

SBI Funds Management Limited

February 27, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	41,000.00	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 SBI Funds Management Limited (SBI FML) factoring in the strong sponsor strength with strong brand linkages to State Bank of India (SBI), experienced fund management team, high credit quality of the underlying assets of the schemes, comfortable asset coverage for the 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

- Moderation in linkages with the parent.
- Significant deterioration in the asset quality of AUM.
- Decline in the asset coverage for the debt scheme.

Analytical approach: CARE Ratings has analysed the underlying credit quality of the schemes of the mutual fund considered under the bank facilities along with factoring in the sponsorship of SBI along with managerial linkages.

Key strengths

Sponsors' strength

SBI Mutual Fund is managed by SBI FML, and SBI (rated 'CARE AAA; Stable') is the sole sponsor of SBI Mutual Fund. SBI is the largest bank in India in terms of assets and total business and is systematically important with an asset base of ₹5,199,800 crore as on September 30, 2022. The bank has systematic importance with a market share of 23.04% in advances and 23.81% in deposits in the Indian Banking system. Government of India (GOI) is the major shareholder holding 56.92% as on March 31, 2022. As on March 31, 2022, the bank has a network of 22,267 domestic branches and an international network of 227 offices across 31 countries.

SBI FML is a joint venture (JV) between SBI and AMUNDI Asset Management (AMUNDI), France, one of the world's leading fund management companies. A shareholder agreement in this regard has been entered on April 13, 2011, between SBI and AMUNDI. SBI currently holds 63% stake in SBI FML and 37% stake is held by AMUNDI, through a wholly-owned subsidiary, Amundi India Holding.

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

High credit quality of underlying assets

As on December 31, 2022, the schemes of the mutual fund as stipulated in the Annexure-6 have been invested in debt instruments having high credit quality rating (CQR) of CARE AAAmfs. Out of the combined portfolio of the schemes as stipulated in the Annexure-6, 26.71% was invested in sovereign debt, 55.14% in AAA rated papers, 9.54% in AA+ rated papers, 6.51% in AA rated papers, 1.68% in AA- rated papers, and 0.42% in A+ rated papers.

Comfortable asset coverage

SBI Mutual Fund has a sanctioned long-term/ short-term facility of ₹41,000 crore. Against the availed facility of ₹41,000 crore, the total AUM of the mutual fund schemes as stipulated in the Annexure-6 stood at ₹183,002 crore as on December 31, 2022, indicating adequate coverage. Furthermore, 81.85% of AUM are invested in government securities and AAA rated papers, thus providing adequate liquidity. Also, the bank facility utilisation is primarily to meet liquidity mismatches/ redemption requirements of the fund, which is short term in nature.

On an individual scheme basis as well, the liquidity coverage is high given the highest CQR rating of CARE AAAmfs as well as majority investments being done in highly liquid papers like G-secs and AAA rated.

Experienced management

The board comprises three representative directors from SBI and three representative directors from AMUNDI. In addition to this, there are five independent directors on the board of AMC. Dinesh Kumar Khara (Chairman of SBI), Chairman of SBI FML, has over 36 years of experience in all the facets of commercial banking, such as Retail Credit, SME/Corporate Credit, deposit mobilisation, international banking operations, branch management, etc. Before taking over the charge as Chairman, Khara was Managing Director (Global Banking and Subsidiaries) of the bank. Shamsheer Singh, MD & CEO of SBI FML, has over 32 years of experience. He is associated with the SBI group since 1990 and prior to this role he was the Deputy MD of SBI. Denys De Campigneulle has been deputed from AMUNDI group as Deputy CEO of SBI FML w.e.f March 07, 2020. He has over 33 years of extensive experience in financial services.

