

Kotak Mahindra Asset Management Company Limited

June 26, 2024

Scheme Name	Scheme Type	Rating ¹	Rating Action
Kotak Liquid Fund	Open-ended Liquid Scheme	CARE AAA mfs	Reaffirmed
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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

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

Schemes rated 'CARE AAAmfs' are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made.

Schemes rated 'CARE A1+mfs' are considered to have a very strong degree of safety regarding timely receipt of payments from the investments that 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 to purchase, sell, or hold a security/fund. They comment neither 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. Ratings do not address the fund's ability to meet the payment obligations to the investors. Ratings are not an opinion on the fund management practices (including fund structure, expense ratios, and marketing activities), financial performance and management quality of an AMC and hence do not comment upon the business practices. Ratings are also not indicative of compliance & 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 the evaluation of the fund's investment strategy and portfolio credit risk. It also involves the evaluation of the credit quality of individual securities and the diversification of portfolios. CARE Ratings uses the concept of credit scores assigned to individual securities, per credit scoring matrix developed by CARE Ratings.

CARE Ratings reviews the rated mutual fund scheme on an on-going basis to support its published rating opinions. As such, portfolios of the fund are reviewed monthly. In addition, a detailed annual review of the funds is 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 the above schemes have been calculated based on portfolio outstanding as on May 31, 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 could downgrade the ratings of the schemes if the credit quality of the underlying securities deteriorates thereby 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 the 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 AMC on November 04, 2003. It is an open-ended liquid scheme with a relatively low interest rate risk and moderate credit risk. 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 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 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 realised. The fund's assets under management (AUM) stood at ₹31,894.31 crore as on May 31, 2024.

Kotak Low Duration Fund:

Kotak Low Duration Fund was launched by Kotak AMC 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 months and 12 months, with relatively high interest rate risk and moderate credit risk. The primary objective of the scheme is to generate income through investment primarily in low duration debt and money market securities. There is no assurance or guarantee that the investment objective of the scheme will be achieved. The fund's AUM stood at ₹9,154.40 crore as on May 31, 2024.

Kotak Money Market Fund:

Kotak Money Market Fund was launched by Kotak AMC 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 investment objective of the scheme is to generate returns by investing in money market instruments having maturity upto one year. There is no assurance that the investment objective of the scheme will be realised. The fund's AUM stood at ₹20,244.60 crore as on May 31, 2024.

Kotak Overnight Fund:

Kotak Overnight Fund was launched by Kotak AMC 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 primary objective of the scheme is to generate income through investment 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 investment objective of the scheme will be achieved. The fund's AUM stood at ₹5,473.56 crore as on May 31, 2024.

Kotak Savings Fund:

Kotak Savings Fund was launched by Kotak AMC 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 three months and six months, with moderate interest rate risk and moderate credit risk. The investment objective of the scheme is to generate returns through investments in debt and money market instruments with a view to reduce the interest rate risk. However, there is no assurance or guarantee that the investment objective of the scheme will be achieved. The fund's AUM stood at ₹12,840.70 crore as on May 31, 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 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 flagship company, received banking license from the 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 AMC started operations in December 1998 and has approximately 21 lakh 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.

The AMC has reported average assets under management (AAUM) for schemes of Kotak Mahindra Mutual Fund of ₹381,045.81 crore (excluding domestic Fund of Funds but including Fund of Funds - Overseas) for the quarter ended March 31, 2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of various instruments rated: 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 AAA mfs
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-LT	-	CARE AAA mfs	1)CARE A1+ mfs (22-June-23) 2)CARE A1+mfs (12-Feb-24) 3)CARE AAA mfs (12-Mar-24)	1) CARE A1+mfs (24-June-22)	1) CARE A1+mfs (05-July-21)	1) CARE A1+mfs (30-Sep-20)
2.	Kotak Low Duration Fund	Open-ended Low Duration Debt Scheme-LT	-	CARE AAA mfs	1) CARE AAA mfs (22-June-23) 2) CARE AAA mfs (12-Feb-24) 3)CARE AAA mfs	1) CARE AAA mfs (06-Feb-23)	-	-

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
					(12-Mar-24)			
3.	Kotak Money Market Fund	Open-ended Debt Scheme-ST	-	CARE A1+mfs	1)CARE A1+mfs (22-June-23) 2)CARE A1+mfs (12-Feb-24) 3)CARE A1+ mfs (12-Mar-24)	1) CARE A1+mfs (24-June-22)	1) CARE A1+mfs (03-Aug-21)	-
4.	Kotak Overnight Fund	Open-ended Debt Scheme-ST	-	CARE A1+mfs	1)CARE A1+mfs (22-June-23) 2)CARE A1+ mfs (12-Feb-24) 3)CARE A1+ mfs (12-Mar-24)	1) CARE A1+mfs (24-June-22)	1) CARE A1+mfs (05-July-21)	1) CARE A1+mfs (24-July-20)
5.	Kotak Savings Fund	Open-ended Ultra Short - Term Debt Scheme-LT	-	CARE AAA mfs	1) CARE AAA mfs (22-June-23) 2)CARE AAA mfs (12-Feb-24) 3)CARE AAA mfs (12-Mar-24)	1) CARE AAA mfs (06-Feb-23)	-	-

LT: Long term; ST: Short term;

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

Annexure-4: Complexity level of various instruments rated

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

Annexure-5: Lender details: Not applicable

Note on complexity levels of 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 Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Name: Pradeep Kumar V. Senior Director CARE Ratings Limited Phone: +91-44-28501001 E-mail: pradeep.kumar@careedge.in	Analytical Contacts Name: Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3582 E-mail: sanjay.agarwal@careedge.in Name: Gaurav Dixit Director CARE Ratings Limited Phone: +91-120-4452002 E-mail: gaurav.dixit@careedge.in Name: Sudam Shingade Associate Director CARE Ratings Limited Phone: +91-22-6754 3608 E-mail: sudam.shingade@careedge.in
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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:

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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