

March 25, 2020

DSP Investment Managers Private Limited: Ratings reaffirmed; [ICRA]AAAmfs assigned to DSP Low Duration Fund

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
DSP Low Duration Fund	-	-	[ICRA]AAAmfs; assigned
DSP Liquidity Fund	-	-	[ICRA]AAAmfs; reaffirmed
DSP Ultra Short Fund			[ICRA]AAAmfs; reaffirmed
DSP Short Term Fund			[ICRA]AAAmfs; reaffirmed
DSP Banking & PSU Debt Fund			[ICRA]AAAmfs; reaffirmed
DSP Savings Fund			[ICRA]AAAmfs; reaffirmed
DSP Strategic Bond Fund			[ICRA]AAAmfs; reaffirmed
DSP Overnight Fund			[ICRA]A1+mfs; reaffirmed
Total	-	-	-

Rationale and key rating drivers

ICRA has assigned a credit risk rating of [ICRA]AAAmfs (pronounced ICRA triple A m f s) to DSP Low Duration Fund. ICRA has also reaffirmed the credit risk rating of [ICRA]AAAmfs for DSP Liquidity Fund, DSP Ultra Short Fund, DSP Short Term Fund, DSP Banking & PSU Debt Fund, DSP Savings Fund, DSP Strategic Bond Fund and reaffirmed the rating of [ICRA]A1+mfs (pronounced ICRA A one plus m f s) for DSP Overnight Fund.

The rating is based on the portfolio of the scheme with the credit score of the portfolio being comfortable at the assigned rating level¹.

The rating indicates ICRA's opinion on the credit quality of the portfolio held by the fund. The rating does not indicate the asset management company's (AMC) willingness, or ability, to make timely payments to the fund's investors. The rating should not be construed as an indication of expected returns, prospective performance of the mutual fund scheme, NAV or of volatility in its returns.

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 the 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 and 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

¹ For definitions of the rating scale, visit www.icra.in

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 continues to breach the benchmark credit score, the rating is revised to reflect the change in the credit quality.

Liquidity position: Not applicable

Rating sensitivities

Positive triggers – Not applicable

Negative triggers – ICRA could downgrade the ratings of the schemes if the credit quality of the underlying investment deteriorates or the size of the assets under management (AUM) declines, resulting in an increase in the share of lower rated investments and 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

DSP Investment Managers Private Limited is the asset management company (AMC) for DSP Mutual Fund (the Fund). The Fund was established as a trust under the Indian Trusts Act, 1882 with DSP ADIKO Holdings Pvt. Ltd., DSP HMK Holdings Pvt. Ltd. and BlackRock Inc. as the sponsors. In August 2018, BlackRock completed its exit from the AMC after the DSP Group bought out BlackRock's 40% stake in the AMC. Post this transaction, the AMC was renamed DSP Investment Managers Private Limited (from DSP BlackRock Investment Managers Private Limited) and the Fund was renamed DSP Mutual Fund (from DSP BlackRock Mutual Fund). The AMC's average AUM stood at Rs. 77,213 crore for the quarter ended December 31, 2019.²

DSP Low Duration Fund

Launched in March 2015, DSP Low Duration Fund is an open-ended debt scheme which seeks to generate returns commensurate with risk from a portfolio constituted of money market securities and/or debt securities, such that the Macaulay Duration of the portfolio is between 6 months and 12 months. The scheme's AUM stood at Rs. 2,980 crore with an average maturity of 0.97 years as on February 29, 2020.

² Source: <https://www.amfiindia.com/research-information/aum-data/average-aum>

DSP Liquidity Fund

Launched in March 1998, DSP Liquidity Fund is an open-ended income scheme which aims to generate reasonable returns commensurate with low risk and a high degree of liquidity, from a portfolio consisting of money market securities and high-quality debt securities. The scheme's AUM stood at Rs. 12,761 crore with an average maturity of around 0.83 months as on February 29, 2020.

DSP Ultra Short Fund

Launched in July 2006, DSP Ultra Short Fund (erstwhile DSP BlackRock Money Manager Fund) is an open-ended income scheme that aims to generate returns commensurate with risk from a portfolio constituted of money market securities and debt securities, such that the Macaulay Duration of the portfolio is between 3 months and 6 months. The scheme's AUM stood at Rs. 2,594 crore with an average maturity of around 4.32 months as on February 29, 2020.

DSP Short Term Fund

Launched in September 2002, DSP Short Term Fund is an open-ended income scheme which aims to generate returns commensurate with risk from a portfolio consisting of money market securities and/or debt securities, such that the Macaulay Duration of the portfolio is between 1 year and 3 years. The scheme's AUM stood at Rs. 3,404 crore with an average maturity of around 2.93 years as on February 29, 2020.

DSP Banking & PSU Debt Fund

Launched in September 2013, DSP Banking & PSU Debt Fund is an open-ended income scheme which aims to generate income and capital appreciation by primarily investing in a portfolio of high-quality debt and money market securities issued by banks and public-sector entities/undertakings. The scheme's AUM stood at Rs. 2,389 crore with an average maturity of around 3.75 years as on February 29, 2020.

DSP Savings Fund

Launched in September 1999, DSP Savings Fund is an open-ended debt scheme which aims to generate income through investment in a portfolio comprising money market instruments with a maturity of less than or equal to 1 year. The scheme's AUM stood at Rs. 1,025 crore with an average maturity of around 4 months as on February 29, 2020.

DSP Strategic Bond Fund

Launched in April 2007, DSP Strategic Bond Fund is an open-ended income scheme with the investment objective to generate optimal returns with high liquidity through the active management of a portfolio of high-quality debt and money market securities. The scheme's AUM stood at Rs. 896 crore with an average maturity of around 12.37 years as on February 29, 2020.

DSP Overnight Fund

Launched in January 2019, DSP Overnight Fund is an open-ended income scheme with the investment objective to generate returns commensurate with low risk and provide a high level of liquidity through investments made primarily in overnight securities with a maturity of 1 business day. The scheme's AUM stood at Rs. 1,158 crore as on February 29, 2020.

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 Rating (FY2020)								Chronology of Rating History for the Past 3 Years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	FY2020						FY2019		FY2018		FY2017	
					25-Mar-20	14-Nov-19	17-Jul-19	13-Jun-19	04-Jun-19	06-May-19	08-Oct-18	15-May-18	27-Mar-18	02-Aug-17	07-Sep-16	08-Aug-16
1	DSP Low Duration Fund	Long Term	-	-	[ICRA]AAA mfs	-	-	-	-	-	-	-	-	-	-	-
2	DSP Strategic Bond Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AA+ mfs	[ICRA]AA+ mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
3	DSP Overnight Fund	Short Term	-	-	[ICRA]A1+ mfs	[ICRA]A1+ mfs	[ICRA]A1+ mfs	-	-	-	-	-	-	-	-	-
4	DSP Ultra Short Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AA mfs&	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
5	DSP Savings Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-	-	-
6	DSP Short Term Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	-
7	DSP Liquidity Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs
8	DSP Banking & PSU Debt Fund	Long Term	-	-	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs	[ICRA]AAA mfs

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: Not applicable

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

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