

March 31, 2025

Kotak Mahindra Asset Management Company Limited¹: [ICRA]AAA (Stable)/[ICRA]A1+ assigned to bank facilities

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Short-term fund-based/Non-fund based bank facilities – Others [^]	3,950.00	[ICRA]A1+; assigned
Long-term non-fund based bank facilities	30.00	[ICRA]AAA (Stable); assigned
Short-term Bank facilities – Unallocated	11,020	[ICRA]A1+; assigned
Total	15,000.00	
Short-term interchangeable – Overdraft [§]	(200.00)	[ICRA]A1+; assigned
Short-term interchangeable – Working capital demand loan [§]	(300.00)	[ICRA]A1+; assigned

*Instrument details are provided in Annexure I

[^]Intraday liquidity facility for managing redemption of mutual fund schemes; includes ad hoc limits

[§]One-way interchangeable limits, wherein fund-based facilities of Rs. 500 crore can also be used as intraday limits and is included in short-term fund-based/non-fund based bank facilities – Others

Rationale

ICRA has assigned [ICRA]AAA (Stable)/[ICRA]A1+ ratings to the bank lines availed by Kotak Mahindra Mutual Fund (Kotak Mahindra MF) and managed by Kotak Mahindra Asset Management Company Limited (Kotak AMC). The rated facilities are used for Kotak Mahindra MF's schemes to bridge the intraday timing mismatches between redemption payouts to unitholders and cash inflows through fresh subscription and/or sale/redemption of securities in the schemes during the day. Further, the need for availing overnight bank borrowings may arise to plug cashflow mismatches during periods of sustained redemptions. However, such mismatches are expected to be temporary and only for a few days.

For the redemptions in the equity schemes, the sale of assets is typically done on the day of the redemption request and deployed the next day on TREPS² for redemption payout and repayment of the intraday lines on the subsequent day. However, for open-ended debt schemes (OEDS), intraday liquidity management is a combination of the fresh inflows expected in the scheme, the maturity of underlying investments in the scheme, the liquidity of the underlying investments (sale) and the ability of the scheme to raise funds by pledging securities {primarily TREPS of Government securities (G-Secs)/Treasury bills (T-bills)}. Hence, the ability of the OEDS to repay the intraday liquidity lines is a function of the credit quality of the underlying investments and the ability to raise funds by pledging securities. Since OEDS are required to maintain liquid assets³ as per regulations, they can pledge these assets on TREPS to manage redemptions. However, if there is high volatility in the assets under management (AUM) due to redemptions, the sale of the underlying investments or the ability to raise borrowings (under TREPS) against the investments becomes a critical factor for intraday liquidity management.

Accordingly, ICRA has analysed the OEDS that have displayed high negative volatility in the AUM. ICRA's assessment of the credit quality of these OEDS is guided by the credit ratings of the individual investments and the relative share of the scheme's allocation towards investments, besides the maturity schedule of such investments. These schemes usually have a high share of investments in sovereign and/or AAA-rated instruments (~86% of AUM as on Feb 28, 2025), which provides comfort

¹ As the Investment Manager of Kotak Mahindra Mutual Fund.

² Treasury Bills Repurchase (TREPs) is a proprietary product offered by The Clearing Corporation of India Limited (CCIL): an institution authorised by the Reserve Bank of India (RBI). Through TREPS, entities can lend and borrow funds against G-Secs. The settlement of TREPs is guaranteed by CCIL.

³ OEDS are required to maintain 10% of the AUM in liquid assets (cash, T-bills and G-Secs). The minimum threshold is higher at 20% of AUM for liquid schemes and overnight schemes.

regarding Kotak Mahindra MF's ability to generate liquidity to repay the rated lines in a timely manner. Instances of overnight borrowing in its OEDS have been nil for the past 5-6 years, reflecting its ability to manage intraday liquidity.

The credit profile remains exposed to events of sustained redemption pressure, which could result in the depletion of the liquid investments, exposing the schemes to liquidity risk.

The Stable outlook reflects ICRA's expectation that OEDS would continue to maintain the credit quality of the underlying investments and raise funds by selling or pledging securities in a timely manner in order to ensure efficient liquidity management.

