

BOARD OF DIRECTORS: MR. UDAY KOTAK (C), MR. DIPAK GUPTA, MR. C. JAYARAM, MS. SHANTI EKAMBARAM, MR. JAIMIN BHATT, MR. CHANDRASHEKHAR SATHE, MR. SHIVAJI DAM, MR. PANKAJ DESAI

Directors' Report

To the Members of
Kotak Mahindra Prime Limited

The Directors present their Eleventh Annual Report together with audited accounts of your Company for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

	Rupees in Lakhs	
	31st March, 2007	31st March, 2006
Gross Income	44363.10	30320.24
Profit before Depreciation and Tax	8523.94	3200.57
Depreciation	98.74	90.00
Profit before Tax	8425.20	3110.57
Provision for Tax	2691.16	1022.74
Profit after Tax	5734.04	2087.83
Balance of Profit from previous years	4733.64	3063.38
Amount available for appropriation	10467.68	5151.21
Appropriations:		
Special Reserve u/s 45IC of the RBI Act, 1934.	1146.81	417.57
Surplus carried forward to the Balance Sheet	9320.87	4733.64

2. DIVIDEND

With a view to conserve your Company's resources, the Directors do not recommend any Dividend (Previous Year: Nil)

3. DEBENTURES

Pursuant to circulars issued by the Securities and Exchange Board of India and the Reserve Bank of India, the Company has listed all debentures issued, having maturity of greater than 364 days on the Bombay Stock Exchange Limited under a Shelf Information Memorandum. The Company has appointed M/s. IDBI Trusteeship Services Limited, 10th Floor, Nariman Bhavan, Nariman Point, Mumbai 400 021 as Debenture Trustees to the issues.

4. CAPITAL ADEQUACY

The Capital to Risk Assets Ratio (CRAR) of your Company as on 31st March, 2007 was at 12%.

5. CREDIT RATING

The Company's short-term borrowing program from CRISIL, continued to enjoy the highest rating of "P1+". The long-term borrowings are rated by ICRA Limited and continue to be rated "LAA". ICRA's assessment of your Company's risk profile strengthens the confidence placed by a large pool of investors in your Company.

P1+ indicates very strong degree of safety with regard to timely payment of interest and principal.

LAA indicates high degree of safety with regard to timely payment of interest and principal.

6. FINANCE

Your Company continued its strategy of diversified funding. The Company introduced new investors and borrowed through flexible instruments like MIBOR/Nifty linked Debentures, Securitisation/Assignment transactions, etc. Your Company also made use of derivative products like interest rate swaps to manage its Asset/Liability GAP and optimize borrowings costs. With the trends in the financial markets signifying increase in interest rate environment, your Company has seen rising interest rates, after a sustained spell of the low interest rate scenario. Your Company with its established treasury philosophies and practices is well geared to meet the challenges of a dynamic interest rate environment.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Company Business

Your Company is into car finance, engaged in financing of retail customers of passenger cars and multi-utility vehicles and inventory and term funding to car dealers. Your Company finances new and used cars under retail loan, hire purchase and lease contracts.

The main streams of income for your Company are retail income, dealer finance income and fee based income. The Company also receives income from loans against securities, securitization/assignment transactions. Additionally, in the current year, new streams of income have been added such as, retail personal loans, overdraft against securities and other retail lending. The major expenses for your Company are interest expense, business sourcing expense and cost of running operations.

During financial year 2006-07, your Company's retail disbursements were at Rs. 2,070 crores versus Rs. 1,593 crores in the previous year. During the year under review, gross advances crossed the 4,100 crore mark recording an increase of 20% as compared to financial year 2005-06.

The financial year 2006-07 witnessed volatile interest and increased interest rates being charged to the car finance customer. The pressure continued on maintaining the margins in the retail car finance business. Your Company continued to focus on control over cost and credit losses, while maintaining its positioning in the car finance market. Your Company also maintained its good relationships across car manufacturers, dealers and channel partners in the country.

The Company has entered the debt capital market segment and carried out various securitization transactions during the financial year 2006-07 and the same are structured to suit the varied needs of the customers. The Company has during the financial year 2006-07 also ventured into business of retail personal loans, overdraft against securities and other retail lending.

As detailed in the 'Financial Results' section above, Gross Income of your Company increased from Rs. 30320.24 lakhs during the financial year 2005-06 to Rs. 44363.10 lakhs during the financial year 2006-07. Profit before Tax was at Rs. 8425.20 lakhs in the financial year 2006-07 versus Rs. 3110.57 lakhs in the financial year 2005-06, an increase of 171%. The credit loss ratio of your Company has been consistently maintained in the range of 0.25 % to 0.35 % over the last three years in the car finance business.

