has been no instance of dependence on overnight bank borrowing in any of the OEDs and redemptions have been primarily managed through TREPS borrowings or intraday lines during the 26-month period of January 2023 to February 2025.

The credit profile remains exposed to events of sustained redemption pressure, which could result in the depletion of the liquid investments, exposing the schemes to liquidity risk.

¹ Treasury Bills Repurchase (TREPS) is a proprietary product offered by The Clearing Corporation of India (CCIL), an institution authorised by the RBI. Through TREPS, entities can lend and borrow funds against Government securities. The settlement of TREPS is guaranteed by CCIL.

² OEDS are required to maintain 10% of the AUM in liquid assets (cash, Treasury bills and Government securities). The minimum threshold is higher at 20% of AUM for liquid schemes and overnight schemes

The Stable outlook reflects ICRA's expectation that DSP AMC's open-ended debt schemes would continue to maintain the credit quality of the underlying investments and raise funds by selling or pledging securities in a timely manner in order to ensure efficient liquidity management.

Key rating drivers and their description

Credit strengths

Strong credit quality of underlying assets in schemes with relatively high negative volatility – ICRA has analysed the OEDS of the AMC that have exhibited high daily negative volatility in their AUM. The analysis indicates that the credit quality of the underlying investments held in these schemes remains strong with investments in short-tenor instruments. At least 75% of the investments of each of these schemes is in sovereign and AAA-rated instruments, providing comfort regarding the AMC's ability to pledge/sell these investments at short notice to meet its liquidity requirements.

Robust risk management – The AMC maintains strong credit quality of the underlying assets in the OEDS, supporting its ability to sell/borrow against the underlying securities to manage its liquidity. There have been no instances of overnight borrowings to manage intraday liquidity in the past. Further, as per Securities and Exchange Board of India (SEBI) guidelines, the maximum borrowings cannot exceed 20% of the AUM (including TREPS) of any of the OEDS. The instances of consecutive days of borrowings through TREPS have also been limited to ~17 instances in schemes across the OEDS in the last 26-month period (January 2023 to February 2025).

Credit challenges

Market dislocation and/or adverse liquidity events leading to redemption pressure – Though the AMC has managed liquidity across all its schemes, the liquidity of the OEDS remains exposed to events of sustained redemption pressure. Any adverse liquidity event in the market or weakening in macro-economic factors could lead to a sustained increase in redemptions and a reduction in fresh inflows. During such liquidity events, the liquidity of the underlying investments may also decline. Further, investor concentration in many OEDS tends to be high; herd behaviour and bulky redemptions could be witnessed during events of market stress. Sustained redemption pressure can result in a sharp contraction in the liquid investments of the schemes, limiting the AMC's ability to incrementally sell/borrow against these instruments. A combination of these events can hence pose challenges to the liquidity management of such OEDS.

Liquidity position: Superior

As of February 28, 2025, DSP AMC had access to sanctioned bank facilities of Rs. 14,500 crore comprising Rs. 1,000-crore fund-based facilities, and Rs. 13,500 crore of intraday facilities. There has not been any utilisation of overnight fund-based facilities during the 26-month period of January 2023 to February 2025. DSP AMC has largely tapped all the borrowing through the TREPS lending platform managing within the regulatory threshold of 20% of the AUM.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material deterioration in the credit quality of the underlying investments of the OEDS or sustained negative volatility in the AUM of the schemes will increase the liquidity risk.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Mutual funds
Parent/Group support	Not Applicable

Consolidation/Standalone

Not Applicable

About the company

DSP Asset Managers Private Limited (DSP AMC) is the asset management company for the mutual fund business of DSP Mutual Fund (DSPMF or Fund). It manages over 50 unique mutual fund schemes and operates through a network of offices across 40+ cities across India. The average quarterly AUM for the fund house was Rs. 192,690 crore for the quarter ended December 31, 2024.