Key rating drivers and their description

Credit strengths

Strong credit quality of underlying assets in schemes with relatively high negative volatility – ICRA has analysed the OEDS of Kotak Mahindra MF that have exhibited high daily negative volatility in their AUM. The analysis indicates that the credit quality of the underlying investments held in these schemes remains strong with investments in short-tenor instruments. As on Feb 28, 2025, ~86% of the investments of these schemes is in sovereign and AAA-rated instruments, providing comfort regarding its ability to pledge/sell these investments at short notice to meet its liquidity requirements.

Robust risk management – The Kotak Mahindra MF maintains strong credit quality of the underlying assets in the OEDS, supporting its ability to sell/borrow against the underlying securities to manage its liquidity. There had been no instances of overnight borrowings (apart from TREPS) to manage intraday liquidity in the past 5-6 years. Further, as per Securities and Exchange Board of India (SEBI) guidelines, the maximum borrowings cannot exceed 20% of the AUM (including TREPS) of any of the OEDS.

Credit challenges

Market dislocation and/or adverse liquidity events leading to redemption pressure – Though the Kotak Mahindra MF has managed liquidity across all its schemes, the liquidity of the OEDS remains exposed to events of sustained redemption pressure. Any adverse liquidity event in the market or weakening in macro-economic factors could lead to a sustained increase in redemptions and a reduction in fresh inflows. During such liquidity events, the liquidity of the underlying investments may also decline. Further, investor concentration in many OEDS tends to be high; herd behaviour and bulky redemptions could be witnessed during events of market stress. Sustained redemption pressure can result in a sharp contraction in the liquid investments of the schemes, limiting the Kotak Mahindra MF's ability to incrementally sell/borrow against these instruments. A combination of these events can hence pose challenges to the liquidity management of such OEDS.

Liquidity position: Superior

As on December 31, 2024, Kotak Mahindra MF had access to sanctioned bank facilities of Rs. 11,980 crore, comprising Rs. 530-crore fund-based facilities and Rs. 11,450 crore of intraday facilities. There has not been any utilisation of fund-based facilities (except intraday lines) during the 23-month period of April 2023 to February 2025. Kotak Mahindra MF has largely managed all borrowings through the TREPS lending platform, managing within the regulatory threshold of 20% of the AUM.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material deterioration in the credit quality of the underlying investments of the OEDS or sustained negative volatility in the AUM of the schemes that will increase the liquidity risk will be negative factors.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Mutual funds
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Kotak Mahindra Asset Management Company Limited, the AMC for the mutual fund schemes of Kotak Mahindra Mutual Fund, is a wholly-owned subsidiary of Kotak Mahindra Bank Limited {rated [ICRA]AAA (Stable)} and a part of Kotak Group, which was established in 1985 by Mr Uday Kotak. Kotak Group caters to the financial needs of individuals and institutional investors managing AUM of Rs. 6.8 trillion, comprising domestic mutual funds of around 71%, followed by insurance (12%), offshore funds (9%), alternate assets (7%) and portfolio management services (PMS) and others (1%).

The AMC commenced operations in December 1998 and its average AUM was Rs. 4.89 lakh crore for the quarter ended December 31, 2024 compared to Rs. 3.81 lakh crore for the quarter ended March 31, 2024. As of February 2025, it was managing around 22 equity schemes, 15 debt schemes, 8 Fund of Funds, 16 exchange-traded funds (ETFs) and 27 index schemes.

Key financial indicators: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2025)		Chronology of rating history for the past 3 years							
			Mar 31, 2025	Date	FY2025		FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term others – Non-fund based	Long term	30.00	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-	-
Short-term overdraft – Interchangeable [§]	Short term	(200.00)	[ICRA]A1+	-	-	-	-	-	-	-	-	-
Short-term working capital demand loan – Interchangeable [§]	Short term	(300.00)	[ICRA]A1+	-	-	-	-	-	-	-	-	-
Short-term unallocated – Unallocated	Short term	11,020.00	[ICRA]A1+	-	-	-	-	-	-	-	-	-

Short-term others – Fund based/Non-fund based[^]	Short term	3,950.00	[ICRA]A1+	-	-	-	-	-	-	-	-
--	------------	----------	-----------	---	---	---	---	---	---	---	---

[^]Intraday liquidity facility for managing redemptions of mutual fund schemes; includes ad hoc limits

⁵One-way interchangeable limits, wherein fund-based facilities of Rs. 500 crore can also be used as intraday limits and is included in short-term fund-based/non-fund based bank facilities – Others