There have been certain instances of misappropriation of vehicles or use of deception to obtain vehicle loans by some of the customers involving an aggregate amount of Rs. 212 lakhs, also reported in annexure to auditors report. The said instances are inherent in the nature of business of the Company and adequate provision in respect thereof has been made in the accounts for the year.

Industry Scenario

The passenger car market in India saw a growth of 21% for financial year 2006-07 as compared to a growth of 6% for 2005-06. Total unit sales of cars and MUV's crossed 13.5 lac units in financial year 2006-07. The car market has grown at a rapid pace due to robust economic growth, launch of new and improved models and stable automotive prices.

Prospects

Indian economy in the current financial year is expected to maintain the growth momentum.

Your Company has, carved out a niche for itself in the car-financing segment focusing on distribution and relationship management across manufacturers, dealers, channel partners and customers. Fee based income is an important initiative of your Company. Dedicated infrastructure is in place to give a further impetus to the growth of fee based income with a twin objective of offering value added services to customers and leveraging the large existing customer database to generate further fee based income.

Customer knowledge, easy accessibility through its wide network of branches and a firm commitment to deliver superior customer service are key drivers for your Company's performance.

Internal Controls

The Company maintains a system of internal control, including suitable monitoring procedures. The Internal Control department regularly conducts a review to assess the financial and operating controls at various locations of your Company including Head Office functions and at branches. Reports of the audits conducted by the Internal Control department are presented to the Audit Committee. Representatives of the statutory auditors are permanent invitees to the Audit Committee.

Human Resources

The Company is professionally managed with key management personnel having relatively long tenure with the Company.

Your Company follows a policy of building strong teams of talented professionals. Your Company encourages and facilitates long term careers with your Company through carefully designated management development programs and performance management systems.

Information Technology

Your Company uses the operating system 'CORE' which is owned and managed by Kotak Mahindra Bank Limited and is used for its retail assets division since 2003 and uses "ORACLE" as its Financial system. The CORE system has the latest technology platform and also has capacity to scale based on business requirements. The modular nature of the system supports efficiency in operations coupled with strong systems and operational controls. The system is robust to cater to efficient customer service and support marketing initiatives at reasonable cost.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' section may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

8. DIRECTORS

Mr. Chandrashekhar Sathe and Ms. Shanti Ekambaram, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

9. EXECUTIVE MANAGEMENT

Mr. Sumit Bali is Manager and Chief Executive Officer, and Mr. Sudhakar Shanbhag is Chief Operating Officer of your Company.

10. AUDIT COMMITTEE

The Audit Committee consists of Mr. Dipak Gupta, Chairman, Mr. Jaimin Bhatt and Mr. Chandrashekhar Sathe. The Quorum comprises of any two Directors.

11. REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. Dipak Gupta and Mr. C Jayaram and has been formed to approve the remuneration payable to the Whole-time Director/Manager of the Company, as required under the amended Part II in Section II of Schedule XIII of the Companies Act, 1956.

12. AUDITORS

The Company's auditors Messrs. Deloitte Haskins & Sells, Chartered Accountants, Baroda, retire at the Eleventh Annual General Meeting.

Messrs. Deloitte Haskins & Sells, Chartered Accountants, Baroda, have consented to act as Auditors of the Company and are eligible for reappointment.

13. STATUTORY INFORMATION

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

During the year under review, your Company did not accept any deposits from the public. There are no deposits due and outstanding as on 31st March, 2007.

Your Company's foreign exchange outgo was Rs. 0.92 lakhs. It had no foreign exchange earnings. The other particulars prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable since your Company is not a manufacturing company.

DIRECTORS RESPONSIBILITY STATEMENT

Based on representations from the Operational Management, the Directors state, in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

- (i) the Company has, in the preparation of the annual accounts for the year ended 31st March 2007, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of

the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the financial year ended 31st March, 2007;

- (iii) the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

14. ACKNOWLEDGEMENT

The Director thank the shareholders, its dealers and their staff for the strong support that they have continued to extend to your Company. The Board also takes this opportunity to place on record its appreciation of the outstanding performance and dedication of your Company's employees at all levels, without whose commitment, the achievement of results as indicated above could not have been possible. The Board also acknowledges the faith reposed in the Company by the Company's lending institutions.

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Date: 2nd May, 2007.

Auditors' Report

To The Members of Kotak Mahindra Prime Limited

1. We have audited the attached Balance Sheet of Kotak Mahindra Prime Limited as at 31st March, 2007, and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2007;
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Membership Number: 34004

Place: Mumbai
Date: 2nd May, 2007

Annexure to the Auditors' Report referred to in paragraph 3 of our Report of even date to the Members of Kotak Mahindra Prime Limited on the accounts for the year ended 31st March, 2007.

