

March 31, 2026

Kotak Mahindra Asset Management Company Limited¹: Rating reaffirmed; long-term rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term fund-based/Non-fund based bank facilities – Others [^]	3,950.00	15,000.00	[ICRA]A1+; reaffirmed
Long-term non-fund based bank facilities [@]	30.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Short-term bank facilities – Unallocated [@]	11,020.00	-	-
Short-term interchangeable – Overdraft [§]	(200.00)	(200.00)	[ICRA]A1+; reaffirmed
Short-term interchangeable – Working capital demand loan [§]	(300.00)	(300.00)	[ICRA]A1+; reaffirmed
Total	15,000.00	15,000.00	

*Instrument details are provided in Annexure I

[^]Intraday liquidity facility for managing redemption of Kotak Mahindra Mutual Fund's schemes

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

[@]Limits are clubbed into short-term fund based/non-fund based bank facilities – Others

Rationale

ICRA has reaffirmed the short-term rating for the bank lines availed by Kotak Mahindra Mutual Fund (Kotak Mahindra MF) and managed by Kotak Mahindra Asset Management Company Limited (Kotak AMC). ICRA has also reaffirmed and withdrawn the long-term rating for the bank facilities as requested by Kotak AMC, in line with the latest sanction terms and [ICRA's policy on the withdrawal of ratings](#). 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.

ICRA takes note of the Securities and Exchange Board of India's (SEBI) recent circular, dated March 13, 2026, on '[Borrowing by Mutual Funds](#)', which will be effective from April 1, 2026. The circular introduces a limit on the utilisation of intraday lines, whereby the same will be restricted to the maturity/sale proceeds or interest receivable from G-Secs, proceeds from reverse

¹ As the investment manager of Kotak Mahindra MF

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

repo and TREPS. This will limit the ability of OEDS to utilise intraday lines and hence impact the redemption payout timings for OEDS, though it is unlikely to impact the ability of asset management companies (AMCs) to repay their intraday lines in a timely manner.

Since OEDS are required to maintain liquid assets³ as per regulations, they can pledge these assets on TREPS to manage redemptions. However, any instances of adverse liquidity events, macroeconomic/geopolitical concerns could increase the volatility in the assets under management (AUM) due to redemptions. In such times, the sale of the underlying investments or the ability to raise borrowings (under TREPS) against 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 (more than 80% of AUM as on February 28, 2026), which provides comfort 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 limited to one in the past 6-7 years (one in last 11 months), 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.

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 February 28, 2026, more than 80% of the investments of these schemes were 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 – 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 a single instance of overnight borrowings (apart from TREPS) to manage intraday liquidity in the past 6-7 years (once in last 11 months). Further, as per SEBI guidelines, the maximum overnight 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 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 macroeconomic factors could lead to a sustained increase in redemptions and a reduction in fresh inflows. For instance, the current geopolitical concerns have increased the volatility in the capital markets, which can lead to higher redemption pressure. 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 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.

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

Liquidity position: Superior

As on January 31, 2026, Kotak Mahindra MF had access to sanctioned bank facilities of Rs. 16,450 crore, entirely consisting of intraday facilities including Rs. 500-crore fund-based facilities. There have been limited instance of utilisation of fund-based facilities (except intraday lines) during the past 11-month period of March 2025 to January 2026. Kotak Mahindra MF has largely managed all borrowings through the TREPS 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 a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Mutual Funds Policy on Withdrawal of Credit Ratings
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. 7.6 trillion, comprising domestic mutual funds of around 74%, followed by insurance (12%), offshore funds (7%), alternate assets (5%) and portfolio management services (PMS) and others (2%).