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term non-fund based – Others	Simple
Short-term fund based/Non-fund based – Others [^]	Simple
Short-term interchangeable – Overdraft ⁵	Simple
Short-term interchangeable – Working capital demand loan ⁵	Simple
Short term – Unallocated [^]	Not Applicable

[^]Intraday liquidity facility for managing redemptions of mutual fund schemes; includes ad hoc limits

⁵One-way interchangeable limits, wherein fund-based facilities of Rs. 500 crore can be used as intraday limits

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term non-fund based – Others	NA	NA	NA	30.00	[ICRA]AAA (Stable)
NA	Short-term fund based/Non-fund based – Others [^]	NA	NA	NA	3,950.00	[ICRA]A1+
NA	Short-term interchangeable – Overdraft [§]	NA	NA	NA	(200.00)	[ICRA]A1+
NA	Short-term interchangeable – Working capital demand loan [§]	NA	NA	NA	(300.00)	[ICRA]A1+
NA	Short-term unallocated – Unallocated	NA	NA	NA	11,020.00	[ICRA]A1+

Source: Company

[^]Intraday liquidity facility for managing redemptions of mutual fund schemes

[§]One-way interchangeable limits, wherein fund-based facilities of Rs. 500 crore can also be used as intraday limits and is included in short-term fund-based/non-fund based bank facilities – Others

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Sachin Sachdeva

91 124 4545 307

sachin.sachdeva@icraindia.com

Sohil Mehta

+91 22 6114 3449

sohil.mehta@icraindia.com

Varun Dhapade

+91 22 6114 3463

varun.dhapade@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

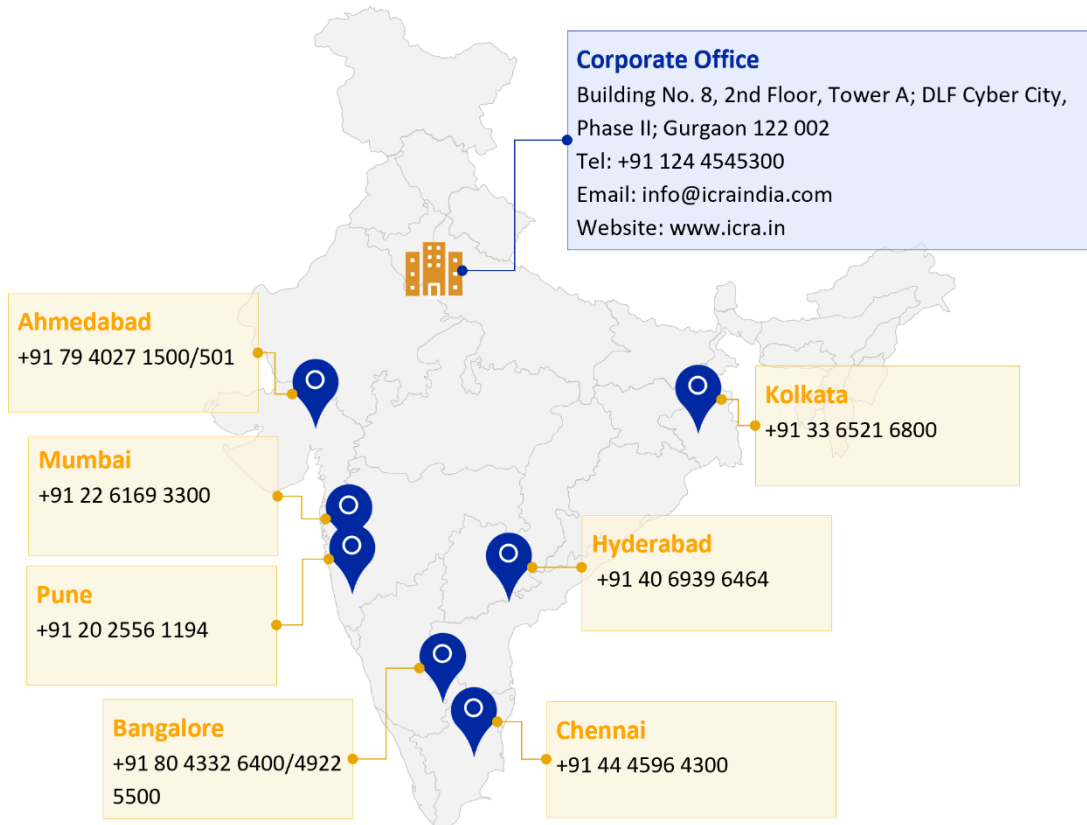


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.