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
(b) The fixed assets of the company have been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed between book records and physical inventory.
(c) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year.
2. (a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to Companies covered in the register maintained under Section 301 of the Companies Act, 1956. In view of what has been stated above, clause (iii)(b) regarding terms and conditions of such loans, clause (iii)(c) regarding receipt of principal amount and interest and clause (iii)(d) regarding steps for recovery of overdue amount of Para 4 of the Order are not applicable to the company for the year.
(b) According to the information and explanations given to us, the company has taken an unsecured loan from a company covered in the register maintained under section 301 of the Companies Act, 1956. At the year-end, the outstanding balance of such loan taken was Rs. Nil and the maximum amount involved during the year was Rs. 2716 lakhs.
(c) In our opinion, the rate of interest and other terms and conditions of such loan taken from the said company covered in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
(d) The payments of principal amounts and interest in case of the aforesaid loan are as per stipulations.
3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and for the sale of goods and services. The company does not purchase inventory nor does it sell any goods (other than repossessed automobile assets) in the ordinary course of business. Further on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
(b) According to the information and explanations given to us, in respect of transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 500,000 or more in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
5. According to the information and explanations given to us, the company has not accepted any deposits from the public during the year.
6. In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
7. (a) According to the books and records as produced and examined by us, in accordance with generally accepted auditing practices in India and as per the information and explanations given to us, undisputed statutory dues in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, cess and other material statutory dues as applicable, have been regularly deposited by the company during the year with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the company examined by us, there are no undisputed amounts in respect of sales tax, income tax, wealth-tax, service tax and cess that were in arrears as at 31st March, 2007 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us and the records of the company examined by us, there are no dues in respect of sales tax, income tax, wealth-tax, service tax and cess which have not been deposited on account of any dispute as at 31st March, 2007.
8. The company has no accumulated losses as at 31st March, 2007 and has not incurred any cash loss during the financial year ended on that date and in the immediately preceding financial year.
9. According to the books and records and as per the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
10. In our opinion, the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares and other securities.
11. Based on our examination of the records and evaluation of the related internal controls, the company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.

12. According to the information and explanations given to us, the company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
13. In our opinion and according to the information and explanations given to us, term loans were applied for the purpose for which they were obtained. Pending utilisation of the term loan for the stated purpose, the funds were temporarily used for the purpose other than for which the loans were sanctioned but were ultimately utilised for the stated end-use.
14. On the basis of review of Asset/Liability Gap Analysis report, giving utilisation of funds on overall basis and the related information made available to us and as per the explanations given to us, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investment.
15. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to a company covered in the register maintained under Section 301 of the Companies Act, 1956.
16. The Company has issued only unsecured debentures and hence the question of creation of security/charges does not arise. However, unsecured debentures are covered by a negative lien on specified receivables under auto finance.
17. The Company has not raised any money by public issue during the year.
18. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year, on or by the company, except that there have been instances of misappropriation of vehicles or use of deception to obtain vehicle loans by some of the customers involving an aggregate amount of Rs. 2.12 crores. However, as informed to us, such instances are inherent in the nature of business of the company and adequate provision in respect thereof has been made in the accounts for the year.
19. As per the information and explanations given to us and taking into consideration the nature of the business of the company, clauses 4(ii), 4(viii) and 4(xiii) of paragraph 4 of the Order are not applicable to the company for the year.

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Membership Number: 34004

Place: Mumbai
Date: 2nd May, 2007

Balance Sheet as at 31st March, 2007

	Schedule	Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs	Rupees in Lakhs	As at 31st March, 2006 Rupees in Lakhs
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	300.70		300.70	
Reserves and Surplus	2	55,427.65		49,735.67	
			55,728.35		50,036.37
Loan Funds					
Unsecured Loans	3		359,329.39		306,625.79
Deferred Tax					
Deferred tax liability	4	—		1,173.76	
Less: Deferred tax asset		—		896.14	
					277.62
Total			415,057.74		356,939.78
APPLICATION OF FUNDS					
Fixed Assets					
(including Capital work in progress)	5				
Gross Block		637.24		667.28	
Less: Depreciation		391.59		502.47	
Net Block		245.65		164.81	
Capital Work in Progress		1,403.68		—	
			1,649.33		164.81
Investments	6		9,315.46		15,796.30
Deferred Tax					
Deferred tax asset	4	2,336.13		—	
Less: Deferred tax liability		1,301.48		—	
			1,034.65		—
Current Assets, Loans and Advances					
Cash and Bank Balances	7	9,904.12		5,291.12	
Receivables under Financing Activity		409,294.79		343,042.00	
Other Loans and Advances		7,725.84		6,816.36	
		426,924.75		355,149.48	
Less: Current Liabilities and Provisions					
Liabilities	8	22,601.59		13,309.71	
Provisions	9	1,264.86		861.10	
		23,866.45		14,170.81	
Net Current Assets			403,058.30		340,978.67
Total			415,057.74		356,939.78

