

## Kotak Mahindra Asset Management Company Limited

July 05, 2021

### Rating:

Scheme Name	Scheme Type	Rating <sup>1</sup>	Rating Action
Kotak Liquid Fund	Open Ended Liquid Scheme	CARE A1+ mfs [A One Plus mfs]	Reaffirmed
Kotak Overnight Fund	Open Ended Debt Scheme	CARE A1+ mfs [A One Plus mfs]	Reaffirmed

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the credit quality ratings assigned to Kotak Liquid Fund and Kotak Overnight Fund. The funds are managed by Kotak Mahindra Asset Management Company Limited (Kotak AMC).

Schemes rated 'CARE A1+ mfs' are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made.

CARE's fund credit quality ratings are opinions on the overall credit quality of specific Debt Mutual Fund scheme. CARE's fund credit quality rating is not a recommendation to purchase, sell, or hold a security / fund. It neither comments on the current market price, suitability for a particular investor nor on the prospective performance of the fund with respect to appreciation, volatility of net asset value (NAV), or yield of the fund. The ratings do not address the funds ability to meet the payment obligations to the investors.

The fund ratings capture fund's overall exposure to default risk. CARE's fund credit quality ratings are based on evaluation of the fund's investment strategy and portfolio credit risk. It also involves evaluation of credit quality of individual assets as well as diversification of portfolio. CARE uses the concept of credit scores, assigned to individual securities, as per credit scoring matrix developed by CARE.

CARE reviews the rated mutual fund scheme on an ongoing basis to support its published rating opinions. As such, monthly reports of the fund are examined. While the fund has to maintain the fund credit score within the benchmark fund scores, in a particular month, if the fund credit score breaches the benchmark, CARE generally provides one month to the asset management company (AMC) to realign the score. The credit scores of the above two schemes are on the basis of May 2021 portfolios which are within the benchmark set by CARE.

**Analytical Approach:** Assessment of Underlying Credit Quality of the Debt Schemes

### Applicable Criteria:

[CARE's Fund Credit Quality Rating Criteria](#)

### About the Fund:

#### Kotak Liquid Fund:

The investment objective of the Scheme is to provide reasonable returns and high level of liquidity by investing in debt instruments such as bonds, debentures and Government Securities; and money market instruments such as treasury bills, commercial paper, certificate of deposit, including repos in permitted securities of different maturities, so as to spread the risk across different kinds of issuers in the debt markets. The Scheme may invest in call money/term money market in terms of RBI guidelines in this respect. Subject to the maximum amount permitted from time to time, the Scheme may invest in offshore securities in the manner allowed by SEBI / RBI, provided such investments are in conformity with the investment objective of the Scheme and the prevailing guidelines and Regulations. To reduce the risk of the portfolio, the Scheme may also use various derivative and hedging products from time to time, in the manner permitted by SEBI. There is no assurance that the investment objective of the Schemes will be realized. The fund's asset under management stood at about Rs.30,282.61 crore as on May 30, 2021.

#### Kotak Overnight Fund:

Kotak Overnight Fund is an Open Ended Debt Scheme launched by Kotak Mahindra AMC in January 2019. The investment objective of the scheme is to generate returns by investing in Debt and Money Market Instruments with overnight maturity. However, the fund provides no assurance that the investment objective of the scheme will be achieved. The fund's assets under management (AUM) stood at Rs.7,313.37 crore as on May 31, 2021.

### Profile of Mutual Fund & AMC

Kotak Mahindra AMC, which is a wholly owned subsidiary of Kotak Mahindra Bank Limited (KMBL), is the Investment Manager to Kotak Mahindra Mutual Fund. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), Kotak Mahindra group's

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com)

flagship company, received banking license from the Reserve Bank of India (RBI), becoming the first non-banking finance company in India to convert into a bank. Kotak Mahindra Group is one of India's leading financial services conglomerates. Kotak Mahindra AMC started operations in December 1998 and has approximately 21 Lac investors in various schemes. The mutual fund offers schemes catering to investors with varying risk - return profiles and was the first fund house in the country to launch a dedicated gilt scheme investing only in government securities. The company is present in 82 cities and has 86 branches. Kotak Mahindra Mutual Fund has Average Assets Under Management (AAUM) for quarter ended March 31, 2021 of Rs.2,33,780.35 crores.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Rate	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
Kotak Liquid Fund	-	-	-	-	CARE A1+ mfs [A One Plus mfs]
Kotak Overnight Fund	-	-	-	-	CARE A1+ mfs [A One Plus mfs]

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument	Current Ratings			Rating history			
		Type	Amount o/s (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Kotak Overnight Fund	Open Ended Debt Scheme	-	CARE A1+mfs	-	1) CARE A1+mfs (24-Jul-20)	1) CARE A1+mfs (30-Dec-19)	-
2.	Kotak Liquid Fund	Open Ended Liquid Scheme	-	CARE A1+mfs	-	1) CARE A1+mfs (30-Sep-20)	-	-

**Annexure 3: Complexity Level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Credit Quality Rating	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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