

Kotak Mahindra Asset Management Company Limited

March 12, 2024

Scheme Name	Scheme Type	Rating ¹	Rating Action
Kotak Liquid Fund	Open-ended liquid scheme	CARE AAA mfs*	Assigned
Kotak Low Duration Fund	Open-ended Low Duration Debt Scheme	CARE AAA mfs	Reaffirmed
Kotak Money Market Fund	Open-ended Debt Scheme	CARE A1+ mfs	Reaffirmed
Kotak Overnight Fund	Open-ended Debt Scheme	CARE A1+ mfs	Reaffirmed
Kotak Savings Fund	Open-ended Ultra Short Term Debt Scheme	CARE AAA mfs	Reaffirmed

*The rating has been reclassified from 'CARE A1+ mfs' to 'CARE AAA mfs'.

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned the credit quality rating (CQR) of 'CARE AAA mfs' (pronounced as Triple A Mutual Fund Schemes) to Kotak Liquid Fund. It has also reaffirmed the CQR of 'CARE A1+ mfs' (pronounced as A One Plus Mutual Fund Schemes) to Kotak Money Market Fund and Kotak Overnight Fund and 'CARE AAA mfs' to Kotak Low Duration Fund and Kotak Savings Fund. These funds are managed by Kotak Mahindra Asset Management Company Limited.

Schemes rated 'CARE AAA mfs' are considered to have the highest degree of safety for receiving payments on time from investments they have made.

Schemes rated 'CARE A1+ mfs' are considered to have a very strong degree of safety for receiving payments on time from investments they have made.

CARE Ratings' fund CQR is an opinion on the overall credit quality of a debt mutual fund scheme. CARE Ratings' fund CQR is not a recommendation for purchasing, selling, or holding a security or fund. It comments neither on the current market price, suitability for a particular investor nor on the prospective performance of the fund regarding appreciation, volatility of net asset value (NAV), or yield of fund. Ratings do not address the fund's ability of meeting payment obligations to investors. Ratings are not an opinion on fund management practices (including fund structure, expense ratios, and marketing activities), financial performance and management quality of an asset management company (AMC), and hence, do not comment on business practices. Ratings are also not indicative of compliance and reputation risks, liquidity, market, and sectoral risks. Ratings capture the fund's overall exposure to default risk based on the credit quality of individual securities in the portfolio.

CARE Ratings' fund CQR is based on evaluation of the fund's investment strategy and portfolio credit risk. It also involves evaluation of the credit quality of individual securities and diversification of portfolios. CARE Ratings uses the concept of credit scores assigned to individual securities, per the credit scoring matrix developed by CARE Ratings.

CARE Ratings reviews the rated mutual fund scheme on an ongoing basis to support its published rating opinions. As such, portfolios of the fund are reviewed on a monthly basis. In addition, a detailed annual review of funds are also carried out. A fund is required to maintain a fund credit score within the benchmark fund score associated with a given rating level. If in a particular month the fund credit score breaches the benchmark, CARE Ratings generally provides a month to the AMC to realign the score.

The credit score of above schemes have been calculated based on the portfolio outstanding as on February 29, 2024, and are within the benchmark set by CARE Ratings.

Rating sensitivities: Factors that could individually or collectively lead to rating actions

Positive factors

Not applicable

Negative factors

CARE Ratings can downgrade ratings of schemes if the credit quality of underlying securities deteriorates, resulting in a breach in the threshold limit set by CARE Ratings for a given rating level.

Analytical approach

Assessment of underlying credit quality of debt schemes.

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

Applicable criteria

[Rating Methodology – Fund Credit Quality](#)

About the funds

Kotak Liquid Fund:

Kotak Liquid Fund was launched by Kotak Mahindra Asset Management Company Limited in November 04, 2003. It is an open-ended liquid scheme with a relatively low interest rate risk and moderate credit risk. The scheme's investment objective 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 (CP), certificate of deposit (CD), including repos in permitted securities of different maturities, so as to spread the risk across different kinds of issuers in debt markets. The scheme may invest in call money or term money market in terms of the Reserve Bank of India (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 the Securities and Exchange Board of India (SEBI) or RBI, provided such investments are in conformity with the scheme's investment objective and prevailing guidelines and regulations. To reduce portfolio risk, the scheme may also use derivatives and hedging products from time to time, as permitted by SEBI. There is no assurance that the scheme's investment objective will be realised. The fund's assets under management (AUM) stood at about ₹36,627.65 crore as on February 29, 2024.

Kotak Low Duration Fund:

Kotak Low Duration Fund was launched by Kotak Mahindra Asset Management Company Limited in March 2008. It is an open-ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6-12 months, with relatively high interest rate risk and moderate credit risk. The scheme's primary objective is to generate income through investments, mainly in low duration debt and money market securities. There is no assurance or guarantee that the scheme's investment objective will be achieved. The fund's AUM stood at ₹8,586.90 crore as on February 29, 2024. The scheme had breach regarding single issuer limits of 10% (of the NAV in debt instruments) in two exposures as per the portfolio dated February 29, 2024; however, this has been subsequently rectified.

