

Kotak Mahindra Asset Management Company Limited

June 24, 2022

Ratings

Scheme Name	Scheme Type	Rating ¹	Rating Action
Kotak Liquid Fund	Open-Ended Liquid Scheme	CARE A1+mfs [A One Plus mfs]	Reaffirmed
Kotak Money Market Fund	Open-Ended Debt 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 Annexure-1.

Detailed rationale and key rating drivers

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

The 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 Ratings' fund credit quality ratings are opinions on the overall credit quality of the specific debt mutual fund scheme. CARE Ratings' 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 fund's ability to meet the payment obligations to the investors.

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

CARE Ratings reviews the rated mutual fund schemes on an ongoing basis to support its published rating opinions. As such, the 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 Ratings generally provides one month to the asset management company (AMC) to realign the score. The credit scores of the above three schemes have been calculated based on the portfolio outstanding as on May 31, 2022, and are within the benchmarks set by CARE Ratings.

Analytical approach

Assessment of underlying credit quality of the debt schemes

Applicable criteria

[CARE Ratings' fund credit quality rating criteria](#)

About the funds

Kotak Liquid Fund: The investment objective of the scheme is to provide reasonable returns and a 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 papers, certificates 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 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 the 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 derivatives 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 about ₹35,450 crore as on May 31, 2022.

Kotak Money Market Fund: Kotak Money Market Fund was launched by Kotak Mahindra Asset Management Company Limited in July 2003. Kotak Money Market Fund is an open-ended debt scheme investing in money market instruments. The scheme aims to provide reasonable returns commensurate with low risk and providing a high level of liquidity by investing in money market

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

instruments. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved. The fund's asset under management stood at about ₹14,642 crore as on May 31, 2022.

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 asset under management stood at about ₹12,845 crore as on May 31, 2022.

About the company

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), the Kotak Mahindra group's flagship company, received a banking license from the RBI, becoming the first non-banking financial company (NBFC) in India to convert into a bank. The Kotak Mahindra group is one of India's leading financial services conglomerates. Kotak Mahindra 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 an average assets under management (AAUM) for schemes of Kotak Mahindra Mutual Fund of ₹2,86,414 crore for the quarter-ended March 31, 2022.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Kotak Liquid Fund	-	-	-	-	-	CARE A1+mfs [A One Plus mfs]
Kotak Money Market Fund	-	-	-	-	-	CARE A1+mfs [A One Plus mfs]
Kotak Overnight Fund	-	-	-	-	-	CARE A1+mfs [A One Plus mfs]

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1.	Kotak Overnight Fund	Open-ended debt scheme	-	CARE A1+ mfs	-	1) CARE A1+ mfs (July 05, 2021)	1) CARE A1+ mfs (July 24, 2020)	1) CARE A1+ mfs (December 30, 2019)
2.	Kotak Liquid Fund	Open-ended liquid scheme	-	CARE A1+ mfs	-	1) CARE A1+ mfs (July 05, 2021)	1) CARE A1+ mfs (September 30, 2020)	-
3.	Kotak Money Market Fund	Open-ended debt scheme	-	CARE A1+ mfs	-	1) CARE A1+ mfs (August 03, 2021)	-	-

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

Not applicable

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

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

Note on 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.

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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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