Significant Accounting Policies and Notes to the Accounts 16

Schedules referred to above form an integral part of the Balance Sheet

As per our attached report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Membership No. 34004
Mumbai

Dated: May 2, 2007

For and on behalf of the Board of Directors

Dipak Gupta
Director

Jaimin Bhatt
Director

Harish Shah
Company Secretary

Profit And Loss Account for the year ended 31st March, 2007

	Schedule	Year ended 31st March, 2007 Rupees in lakhs	Year ended 31st March, 2006 Rupees in lakhs
INCOME			
Income from Operations	10	42,859.02	29,961.39
Other Income	11	1,504.08	358.85
Total		44,363.10	30,320.24
EXPENDITURE			
Payments to Employees	12	1,888.10	1,269.76
Interest and Finance charges	13	24,316.60	15,000.43
Administrative and other expenses	14	7,739.03	9,806.45
Provisions/Write offs for Non Performing/Other Assets	15	1,895.43	1,043.03
Depreciation		98.74	90.00
Total		35,937.90	27,209.67
Net Profit before tax		8,425.20	3,110.57
Provision for taxation			
Current Tax		3,840.00	1,558.71
Deferred Tax		(1,255.16)	(568.87)
Fringe Benefit tax		37.00	32.90
Taxation adjustment of previous years		69.32	—
Net Profit after tax		5,734.04	2,087.83
Profit brought forward from previous year		4,733.64	3,063.38
		10,467.68	5,151.21
Appropriations			
Special Reserve u/s 45 IC of the RBI Act, 1934		1,146.81	417.57
Surplus carried to Balance Sheet		9,320.87	4,733.64
Total		10,467.68	5,151.21
Earnings per share – [Refer Note No. II (I) of Schedule 16]			
Basic and Diluted		190.69	70.13
Significant Accounting Policies and Notes to the Accounts	16		

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Membership No. 34004
Mumbai
Dated: May 2, 2007

For and on behalf of the Board of Directors

Dipak Gupta
Director

Jaimin Bhatt
Director

Harish Shah
Company Secretary

Cash Flow Statement for the year ended 31st March, 2007

	Rupees in lakhs	2006-07 Rupees in lakhs	Rupees in lakhs	2005-06 Rupees in lakhs
Cash flows from operating activities				
Net profit before taxation and extraordinary items	8,425.20		3,110.57	
Add/(Less) : Adjustment for				
Depreciation	98.74		90.00	
Loss/(Profit) on sale of investments	21.01		(9.94)	
Profit on sale of assets	(15.96)		(0.35)	
Dividend Income on long term investment	(0.40)		—	
Provision for gratuity and leave encashment	67.02		(27.52)	
Provision for doubtful debts, receivables and advances	930.97		148.43	
Provision for standard assets	159.35		245.48	
Provision for diminution in value of properties	—		(39.55)	
Operating profit before working capital changes	9,685.93		3,517.12	
Increase in Receivables under Financing Activity	(67,184.79)		(83,460.56)	
(Increase)/Decrease in Loans and Advances	(1,031.09)		2,206.99	
Increase in Current Liabilities	9,291.88		53.28	
Cash used in operations	(49,238.07)		(77,683.17)	
Income Tax/Fringe Benefit Tax paid (net of refunds)	(3,851.72)		(1,307.37)	
Net cash used in operating activities	A	(53,089.79)		(78,990.54)
Cash flows from investing activities				
Purchase of Fixed assets	(1,591.67)		(57.84)	
Sale of Fixed assets	24.37		1.93	
Dividend Income on long term investment	0.40		—	
Purchase of Investments	(774,478.33)		(408,362.27)	
Sale of Investments	780,938.16		392,575.91	
Net cash (used in)/from investing activities	B	4,892.93		(15,842.27)
Cash flows from financing activities				
Increase in deep discount debentures	2,277.37		11,988.69	
Increase in Unsecured Non convertible debentures	85,950.00		80,900.00	
(Decrease)/Increase in Short Term Borrowings	(17,136.11)		20,375.75	
Decrease in other Loans and Advances	(18,387.66)		(16,033.47)	
Issue of Shares/Premium on shares and debentures	106.26		597.15	
Net cash from financing activities	C	52,809.86		97,828.12
Net increase in cash and cash equivalents A+B+C		4,613.00		2,995.31
Cash and cash equivalents at the beginning of the year		5,291.12		2,295.81
Cash and cash equivalents at the end of the year		9,904.12		5,291.12

