

August 10, 2022

Canara Robeco Asset Management Company Limited: Rating upgraded for Canara Robeco Corporate Bond Fund; ratings reaffirmed for other schemes

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Canara Robeco Short Duration Fund	-	-	[ICRA]AAAmfs; reaffirmed
Canara Robeco Savings Fund	-	-	[ICRA]A1+mfs; reaffirmed
Canara Robeco Liquid Fund	-	-	[ICRA]A1+mfs; reaffirmed
Canara Robeco Ultra Short-Term Fund	-	-	[ICRA]AAAmfs; reaffirmed
Canara Robeco Corporate Bond Fund	-	-	[ICRA]AAAmfs; upgraded from [ICRA]AA+mfs
Total	-	-	

*Instrument details are provided in Annexure I

Rationale and key rating drivers

ICRA has upgraded the rating for Canara Robeco Corporate Bond Fund to [ICRA]AAAmfs from [ICRA]AA+mfs. The rating was upgraded as the credit risk score for the scheme is comfortable for the upgraded rating level. ICRA has reaffirmed the [ICRA]AAAmfs rating for Canara Robeco Ultra Short-Term Fund and Canara Robeco Short Duration Fund, and the [ICRA]A1+mfs rating for Canara Robeco Savings Fund and Canara Robeco Liquid Fund. The reaffirmation of the ratings follows 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 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. 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 then measured against the appropriate benchmark credit score in the credit matrix.

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. If the portfolio credit score meets the benchmark of the existing rating, the rating is retained. If the portfolio credit score breaches the benchmark credit matrix score for the current 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 the current 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.

Liquidity position: Not applicable

Rating sensitivities

Positive factors – Not Applicable

Negative factors – ICRA could downgrade the ratings 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	ICRA – Mutual Fund Credit Risk Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Canara Robeco Asset Management Company Limited (CRAMC), the investment manager of Canara Robeco Mutual Fund, is a joint venture between Canara Bank (rated [ICRA]AA+(hyb)&) and Orix Corporation Europe N. V. (previously known as Robeco Group N.V.) of the Netherlands, a global AMC. Canara Robeco Mutual Fund is the second oldest mutual fund in India, established in December 1987 as Canbank Mutual Fund. Subsequently, in 2007, Canara Bank partnered with Robeco Group N.V. and the mutual fund was renamed Canara Robeco Mutual Fund.

As on March 31, 2022, Canara Robeco Mutual Fund had 22 schemes including 11 debt-oriented schemes, 9 equity-oriented schemes and 2 hybrid schemes. The average assets under management (AAUM) for the financial year ended March 31, 2022 was Rs. 41,166.29 crore against Rs. 22,770.28 crore for the financial year ended March 31, 2021. The total number of investors as on March 31, 2022 was 30,73,331 against 17,66,391 as on March 31, 2021.

Canara Robeco Savings Fund

Canara Robeco Savings Fund is an open-ended low duration debt scheme investing in debt and money market instruments such that the Macaulay duration of the portfolio is between 6 months and 12 months. It seeks to generate income/capital appreciation by investing in a portfolio comprising low duration debt instruments and money market instruments. The scheme’s AUM stood at Rs. 1,054 crore as on June 30, 2022 and it has an average maturity of 6.72 months.

Canara Robeco Liquid Fund

Canara Robeco Liquid Fund, an open-ended liquid scheme, has been formulated with the objective of enhancing income, while maintaining a level of high liquidity, through investments in a mix of money market instruments and debt securities. The scheme’s AUM stood at Rs. 1,677 crore as on June 30, 2022 and it has an average maturity of ~22 days.

Canara Robeco Ultra Short-Term Fund

Canara Robeco Ultra Short-Term Fund is an open-ended ultra-short-term debt scheme investing in debt and money market instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. It seeks to generate returns by investing in a wide range of debt securities and money market instruments of various maturities and risk profiles. The scheme's AUM stood at Rs. 543 crore as on June 30, 2022 and it has an average maturity of 4.56 months.

Canara Robeco Corporate Bond Fund

Canara Robeco Corporate Bond Fund is an open-ended debt scheme predominantly investing in corporate bonds rated AA+ and above. It seeks to generate income and capital appreciation through a portfolio, mainly comprising corporate debt rated AA+ and above across maturities. The scheme's AUM stood at Rs. 212 crore as on June 30, 2022 and it has an average maturity of 1.61 years.

Canara Robeco Short Duration Fund

Canara Robeco Short Duration Fund is an open-ended short-term debt scheme investing in debt and money market instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years. It seeks to generate returns by investing in a wide range of debt securities and money market instruments of various maturities and risk profiles. The scheme's AUM stood at Rs. 609 crore as on June 30, 2022 and it has an average maturity of 1.46 years.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Name of Scheme	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	
				Aug-10- 2022	Sep-24- 2021	Nov-05- 2020	Jan-24- 2020	Jan-02- 2020
1 Canara Robeco Short Duration Fund	Long Term	-	-	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	-
2 Canara Robeco Savings Fund	Short Term	-	-	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs
3 Canara Robeco Liquid Fund	Short Term	-	-	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs	[ICRA] A1+mfs
4 Canara Robeco Ultra Short-Term Fund	Long Term	-	-	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs	[ICRA] AAAmfs
5 Canara Robeco Corporate Bond Fund	Long Term	-	-	[ICRA] AAAmfs	[ICRA] AA+mfs	[ICRA] AA+mfs	[ICRA] AA+mfs	[ICRA] AA+mfs

Complexity level of the rated instrument: Not applicable

Instrument	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: www.icra.in

Annexure I: Instrument details: Not applicable

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

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