

Kotak Mahindra Mutual Fund

March 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short-term bank facilities*	-	-	Reaffirmed at CARE A1+ and withdrawn

Details of instruments/facilities in Annexure-1.

*Withdrawn on the request from client

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding rating of 'CARE A1+' assigned to the short-term bank facilities of Kotak Mahindra Mutual Fund with immediate effect. The above action has been taken at the request of Kotak Mahindra Mutual Fund and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE Ratings.

Analytical approach:

CARE Ratings has analysed the underlying credit quality of the debt schemes considered under the bank facilities as well as factored in the sponsorship from and brand linkages with the parent.

Detailed description of the key rating drivers:

Key strengths

Sponsors strength with strong brand linkages to Kotak Group and experienced management

Kotak Mahindra Asset Management Company Ltd., the investment manager of Kotak Mahindra Mutual Fund, is a wholly owned subsidiary of Kotak Mahindra Bank Ltd. (KMBL). Kotak Mahindra Mutual Fund also benefits from the linkages along with synergies in the financial services business and brand equity of Kotak Group.

The board and senior management comprises senior representative from the Kotak group indicating strong group representation. The senior management and the fund management team consist of professionals with extensive experience in the investment management industry.

High credit quality of underlying assets and low market risk:

As on January 31, 2024, the schemes covered under the bank facility have invested in debt instruments having high credit quality rating (CQR) of CARE AAA mfs. Out of the combined portfolio of the 4 schemes, 14.41% was invested in Sovereign debt, 4.33% in Treps, 60.96% in AAA rated papers, 9.19% in AA+ rated papers, 8.14% in AA rated papers, 2.58% in AA- rated papers and 0.39% in A+ rated papers. As on January 31, 2024, the portfolio duration of 4 schemes was 0.78 years. Furthermore, out of the portfolio of 4 schemes, 93.75% of investments are in liquid assets which include CP, G-Secs, T-Bills, CBLO, CDs, thereby resulting into lower market risk.

Liquidity: Strong

As on January 31, 2024, the debt mutual fund schemes have invested in debt instruments having high credit quality rating (CQR) of CARE AAAmfs. The said facility is generally used to meet redemptions on T+1 day basis, which is drawn and squared-off on the same day. The bank has mechanism in place to monitor the liquidity position and has access to funds maintained in liquid products like TREPS and Government securities in the portfolio. Out of the combined portfolio of the 4 schemes, 79.70% was invested in highly liquid sovereign debt and AAA rated papers, 9.19% in AA+ rated category papers, 8.14% in AA rated papers, 2.58% in AA- rated papers and 0.39% in A+ rated papers.

Generally, the facility is against pledge of atleast 1x security cover of highly rated and liquid securities which mitigates liquidity risk. Additionally, company has intraday facility from Kotak Mahindra Bank and ICICI Bank of ₹2,000.00 crore and ₹950.00 crore respectively.

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

Applicable criteria

[CARE's Policy on Default Recognition](#)
[Rating Methodology Fund Credit Quality](#)
[CARE's Policy on Short term Instruments](#)
[Factoring Linkages Parent Sub JV Group](#)
[Withdrawal Policy](#)

About the company and industry

Industry classification

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

Kotak Mahindra AMC, which is a wholly-owned subsidiary of Kotak Mahindra Bank Limited (KMBL), is the Asset manager to Kotak Mahindra Mutual Fund. In February 2003, Kotak Mahindra Finance Ltd (KMFL), the Kotak Mahindra group's flagship company, received a banking license from the Reserve Bank of India (RBI), becoming the first non-banking financial company (NBFC) in India to convert into a bank. The AMC reported average assets under management (AAUM) at ₹3,51,142 crore (excluding Fund of Funds – Domestic but including Fund of Funds – overseas) for the quarter ended December 31, 2023.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of 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
Fund-based - ST-Term loan	-	-	-	NA	0.00	Withdrawn

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	Fund-based - ST-Term Loan	ST	-	Withdrawn	-	1)CARE A1+ (27-Mar-23)	1)CARE A1+ (23-Mar-22)	1)CARE A1+ (05-Jan-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Term loan	Simple

Annexure-5: Lender details

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

Annexure-6: Debt Mutual Fund Schemes covered under the above facility are as follows:

Sr. No.	Scheme	AUM as on January 31, 2024 (₹ crore)
1	Kotak Dynamic Bond Fund	2,459.51
2	Kotak Liquid Fund	29,656.82
3	Kotak Money Market Fund	16,338.66
4	Kotak Savings Fund	12,413.83

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 Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3500 E-mail: sanjay.agarwal@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 91 44 2850 1001 E-mail: pradeep.kumar@careedge.in	Gaurav Dixit Director CARE Ratings Limited Phone: 91-120-4452002 E-mail: gaurav.dixit@careedge.in
	Geeta Chainani Associate Director CARE Ratings Limited Phone: 912267543447 E-mail: Geeta.Chainani@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.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**