Notes:

1. Cash and cash equivalents include:

Cash on Hand	226.73	136.51
Bank balances – Current Account	8,582.70	4,702.32
Bank balances – Fixed Deposits (Refer Note No. 3)	1,094.69	452.29

Total cash and cash equivalents	9,904.12	5,291.12
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2. The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

3. The above includes Rs. 8.87 lakhs (Previous year Rs. 22.29 lakhs) lodged with government departments, Rs. 1,019.05 lakhs (Previous year Rs.400 lakhs) with a bank as credit collateral and Rs. 66.77 lakhs (Previous year Rs. 30 lakhs) as liquidity facility on assignment of receivables.

4. The previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.
This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Dipak Gupta
Director

Jaimin Bhatt
Director

R. Salivati
Partner

Harish Shah
Company Secretary

Membership No. 34004
Mumbai
Dated: May 2, 2007

Schedules forming part of the Balance Sheet (Contd.)

Schedule 1

	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Share Capital		
Authorised		
3,500,000 (Previous year 3,500,000) Equity Shares of Rs. 10/- each	350.00	350.00
500,000 (Previous year 500,000) Preference Shares of Rs. 10/- each	50.00	50.00
	400.00	400.00
Issued and Subscribed		
3,007,000 (Previous year 3,007,000) equity shares of Rs.10/- each fully paid up	300.70	300.70
Total	300.70	300.70

Note :

Of the above :

- (i) 1,782,600 shares are held by Kotak Mahindra Bank Limited, the holding company along with its nominees.
- (ii) 1,188,400 (Previous year Nil) shares are held by Kotak Securities Limited, a subsidiary of the holding company.
- (iii) 36,000 (Previous year 36,000) shares are held by Kotak Mahindra Asset Management Company Limited, a subsidiary of the holding company.
- (iv) 1,971,000 shares are allotted as fully paid up pursuant to conversion of fully convertible debentures.

Schedule 2

	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Reserves and Surplus		
Securities Premium Account		
As per last Balance Sheet	43,248.23	42,654.68
Add : Amount received during the year (net of tax)	70.49	593.55
	43,318.72	43,248.23
Special Reserve u/s 45 IC of the RBI Act, 1934		
As per last Balance Sheet	1,458.71	1,041.14
Add : Transferred from Profit and Loss Account	1,146.81	417.57
	2,605.52	1,458.71
Reserve for Doubtful debts		
As per last Balance Sheet	—	551.15
Less: Transferred to provision for doubtful receivables (Refer Note No. II(Q) of Schedule 16)	—	551.15
	—	—
General Reserve		
As per last Balance Sheet	295.09	295.09
Less: Gratuity liability (net of deferred tax Rs. 5.05 lakhs)	9.94	—
Less: Compensated absences liability (net of deferred tax Rs. 52.06 lakhs) (Refer Note No. II(P) of Schedule 16)	102.61	—
	182.54	295.09
Surplus in Profit and Loss Account	9,320.87	4,733.64
Total	55,427.65	49,735.67

Schedules forming part of the Balance Sheet (Contd.)

Schedule 3

	Notes	31st March, 2007		31st March, 2006
		Rupees in lakhs	Rupees in lakhs	Rupees in lakhs
Unsecured Loans				
Unsecured Non-Convertible Debentures	1		250,150.00	164,200.00
Deep Discount Debentures	2	16,000.00		12,500.00
Less : Discount not written off		1,733.94		511.31
			14,266.06	11,988.69
Debenture Application Money - pending allotment (subsequently allotted on 10-04-2007)			9,400.00	4,500.00
Short Term Loans :				
– From Banks	3		13,109.85	30,930.02
– From Others - Inter Corporate Deposits			—	1,700.00
Commercial Paper		30,300.00		27,900.00
Less : Discount not written off		606.86		590.92
(Maximum amount outstanding during the year Rs. 34,900 lakhs, Previous year Rs. 33,500 lakhs)			29,693.14	27,309.08
Other Loans and Advances:				
– From Banks	3		42,000.00	62,000.00
– From Others	3		—	2,722.22
Hire Purchase/Loan/Lease deposits (Including matured and unclaimed Rs. 14.36 lakhs Previous year Rs. 107.89 lakhs)			710.34	1,275.78
Total			359,329.39	306,625.79

