

UTI Asset Management Company Limited

June 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	6,000.00	CARE AAA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned the ratings to the long-term/ short-term bank facilities of UTI Asset Management Company Limited factoring in high credit quality of the underlying assets of the schemes, comfortable asset coverage against bank facilities and low duration of most assets under management (AUM).

Regulation 44 sub regulations 2 of SEBI (Mutual Funds) Regulations 1996 provides that mutual funds shall not borrow except to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unit holders provided that the mutual fund shall not borrow more than 20% of the net asset of the scheme and the duration of such a borrowing shall not exceed a period of six months (source: SEBI website).

Maintenance of the high credit quality of the underlying assets of the schemes and asset coverage for the bank facilities are the key rating sensitivities.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Significant deterioration in the asset quality of AUM.

Analytical approach: CARE has analysed the underlying credit quality of the debt schemes covered under the bank facilities.

Outlook: Stable

The stable outlook reflects high credit quality of assets/securities underlying the rated bank facilities and low duration of most assets under management (AUM), with 88.68% of investments in liquid assets.

Detailed description of the key rating drivers:

Key strengths

Sponsors strength, Experienced Management team and board of directors

UTI AMC is the investment manager of UTI Mutual Fund. State Bank of India, Life Insurance Corporation of India, Bank of Baroda and Punjab National Bank are sponsors of UTI Mutual Fund. It has global partnership with T. Rowe Price International Ltd. which is one of the majority shareholders holding 22.96% stake in the AMC followed by Punjab National Bank 15.22%, State Bank of India 9.97%, Bank of Baroda 9.97% and Life Insurance Corporation of India 9.97% as on March 31, 2023.

The AMC board comprises of 3 Non-Executive Directors, 5 Independent directors and a non-executive chairman. The senior management and the fund management team consists of professionals with extensive experience in the investment management industry.

High credit quality of underlying assets

UTI Mutual Fund has collective Fund Based Working Capital facilities of ₹6,000.00 crore for meeting redemption/ repurchase requirements in 8 debt mutual fund schemes having total AUM of ₹55,532.38 crore as on April 30, 2023. Out of the combined portfolio of the 8 schemes, 81.41% of AUM was invested in highly liquid sovereign debt and AAA rated papers, 8.87% in AA+

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

rated papers, 7.57% in AA rated papers and remaining 2.15% in AA- rated papers. The high credit quality of underlying assets mitigates credit risks.

Low market risk and liquidity risk

As on April 30, 2023, the portfolio duration of 8 schemes was 0.57 years as the majority of investment is in short-term instruments and government securities. Furthermore, out of the portfolio of 8 schemes, 88.68% of investments are in liquid assets which include G-sec, TREPS, CPs, CDs, T-Bills and cash, thereby resulting into lower market risk.

Liquidity: Adequate

As on April 30, 2023, all the 8 schemes of the mutual fund having high credit quality rating (CQR) of CARE AAAMfs. Out of the combined portfolio of the 8 schemes as stipulated in the Annexure-6, 81.41% of AUM was invested in highly liquid sovereign debt and AAA rated papers, 8.87% in AA+ rated papers, 7.57% in AA rated papers and 2.15% in AA- rated papers.

Furthermore, the said facility is generally used to meet temporary liquidity requirements such as redemptions. While the available tenure of facilities is one year, the funds are generally repaid within 7 days. The facility drawn is against pledge of at least 1.1x security cover of highly rated and liquid securities and the bank has mechanism in place to monitor the liquidity position in the portfolio which mitigates liquidity risk.

Assumptions/Covenants: NA

Environment, Social and Governance (ESG) Profile:

In view of the importance of ESG practices, global nature of ESG requirements and its criticality for operations of UTI International Limited, the Board has also constituted a 'ESG Committee' through circular resolution dated 2nd August 2021 with majority of the members being independent directors. In Pursuance of the ESG initiative, the company has taken several steps such as:

- Implemented a paperless approval system. All internal approvals are obtained digitally through documents management system (DMS).
- Developing unique sector based ESG templates into research process.
- Subscribed to Sustainalytics for independent ESG ratings and analysis as an input for investment team.
- Incorporated costs, benefits and capital allocation implications based on ESG templates into fundamental analysis, valuation and investment decision making.
- Added ESG analyst to the team to help integrate responsible investing (RI) framework in line with obligation as United Nations - Principles for Responsible Investing (UN-RPI) signatory.

Applicable criteria

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Mutual Fund Credit Quality](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Asset Management Company

UTI Asset Management Company Limited (UTI AMC) is Investment Manager to UTI Mutual Fund. It is incorporated under the Companies Act, 1956 and was approved to act as an Asset Management Company for UTI Mutual Fund by SEBI on January 14, 2003. UTI AMC is registered as Portfolio Manager with SEBI and through its subsidiary it acts as Fund manager for AIF, among others. It also has a countrywide network of branches along with a diversified distribution network. Sponsors of UTI AMC are State Bank of India, Punjab National Bank, Bank of Baroda and Life Insurance Corporation of India. T. Rowe Price International Ltd is one of the shareholder of UTI AMC. UTI AMC is managing assets across different business verticals that include domestic Mutual Fund, Portfolio Management Services (PMS), International Business, Retirement Solutions and alternate investment assets. UTI MF reported average assets under management (AAUM) at ₹2,38,791 crore (excluding domestic Fund of Funds but including Fund of Funds - Overseas) for the quarter ended March 31, 2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	6000.00	CARE AAA; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	6000.00	CARE AAA; Stable / CARE A1+				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: Details of Debt Mutual fund schemes considered under the above facility are:

Sr. No	Scheme	As on April 30, 2023
		AUM (₹ crore)
1.	UTI Corporate Bond Fund	3,353
2.	UTI Floater Fund	1,591
3.	UTI Liquid Cash Plan Fund	27,772
4.	UTI Money Market Fund	8,692
5.	UTI Overnight Fund	6,196
6.	UTI Short Term Income Fund	2,357
7.	UTI Treasury Advantage Fund	3,381
8.	UTI Ultra Short Term Fund	2,190
	TOTAL	55,532

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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