Incorporated in 1996, DSP Investment Managers Private Limited (DSPIM) was appointed as the asset management company for the mutual fund business of DSPMF. The fund was constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882, with DSP ADIKO Holdings Private Limited & DSP HMK Holdings Private Limited (collectively) as sponsors. As part of the internal restructuring of its business, DSPIM demerged and transferred its asset management business to another DSP group company, DSP AMC. The demerger was made effective from April 1, 2023.

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 (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 31, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Short-term fund-based bank facilities – others [^]	Short term	15,000.00	[ICRA]A1+	-	-	-	-	-	-	-	-

[^]comprises of overnight WCDL facility and Intraday facility for managing redemptions of schemes of DSP Mutual Fund

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term fund-based bank facilities – others [^]	Very Simple

[^]comprises of overnight WCDL facility and Intraday facility for managing redemptions of schemes of DSP Mutual Fund

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
NA	Short-term fund-based bank facilities – others^	NA	NA	NA	15,000.00	[ICRA]A1+

Source: Company; ^comprises of overnight WCDL facility and Intraday facility for managing redemptions of schemes of DSP Mutual Fund

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

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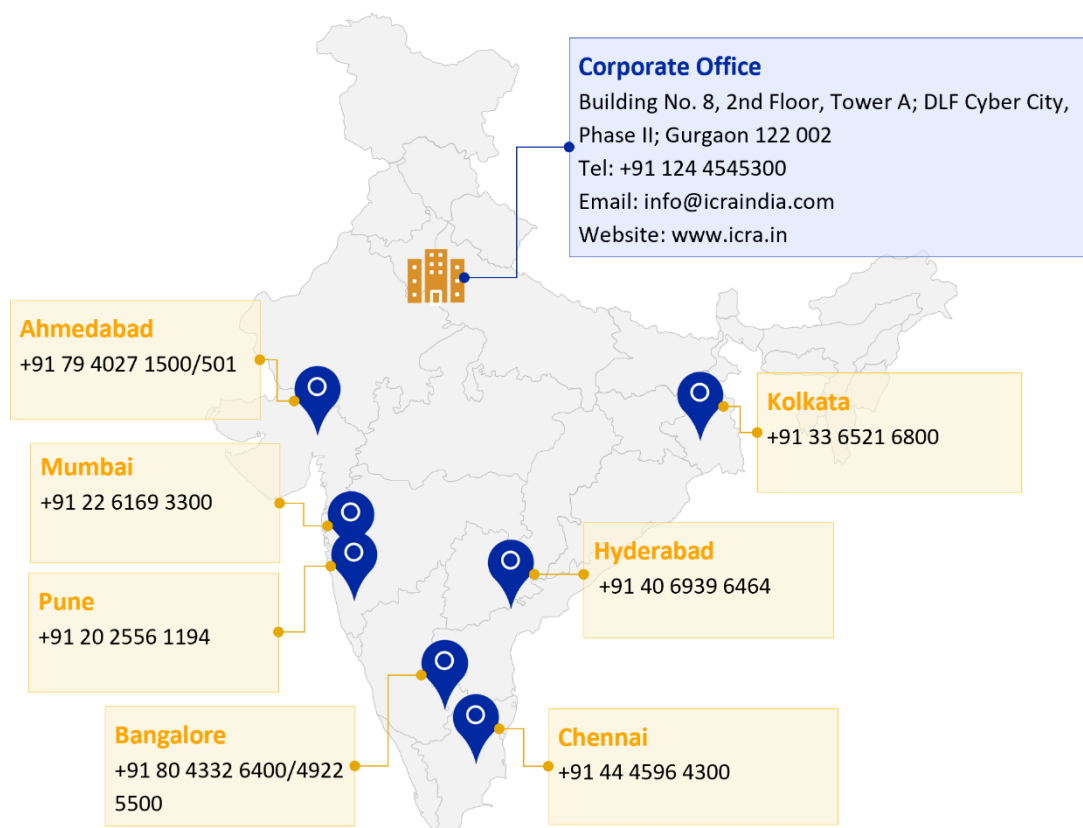


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