

SBI Funds Management Private Limited

Name of the Scheme	Amount (In Rs. Crore)	Rating Action (December 2016)
SBI Dynamic Bond Fund	-	[ICRA]AAAmfs; Reaffirmed
SBI Magnum Instacash Fund	-	[ICRA]A1+mfs; Reaffirmed
SBI Premier Liquid Fund	-	[ICRA]A1+mfs; Reaffirmed
SBI Ultra Short Term Debt Fund	-	[ICRA]A1+mfs; Reaffirmed
SBI Magnum Income Fund	-	[ICRA]AAAmfs; placed on notice for withdrawal
SBI Magnum Income Fund Floating Rate Plan Savings Plus Bond Plan	-	[ICRA]A1+mfs; placed on notice for withdrawal
Fund Based Bank Lines Programme	9000.00	[ICRA]AAA (stable) ; Reaffirmed

Rating of [ICRA]AAAmfs (pronounced ICRA Triple A m f s) has been reaffirmed for SBI Dynamic Bond Fund. Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made. Rating of [ICRA]A1+mfs has been reaffirmed for SBI Magnum Instacash Fund, SBI Premier Liquid Fund and SBI Ultra Short Term Debt Fund. Schemes with [ICRA]A1mfs rating are considered to have a very strong degree of safety regarding timely receipt of payments from the investments that they have made. Within this rating category, modifier {"+" (plus)} can be used with the rating symbol. The modifier reflects the comparative standing within the category. This scale applies to debt funds with weighted average maturity up to one year. These ratings should, however, not be construed as an indication of the performance of the Mutual Fund scheme or of volatility in its returns.

ICRA has placed on notice for withdrawal the [ICRA]AAAmfs rating outstanding on SBI Magnum Income Fund and [ICRA]A1+mfs rating outstanding on SBI Magnum Income Fund Floating Rate Plan Savings plus Bond Plan for a period of one month. This placement is at the request of the fund house. The withdrawal of the rating will be effective from January 01, 2017.

ICRA has also reaffirmed the rating of [ICRA] AAA (pronounced ICRA triple A) with a stable outlook to the Rs. 9000 crore fund based bank lines of SBI Funds Management Private Limited. The borrowing under these bank lines are to be used only for non guaranteed mutual fund schemes and should be in accordance with SEBI guidelines.

The rating factors in the strength of the shareholders (State Bank of India and Amundi¹) and the adherence to strong risk management systems in the company. Comfort is also derived from the regulatory stipulation that prohibit leveraging and that the aforesaid bank lines are only for the schemes and not for the Asset Management Company for its corporate requirements. ICRA draws comfort from the low utilization levels over the last few quarters, the internal policies that allow utilization of the above facilities only as a last resort for meeting any repurchase needs / dividend payments / interest payments of the unit holders and the fact that SEBI regulation requires schemes to borrow only to meet redemption pressures up to be 20% of the AUM for a maximum period of 6 months. ICRA also notes that the returns to the unit holders are dynamically adjusted which takes into account the cost of using the bank lines, thereby the lender having priority to claims rather than the unit holders. The ratings derive further comfort from the fact that even in this case of extreme decline in the NAV of the respective scheme when losses to the lender may be triggered, the AMC may bail out the scheme to salvage its brand as India's prominent mutual fund industry player

Asset Management Company and Fund Details

SBI Funds Management Private Limited (SBIFM), the asset management company for the SBI Mutual Fund (SBI MF) was established in February 1992 and it is a 63:37 Joint Venture between State Bank of India (SBI) and AMUNDI. SBI MF had average assets under management of Rs 131,554.42 crore during quarter ended September 30, 2016.

Launched in November 1998, SBI Magnum Income Fund is an open-ended debt scheme, which will endeavour to generate returns that would be higher than the returns offered by comparable investment avenues through

¹ Credit Agricole (rated A1 by Moody's for long term debt) hold 75.5% in Amundi.

investment in debt & money market securities. The fund's assets under management stood at Rs. 1,522 crore as on October 31, 2016 and had an average residual maturity of around 7.23 years as on that date.

Launched in February 2004, SBI Dynamic Bond Fund is an open-ended scheme, which will endeavour to actively manage a portfolio of good quality debt as well as money market instruments so as to provide reasonable returns and liquidity to the unit holders. The fund's assets under management stood at Rs. 2,969 crore as on October 31, 2016 and had an average residual maturity of around 10.52 years as on that date.

Launched in January 1999, SBI Magnum Instacash Fund is an open ended liquid scheme with an investment objective to provide the investors an opportunity to earn returns through investment in debt & money market securities, while having the benefit of a very high degree of liquidity to meet unexpected needs of cash. The assets under management stood at Rs 3790 crore as on October 31, 2016 and an average residual maturity of about 1 month as on that date.

Launched in November 2003, SBI Premier Liquid Fund is an open ended liquid fund with an investment objective to provide attractive returns to the investors either through periodic dividends or through capital appreciation through an actively managed portfolio of debt and money market instruments. The assets under management stood at Rs 18,444 crore as on October 31, 2016 and an average residual maturity of about 1 month as on that date.

Launched in July 2007, SBI Ultra Short Term Debt Fund is an open ended income fund. The investment objective of this scheme is to provide investors with an opportunity to generate regular income with high degree of liquidity through investments in a portfolio comprising predominantly of money market instruments with maturity/residual maturity up to one year and debt instruments which are rated not below investment grade by a credit rating agency. The assets under management were Rs 12,272 crore as on October 31, 2016 and an average residual maturity of ~8 months.

Launched in July 2004, SBI Magnum Income Fund Floating Rate Plan Savings plus Bond Plan has a stated objective to generate regular income along with opportunities for capital appreciation through a portfolio investing in Floating rate debt securities, fixed rate securities, derivative instruments as well as in Money Market instruments. The Fund currently stands renamed as SBI Savings Fund. The fund house would manage the portfolio such that it meets the criteria to qualify for the [ICRA]A1+ mfs rating. As on October 31, 2016 the total AUM under the scheme was Rs 3215 crore with an average maturity of ~10 months.

Recent Results

The company reported a net profit of Rs 165.36 crore on a total income base of Rs 552.40 crore in FY2016 compared to a net profit of Rs 163.44 crore on a total income base of Rs 452.46 crore in FY2015. During H1 FY2017, SBI MF reported a net profit of Rs. 98.40 crore on a total income base of Rs. 341.99 crore compared to a net profit of Rs 88.35 crore on a total income base of Rs 276.01 crore in H1 FY2016.

ICRA Credit Quality Rating Methodology for Debt Mutual Fund Schemes

ICRA's mutual fund rating methodology is based on evaluating the inherent credit quality of the fund's portfolio. As a measure of the credit quality of a debt fund's assets, ICRA uses the concept of "credit scores". These scores are based on ICRA's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.



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