

April 12, 2017

## SBI Funds Management Private Limited

Name of the Scheme	Amount (In Rs. Crore)	Rating Action
Fund Based Bank Lines Programme*	16000.00 (enhanced from 9000.00)	[ICRA]AAA (stable) ; Assigned/ outstanding

\*Instruments details in the annexure

### Rating Action

ICRA has assigned the rating of [ICRA] AAA (pronounced ICRA triple A) with a stable outlook to the Rs. 16000 crore (enhanced from Rs 9000.00 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 in accordance with SEBI guidelines.

### Rating Rationale

The rating factors in the strength of the shareholders (State Bank of India and Amundi<sup>1</sup>) 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

### Key Rating Considerations

#### *Credit Strengths*

- Strong parentage with SBI (rated [ICRA]AAA(stable)) and Amundi holding stakes of 63% and 37% respectively, as on December 31, 2016
- Strong and experienced management; board level supervision by the parent, SBI
- Strong IT and risk management systems
- Good financial flexibility as a result of being an SBI group entity

#### *Credit Challenges*

- Ability to meet redemption pressure during adverse market conditions; nevertheless SEBI regulation allowing borrowing up to 20% of the AUM to meet redemption pressures provides comfort
- Ability to grow the AUM and maintain good profitability

#### *Key Rating Sensitivities*

- Any dilution in the importance of the entity to its parents or a change in the expected level of support

<sup>1</sup> Credit Agricole (rated A1 by Moodys for long term debt) hold 75.5% in Amundi.

**Analytical approach:**

For arriving at the ratings, ICRA has taken a standalone view of the company and implicit support of the majority shareholder, State Bank of India (SBI)

**Link to applicable criteria:**

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

**About the company**

SBI Funds Management Private Limited (SBIFM), the asset management company for the SBI Mutual Fund (SBI MF) was established in February 1992. It is a joint venture between State Bank of India (SBI) and Amundi with 63% and 37% stake respectively. SBI MF had average assets under management of Rs 131,554 crore during Q3FY2017. As on March 31, 2016, SBI MF had 162 branches spread all over India and one overseas point of presence.

The company reported a net profit of Rs. 165.36 crore on a total income base of Rs. 552.40 crore in FY2016 compared with a net profit of Rs. 163.44 crore on a total income base of Rs. 452.46 crore in FY2015. During 9M FY2017, SBI MF reported a net profit of Rs. 163.22 crore on a total income base of Rs. 549.23 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years**

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	April 2017	FY2017	FY2016	FY2015	
					December 2016	November 2015	December 2014	April 2014
1	Fund Based Bank Lines Programme	Long Term	16000	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Fund Based Bank Lines Programme	N.A.	N.A.	N.A.	16000.00	[ICRA]AAA (stable)

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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.

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