

May 30, 2017

Sundaram Asset Management Company Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Long Term - Term Loans	65.00 (enhanced from 50.00)	[ICRA]AA(Stable); reaffirmed
Short Term - Proposed	30.00	[ICRA]A1+; assigned

*Instrument details are provided in Annexure-1.

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA double A)¹ for the Rs.65.00 crore² (enhanced from Rs.50.00 crore) bank facilities of Sundaram Asset Management Company Limited (SAMCL). The outlook on the rating is Stable. ICRA has also assigned a short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the company's Rs.30.00 crore bank facilities.

Rationale

The ratings factor in SAMCL's status as the wholly-owned subsidiary of Sundaram Finance Limited (SFL; rated [ICRA]AA+ (positive)/[ICRA]MAAA/[ICRA]A1+) and the strong operational, financial and management support from SFL. The ratings also consider the healthy growth in the company's assets under management (AUM) over the past ten years; its strong brand and distribution franchisee, and its adequate capitalization and comfortable liquidity profile. The ratings, however, take note of the company's relatively high cost-to-income ratio and the weak – albeit improving – performance of its Singapore-based subsidiary, Sundaram Asset Management Singapore Pte Limited (SAMS). ICRA expects an improvement in the company's efficiency parameters with further increase in business volumes going forward. ICRA also expects timely liquidity and capital support from SFL, if required, which provides comfort from a credit perspective.

Key rating drivers

Credit Strengths

- Strong operational, managerial and financial support from SFL ([ICRA]AA+ (positive)/MAAA (Stable)/[ICRA]A1+); SAMCL is a wholly owned subsidiary of SFL
- Experienced senior management team.
- Healthy AUM growth of 22% CAGR during FY2008-17
- Profitable track record in the asset management business
- Adequate financial flexibility

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

² 100 lakh = 1 crore = 10 million

Credit Challenges

- Relatively high cost-to-income ratio at present.
- Ability to improve SAMS' performance going forward.

Description of key rating drivers:

SAMCL is a 100% subsidiary of SFL and derives considerable operational, financial and management support from the parent. The company has regularly received equity support from SFL in the past and currently, two of its seven board members are representatives of SFL. The company also leverages the SFL group's established business presence and systems for its operations. The company's senior management team also has considerable experience in the financial services industry.

SAMCL has a demonstrated track record in the asset management business as reflected by the AUM growth of 22% CAGR over the last ten years. As on March 31, 2017, the company's AUM stood at Rs.29,579 crore spread across fund management (equity and debt mutual fund schemes), portfolio management and advisory services.

During FY2017, the company's revenue grew by 13.3% supported by a robust AUM growth of 32.36%. However, SAMCL's cost-to-income ratio remained high at 81% in FY2017; ICRA nevertheless expects the cost-to-income ratio to moderate with further improvement in business volumes, which would improve operating efficiencies. The company's profit during FY2016 was low at Rs.4.42 crore because of a one-time provision for diminution in value of investments in SAMS. SAMS's performance improved in FY2017, with the company registering profits in the year as compared with losses in the previous three fiscals. SAMCL's provisional net profits stood at Rs.30.73 crore in FY2017 as compared with Rs.4.42 crore in FY2016.

The company is adequately capitalised with a net worth of Rs.164.85 crore and zero debt as on March 31, 2017; its gearing stood at 0.10 time as on March 31, 2016. SAMCL has adequate funding lines from lenders, which along with the support expected from SFL, if required, provides comfort from a liquidity perspective.

Analytical approach: For arriving at the ratings, ICRA has factored in the management, operational and financial support from SFL.

Links to applicable criteria:**[ICRA's Rating Methodology for Corporate Credit Rating](#)****About the company****Sundaram Asset Management Company Limited (SAMCL)**

Incorporated in 1996, the SAMCL is the investment manager of Sundaram Mutual Fund. The company extends asset management, investment advisory and portfolio management services to its investors. The total AUM of the company including mutual fund management, portfolio management service and advisory service stood at Rs.29,579.00 crore as on March 31, 2017. The mutual fund portfolio of Rs. 27,438.00 crore as on March 31, 2017 had an equity: debt mix of 47:53. The company had an AUM market share of about 1.6% in December 2016. As at March 31, 2017, SAMCL had 93 customer care centres spread across 21 states and an office in Dubai. The company has a 100% subsidiary in Singapore, Sundaram Asset Management Singapore Pte Limited (SAMS).



During FY2017, SAMCL reported a provisional standalone, net profit of Rs.30.73 crore on a total operating income of Rs.260.54 crore as compared with a net profit of Rs.4.42 crore on a total operating income of Rs.229.88 crore for FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

S. No	Instrument	Current Rating (2017)			Chronology of Rating History for the past 3 years	
		Type	Amount Rated (Rs. crore)	May 2017	April 2016	November 2014
1	Term loan	Long term	65.00*	[ICRA]AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA (Stable)
2	Short term bank facilities	Short term	30.00	[ICRA]A1+	-	-

* Enhanced from Rs. 50.00 crore.

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

Annexure-1
Instrument Details

Instrument	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Term loan	-	-	May 31, 2019	50.00	[ICRA]AA; (Stable)
Term loan*	-	-	-	15.00	[ICRA]AA; (Stable)
Short term bank facilities*	-	-	-	30.00	[ICRA]A1+

* proposed.

Source: SAMCL.

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