Notes:

- 1) The Debentures are redeemable at par. The Debentures are secured by way of a pari passu mortgage and charge in favour of the Debenture Trustees on the Company's immovable property amounting to Rs. 18.07 lakhs and further covered by a negative lien to the extent of Rs. 170,250 lakhs (Previous year Rs. 129,700 lakhs) on specified receivables under auto finance of the Company. The details of Unsecured Non convertible Debentures are as under:

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Earliest Put / Call Option Date	Redemption Date
250 debentures of Rs. 1,000,000 each	—	2,500.00		10-04-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00		10-04-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		20-04-2006
450 debentures of Rs. 1,000,000 each	—	4,500.00		20-04-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		25-04-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		28-04-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		04-05-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		05-05-2006
50 debentures of Rs. 1,000,000 each	—	500.00		05-05-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		05-05-2006
350 debentures of Rs. 1,000,000 each	—	3,500.00		08-05-2006
500 debentures of Rs. 1,000,000 each	—	5,000.00		10-05-2006
300 debentures of Rs. 1,000,000 each	—	3,000.00		11-05-2006
200 debentures of Rs. 1,000,000 each	—	2,000.00		15-05-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00		16-05-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		19-05-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		24-05-2006
50 debentures of Rs. 1,000,000 each	—	500.00		24-05-2006
50 debentures of Rs. 1,000,000 each	—	500.00		24-05-2006
50 debentures of Rs. 1,000,000 each	—	500.00		26-05-2006
50 debentures of Rs. 1,000,000 each	—	500.00		26-05-2006

Schedules forming part of the Balance Sheet (Contd.)

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Earliest Put / Call Option Date	Redemption Date
50 debentures of Rs. 1,000,000 each	—	500.00		01-06-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00		02-06-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		02-06-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		06-06-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00		07-06-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		07-06-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00		12-06-2006
50 debentures of Rs. 1,000,000 each	—	500.00		16-06-2006
300 debentures of Rs. 1,000,000 each	—	3,000.00		27-06-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00		04-07-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00		21-07-2006
250 debentures of Rs. 1,000,000 each	—	2,500.00	28-07-2006	05-08-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00	09-10-2006	02-11-2006
200 debentures of Rs. 1,000,000 each	—	2,000.00		05-12-2006
50 debentures of Rs. 1,000,000 each	—	500.00	03-10-2006	08-12-2006
150 debentures of Rs. 1,000,000 each	—	1,500.00	06-09-2006	29-12-2006
100 debentures of Rs. 1,000,000 each	—	1,000.00	19-06-2006	29-12-2006
50 debentures of Rs. 1,000,000 each	—	500.00	24-05-2006	02-01-2007
500 debentures of Rs. 1,000,000 each	—	5,000.00		18-01-2007
100 debentures of Rs. 1,000,000 each	—	1,000.00	23-05-2006	18-01-2007
50 debentures of Rs. 1,000,000 each	—	500.00		18-01-2007
100 debentures of Rs. 1,000,000 each	—	1,000.00		18-01-2007
500 debentures of Rs. 1,000,000 each	—	5,000.00		19-01-2007
500 debentures of Rs. 1,000,000 each	—	5,000.00		30-01-2007
150 debentures of Rs. 1,000,000 each	—	1,500.00		02-02-2007
150 debentures of Rs. 1,000,000 each	—	1,500.00		08-02-2007
200 debentures of Rs. 1,000,000 each	—	2,000.00		23-02-2007
100 debentures of Rs. 1,000,000 each	—	1,000.00		24-02-2007
250 debentures of Rs. 1,000,000 each	—	2,500.00		07-03-2007
250 debentures of Rs. 1,000,000 each	—	2,500.00	20-04-2006	10-03-2007
100 debentures of Rs. 1,000,000 each	—	1,000.00		21-03-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		03-04-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		03-04-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		04-04-2007
500 debentures of Rs. 1,000,000 each	5,000.00	—		09-04-2007
150 debentures of Rs. 1,000,000 each	1,500.00	—		09-04-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		13-04-2007
20 debentures of Rs. 1,000,000 each	200.00	—		16-04-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		17-04-2007
190 debentures of Rs. 1,000,000 each	1,900.00	—		20-04-2007
500 debentures of Rs. 1,000,000 each	5,000.00	5,000.00		23-04-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		23-04-2007
500 debentures of Rs. 1,000,000 each	5,000.00	5,000.00		27-04-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		27-04-2007
100 debentures of Rs. 1,000,000 each	1,000.00	1,000.00		30-04-2007
200 debentures of Rs. 1,000,000 each	2,000.00	2,000.00		30-04-2007
50 debentures of Rs. 1,000,000 each	500.00	—		30-04-2007
300 debentures of Rs. 1,000,000 each	3,000.00	—		02-05-2007
150 debentures of Rs. 1,000,000 each	1,500.00	—		02-05-2007
300 debentures of Rs. 1,000,000 each	3,000.00	3,000.00		02-05-2007
350 debentures of Rs. 1,000,000 each	3,500.00	—		03-05-2007
420 debentures of Rs. 1,000,000 each	4,200.00	—		04-05-2007

Schedules forming part of the Balance Sheet (Contd.)