The AMC commenced operations in December 1998, and its average AUM was Rs. 5.73 lakh crore for the quarter ended December 31, 2025 compared to Rs. 4.83 lakh crore for the quarter ended March 31, 2025. As of February 2026, it was managing around 26 equity schemes, 15 debt schemes, 7 hybrid, 9 Fund of Funds, 19 exchange-traded funds (ETFs) and 35 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

Current (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2026	Date	Rating	Date	Rating	Date	Rating
Short-term others – Fund based/Non-fund based [^]	Short term	15,000.00	[ICRA]A1+	Mar 31, 2025	[ICRA]A1+	-	-	-	-
Short-term overdraft – Interchangeable [§]	Short term	(200.00)	[ICRA]A1+	Mar 31, 2025	[ICRA]A1+	-	-	-	-
Short-term working capital demand loan – Interchangeable [§]	Short term	(300.00)	[ICRA]A1+	Mar 31, 2025	[ICRA]A1+	-	-	-	-
Long-term others – Non-fund based	Long term	-	[ICRA]AAA (Stable); withdrawn	Mar 31, 2025	[ICRA]AAA (Stable)	-	-	-	-
Short-term bank facilities – Unallocated	Short term	-	-	Mar 31, 2025	[ICRA]A1+	-	-	-	-

[^]Intraday liquidity facility for managing redemptions 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

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term fund based/Non-fund based – Others [^]	Simple
Short-term interchangeable – Overdraft [§]	Simple
Short-term interchangeable – Working capital demand loan [§]	Simple
Long-term others – Non-fund based	Simple

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

[§]One-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	Short term fund based/Non-fund based – Others [^]	NA	NA	NA	15,000.00	[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	Long-term others – Non-fund based	NA	NA	NA	-	[ICRA]AAA (Stable); withdrawn

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

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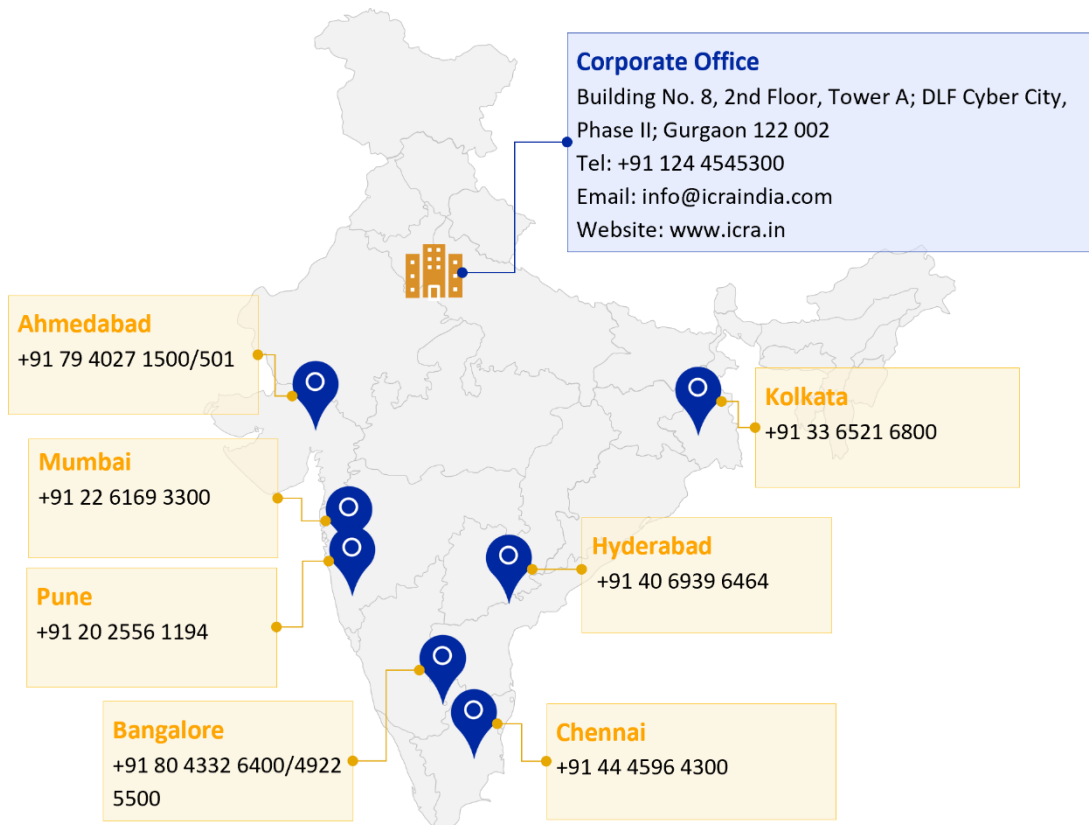


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