Kotak Money Market Fund:

Kotak Money Market Fund was launched by Kotak Mahindra Asset Management Company Limited in July 2003. It is an open-ended debt scheme investing in money market instruments, with a relatively low interest rate risk and moderate credit risk. The scheme's investment objective is to generate returns by investing in money market instruments having maturity up to one year. There is no assurance that the scheme's investment objective will be realised. The fund's AUM stood at about ₹16,489.06 crore as on February 29, 2024.

Kotak Overnight Fund:

Kotak Overnight Fund was launched by Kotak Mahindra Asset Management Company Limited in January 2019. It is an open-ended debt scheme investing in overnight securities, with a relatively low interest rate risk and relatively low credit risk. The scheme's primary objective is to generate income through investments in debt and money market instruments having maturity of one business day (including triparty repo on government securities or treasury bills, reverse repo and equivalent). However, there is no assurance or guarantee that the scheme's investment objective will be achieved. The fund's AUM stood at about ₹7,189.01 crore as on February 29, 2024.

Kotak Savings Fund:

Kotak Savings Fund was launched by Kotak Mahindra Asset Management Company Limited in August 2004. It is an open-ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3-6 months, with moderate interest rate risk and moderate credit risk. The scheme's investment objective is to generate returns through investments in debt and money market instruments to reduce interest rate risk. However, there is no assurance or guarantee that the scheme's investment objective will be achieved. The fund's AUM stood at ₹12,814.18 crore as on February 29, 2024.

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 Asset Management Company Limited, 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 Limited (KMFL), Kotak Mahindra Group's flagship company, received banking license from the RBI, becoming the first non-banking finance company (NBFC) in India to convert into a bank. Kotak Mahindra Group is among India's leading financial services conglomerates.

Kotak Mahindra Asset Management Company Limited commenced operations in December 1998 and has approximately 21 lakh investors in different 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. The AMC has reported average AUM (AAUM) for schemes of Kotak Mahindra Mutual Fund of ₹351,142.36 crore (excluding domestic fund-of-funds but including fund-of-funds-overseas) for 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 to Annexure-2

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

Complexity level of instruments rated for this company: Annexure-4

Lender details - Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Scheme	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Kotak Liquid Fund	-	-	-	-	-	*CARE AAAmfs
Kotak Low Duration Fund	-	-	-	-	-	CARE AAA mfs
Kotak Money Market Fund	-	-	-	-	-	CARE A1+ mfs
Kotak Overnight Fund	-	-	-	-	-	CARE A1+ mfs
Kotak Savings Fund	-	-	-	-	-	CARE AAA mfs

Annexure-2: Rating history for last three years

Sr. No.	Name of the Scheme	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.	Kotak Liquid Fund	Open-ended liquid scheme	-	*CARE AAAmfs	1) CARE A1+mfs (June 22, 2023) 1) CARE A1+mfs (Feb. 12, 2024)	1) CARE A1+mfs (June 24, 2022)	1) CARE A1+mfs (July 05, 2021)	1) CARE A1+mfs (Sep. 30, 2020)
2.	Kotak Low Duration Fund	Open-ended low duration debt scheme	-	CARE AAA mfs	1) CARE AAA mfs (June 22, 2023) 1) CARE AAA mfs (Feb 12, 2024)	1) CARE AAA mfs (Feb. 06, 2023)	-	-

Sr. No.	Name of the Scheme	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
3.	Kotak Money Market Fund	Open-ended debt scheme	-	CARE A1+mfs	1) CARE A1+mfs (June 22, 2023) 1) CARE A1+ mfs (Feb. 12, 2024)	1) CARE A1+mfs (June 24, 2022)	1) CARE A1+mfs (Aug. 03, 2021)	-
4.	Kotak Overnight Fund	Open-ended debt scheme	-	CARE A1+mfs	1) CARE A1+mfs (June 22, 2023) 1) CARE A1+ mfs (Feb. 12, 2024)	1) CARE A1+mfs (June 24, 2022)	1) CARE A1+mfs (July 05, 2021)	1) CARE A1+mfs (July 24, 2020)
5.	Kotak Savings Fund	Open-ended ultra short-term debt scheme	-	CARE AAA mfs	1) CARE AAA mfs (June 22, 2023) 1) CARE AAA mfs (Feb 12, 2024)	1) CARE AAA mfs (Feb. 06, 2023)	-	-

*The rating has been reclassified from 'CARE A1+ mfs' to 'CARE AAA mfs'.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Credit quality rating	Simple

Annexure-5: Lender details

Not applicable

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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