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Earliest Put / Call Option Date	Redemption Date
250 debentures of Rs. 1,000,000 each	2,500.00	—		11-05-2007
50 debentures of Rs. 1,000,000 each	500.00	500.00		17-05-2007
100 debentures of Rs. 1,000,000 each	1,000.00	1,000.00		21-05-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		21-05-2007
150 debentures of Rs. 1,000,000 each	1,500.00	1,500.00		21-05-2007
200 debentures of Rs. 1,000,000 each	2,000.00	2,000.00		25-05-2007
150 debentures of Rs. 1,000,000 each	1,500.00	1,500.00		30-05-2007
150 debentures of Rs. 1,000,000 each	1,500.00	1,500.00		02-06-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		04-06-2007
300 debentures of Rs. 1,000,000 each	3,000.00	—		04-06-2007
50 debentures of Rs. 1,000,000 each	500.00	—		04-06-2007
100 debentures of Rs. 1,000,000 each	1,000.00	1,000.00		06-06-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		07-06-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		12-06-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		18-06-2007
50 debentures of Rs. 1,000,000 each	500.00	—		19-06-2007
300 debentures of Rs. 1,000,000 each	3,000.00	—		26-06-2007
100 debentures of Rs. 1,000,000 each	1,000.00	1,000.00		27-06-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		28-06-2007
170 debentures of Rs. 1,000,000 each	1,700.00	—		29-06-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		29-06-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		29-06-2007
90 debentures of Rs. 1,000,000 each	900.00	—		02-07-2007
400 debentures of Rs. 1,000,000 each	4,000.00	—		04-07-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		09-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		10-07-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		11-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		16-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—	17-07-2007	18-07-2007
150 debentures of Rs. 1,000,000 each	1,500.00	—		18-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		20-07-2007
50 debentures of Rs. 1,000,000 each	500.00	500.00		20-07-2007
50 debentures of Rs. 1,000,000 each	500.00	500.00		20-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—	19-07-2007	20-07-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		24-07-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		31-07-2007
50 debentures of Rs. 1,000,000 each	500.00	500.00		09-08-2007
150 debentures of Rs. 1,000,000 each	1,500.00	1,500.00		10-08-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		14-08-2007
150 debentures of Rs. 1,000,000 each	1,500.00	—	14-08-2007	16-08-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		21-08-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		21-08-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		31-08-2007
190 debentures of Rs. 1,000,000 each	1,900.00	1,900.00		06-09-2007
100 debentures of Rs. 1,000,000 each	1,000.00	1,000.00		10-09-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		20-09-2007
50 debentures of Rs. 1,000,000 each	500.00	—	08-10-2007	09-10-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—	09-10-2007	10-10-2007
500 debentures of Rs. 1,000,000 each	5,000.00	5,000.00		19-10-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		25-10-2007
200 debentures of Rs. 1,000,000 each	2,000.00	2,000.00		02-11-2007
300 debentures of Rs. 1,000,000 each	3,000.00	—		12-11-2007

Schedules forming part of the Balance Sheet (Contd.)