Low market risk and liquidity risk

As on December 31, 2022, the average portfolio duration was 1.70 years. The schemes have been invested in high credit quality papers and highly liquid G-secs, which would help reduce the impact of any price movement. Hence, any change in the interest rate would have limited impact on the movement of price. The total amount of (CP, G-Secs, T-Bills, CBLO, Repo) is 59.06% of the total AUM and total AAA rated paper amounts to 55.14% of the total AUM as on December 31, 2022, which are likely to be very liquid.

Liquidity: Adequate

The rated facility is worth ₹41,000 crore against which the total AUM of the mutual fund schemes as stipulated in the Annexure-6 stood ₹183,002 crore (as on December 31, 2022) ensuring adequate coverage. As on December 31, 2022, the schemes considered under the bank facility have been invested in debt instruments having high credit quality rating (CQR) of CARE AAAmfs. Out of the combined portfolio of the schemes as stipulated in Annexure-6, 81.85% was invested in sovereign debt and AAA rated papers.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[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

SBI Funds Management Ltd is the investment manager of SBI Mutual Fund. The asset management company (AMC) was incorporated on February 07, 1992, under the Companies Act, 1956. The company is a joint venture between State Bank of India (SBI) and AMUNDI Asset Management (France), one of the world's leading fund management companies. A shareholder agreement in this regard has been entered on April 13, 2011, between SBI and AMUNDI. Accordingly, SBI currently holds 63% stake in SBI FML and 37% stake is held by AMUNDI, through a wholly-owned subsidiary, Amundi India Holding. Initially, this 37% was held by Societe Generale Asset Management S.A., a subsidiary of Societe Generale S.A, which was transferred to AMUNDI in June 2011.

The company has a wholly-owned foreign subsidiary, namely, SBI Funds Management (International) Private Ltd, which is based at Mauritius and manages off-shore funds.

SBI FML had average assets under management of ₹712,362.06 crore for the quarter ended December 31, 2022.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bank facilities- Fund-based-LT/ST	-	-	-	-	23,300.00	CARE AAA; Stable / CARE A1+
Bank facilities- Fund-based-LT/ST (Proposed)	-	-	-	-	17,700.00	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	1)CARE A1+ (17-Feb-21) 2)Withdrawn (17-Feb-21)	1)CARE A1+ (07-Feb-20)
2	Fund-based-LT/ST	LT/ST*	41000.00	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	Fund-based-LT/ST	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 December 31, 2022
		AUM (₹ crore)
1.	SBI Magnum Income Fund	1,500.51
2.	SBI Overnight Fund	18,339.53
3.	SBI Magnum Medium Duration Fund	7,145.68
4.	SBI Liquid Fund	63,456.41
5.	SBI Dynamic Bond Fund	2,350.78
6.	SBI Savings Fund	18,532.83
7.	SBI Credit Risk Fund	2,833.65
8.	SBI Magnum Ultra Short Duration Fund	9,690.92
9.	SBI Magnum Constant Maturity Fund	833.52
10.	SBI Magnum Gilt Fund	3,968.02
11.	SBI Magnum Low Duration Fund	7,593.33
12.	SBI Short Term Debt Fund	13,339.60
13.	SBI Banking & PSU Fund	5,056.72
14.	SBI Corporate Bond Fund	16,116.85
15.	SBI Floating Rate Debt Fund	1,976.47
16.	SBI CPSE Bond Plus SDL Sep 2026 50 50 IF	8,984.22
17.	SBI CRISIL IBX Gilt Index-June 2036 Fund	229.69
18.	SBI CRISIL IBX Gilt Index-APR-2029 Fund	449.49
19.	SBI CRISIL IBX SDL Index-SEP-2027 Fund	604.11
	TOTAL	183,002

The utilisation of the rated facilities shall be as per the agreement / sanction letters executed with the respective banks.

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**Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in**Analyst contact**

Name: Niketa Kalan

Phone: 9820904056

E-mail: Niketa.Kalan@careedge.in**Relationship contact**

Name: Saikat Roy

Phone: +91-22-67543404

E-mail: saikat.roy@careedge.in**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:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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