

Kotak Mahindra Mutual Fund

March 23, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	1,500.00	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	1,500.00 (Rs. One Thousand Five Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Kotak Mahindra Mutual Fund (KMMF) factors in the high credit quality of the underlying assets of the schemes, comfortable asset coverage for the bank facilities and low duration of the majority of the schemes. The rating also factors in the sponsorship from Kotak Mahindra Bank Ltd. and the experience of the fund management team. The maintenance of the high credit quality of the underlying assets of the schemes and asset coverage for the bank facility are the key rating sensitivities.

Rating Sensitivities

Negative Factors- Factors that could lead to negative rating action/downgrade:

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

Detailed description of the key rating drivers

Key Rating Strengths

High credit quality of underlying assets

The rated facility is used against the four debt schemes (Kotak Dynamic Bond Fund, Kotak Liquid Fund, Kotak Money Market Fund, Kotak Savings Fund). As on January 31, 2022, the credit quality for the portfolio of all the 4 schemes was strong with around 30% of the total AUM of the four schemes covered under the bank facility invested in Government securities (G-Sec) and Treasury Bills (T-Bills), around 55% in AAA rated papers, 7% in AA+ rated papers, around 6% in AA rated papers while around 2% is in AA- and below rated papers.

High asset coverage

As on January 31, 2022, the total facility rated was Rs.1,500 crore against the total AUM of Rs.56,247 crore of the four schemes which has led to the coverage being affected at around 38 times. Further, the bank facility utilization is primarily to meet liquidity mismatches/ redemption requirements of the fund and is thus short term in nature. The repayment responsibility of rated facilities lies with the scheme that has used the facility along with the AMC.

Sponsors strength with strong brand linkages to Kotak Group

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.

Experienced management

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.

Low market risk and liquidity risk

The average maturity of all the four schemes as on January 31, 2022, was 0.31 years, indicating short term nature of investments. Majority of the investment is in Certificate of Deposits (CDs), Commercial Paper (CPs), and Triparty Repos (TREPS) any change in interest rate would have limited impact on any movement of price. Moreover, the schemes invest in high credit quality debt instruments which should further limit market risk and liquidity risk.

Liquidity Profile: Strong

As on January 31, 2022, 35% of the investment was in G-Sec, T-Bills and TREPS and 55% of the investment was in CPs and CDs of the total AUM. Further the AMC also has a backup line of a bank facility from Kotak Mahindra Bank. Further, around 2% of the AUM is held as cash balance with the AMC.

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

Analytical approach:

CARE has analysed standalone credit profile of Kotak Mahindra Asset Management Pvt. Ltd. along with its operational and managerial linkages with its parent Kotak Mahindra Bank and underlying credit quality of the debt schemes covered under the bank facility.

Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Short Term Instruments](#)

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

About the Company

Kotak Mahindra Asset Management Company Limited (KMAMC), a wholly owned subsidiary of Kotak Mahindra Bank Limited (KMBL), is the asset manager for Kotak Mahindra Mutual Fund (KMMF). KMAMC started operations in December 1998 and has approximately 75 Lac investors in various schemes. KMMF 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 80 cities and has 87 branches. For the quarter ended December 31, 2021, the average assets under management stood at Rs.2,86,883 crore for Kotak Mahindra Mutual Fund. Mr. Nilesh Shah is the managing director of KMAMC and he is supported by a team of experienced professionals.

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Term loan		-	-	-	1500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (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	Fund-based - ST-Term loan	ST	1500.00	CARE A1+	-	1)CARE A1+ (05-Jan-21)	1)CARE A1+ (30-Mar-20)	1)CARE A1+ (18-Mar-19) 2)CARE A1+ (04-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	NA
B. Non financial covenants	NA

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Term loan	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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