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Earliest Put / Call Option Date	Redemption Date
500 debentures of Rs. 1,000,000 each	5,000.00	—		16-11-2007
200 debentures of Rs. 1,000,000 each	2,000.00	—		20-11-2007
300 debentures of Rs. 1,000,000 each	3,000.00	—		20-11-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—	21-05-2007	23-11-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—	21-05-2007	23-11-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—	21-05-2007	23-11-2007
250 debentures of Rs. 1,000,000 each	2,500.00	—		17-12-2007
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		17-12-2007
100 debentures of Rs. 1,000,000 each	1,000.00	—		03-01-2008
150 debentures of Rs. 1,000,000 each	1,500.00	—		11-01-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		11-01-2008
400 debentures of Rs. 1,000,000 each	4,000.00	—		22-01-2008
200 debentures of Rs. 1,000,000 each	2,000.00	—		11-02-2008
50 debentures of Rs. 1,000,000 each	500.00	—		11-02-2008
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		18-02-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		28-02-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		29-02-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		21-03-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		03-04-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		09-04-2008
300 debentures of Rs. 1,000,000 each	3,000.00	—		11-04-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		16-04-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		17-04-2008
150 debentures of Rs. 1,000,000 each	1,500.00	—		23-04-2008
80 debentures of Rs. 1,000,000 each	800.00	—		28-04-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		02-05-2008
150 debentures of Rs. 1,000,000 each	1,500.00	—		09-05-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		14-05-2008
350 debentures of Rs. 1,000,000 each	3,500.00	—		19-05-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		23-05-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		03-06-2008
200 debentures of Rs. 1,000,000 each	2,000.00	—		05-06-2008
400 debentures of Rs. 1,000,000 each	4,000.00	—		06-06-2008
200 debentures of Rs. 1,000,000 each	2,000.00	—		10-06-2008
250 debentures of Rs. 1,000,000 each	2,500.00	—		13-06-2008
250 debentures of Rs. 1,000,000 each	2,500.00	2,500.00		02-07-2008
280 debentures of Rs. 1,000,000 each	2,800.00	2,800.00		18-08-2008
500 debentures of Rs. 1,000,000 each	5,000.00	—		22-08-2008
450 debentures of Rs. 1,000,000 each	4,500.00	—		27-08-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		03-09-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		09-09-2008
200 debentures of Rs. 1,000,000 each	2,000.00	—		27-10-2008
100 debentures of Rs. 1,000,000 each	1,000.00	—		09-12-2008
450 debentures of Rs. 1,000,000 each	4,500.00	—		16-12-2008
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
9 debentures of Rs. 2,500,000 each	225.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
20 debentures of Rs. 2,500,000 each	500.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009

Schedules forming part of the Balance Sheet (Contd.)

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Put / Call Option Earliest Date	Redemption Date
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
9 debentures of Rs. 2,500,000 each	225.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
1 debentures of Rs. 2,500,000 each	25.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
4 debentures of Rs. 2,500,000 each	100.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		24-07-2009
2 debentures of Rs. 2,500,000 each	50.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
10 debentures of Rs. 2,500,000 each	250.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
6 debentures of Rs. 2,500,000 each	150.00	—		28-08-2009
6 debentures of Rs. 2,500,000 each	150.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
3 debentures of Rs. 2,500,000 each	75.00	—		28-08-2009
3 debentures of Rs. 2,500,000 each	75.00	—		28-08-2009
3 debentures of Rs. 2,500,000 each	75.00	—		28-08-2009
4 debentures of Rs. 2,500,000 each	100.00	—		28-08-2009
3 debentures of Rs. 2,500,000 each	75.00	—		28-08-2009
2 debentures of Rs. 2,500,000 each	50.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
6 debentures of Rs. 2,500,000 each	150.00	—		28-08-2009
6 debentures of Rs. 2,500,000 each	150.00	—		28-08-2009
4 debentures of Rs. 2,500,000 each	100.00	—		28-08-2009
2 debentures of Rs. 2,500,000 each	50.00	—		28-08-2009
2 debentures of Rs. 2,500,000 each	50.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
1 debentures of Rs. 2,500,000 each	25.00	—		28-08-2009
250 debentures of Rs. 1,000,000 each	2,500.00	—		09-02-2010
250 debentures of Rs. 1,000,000 each	2,500.00	—		12-02-2010
250 debentures of Rs. 1,000,000 each	2,500.00	—		15-02-2010
	250,150.00	164,200.00		

Schedules forming part of the Balance Sheet (Contd.)

2) The details of Deep Discount Debentures are as under:

Description	As at 31st March, 2007 Rupees in lakhs	As at 31st March, 2006 Rupees in lakhs	Earliest Put/Call Option Date	Redemption Date
Unsecured, Redeemable Non Convertible Debenture of				
face value of Rs. 250,000,000 issued at Rs. 231,528,500	—	2,463.87		29-06-2006
face value of Rs. 100,000,000 issued at Rs. 92,694,800	—	985.33		01-07-2006
face value of Rs. 200,000,000 issued at Rs. 183,267,200	—	1,907.60		09-01-2007
face value of Rs. 250,000,000 issued at Rs. 229,122,750	—	2,384.50		09-01-2007
face value of Rs. 250,000,000 issued at Rs. 229,328,750	—	2,384.68		12-01-2007
face value of Rs. 150,000,000 issued at Rs. 135,456,750	1,493.17	1,397.36		27-04-2007
face value of Rs. 50,000,000 issued at Rs. 45,143,900	497.29	465.35		02-05-2007
face value of Rs. 250,000,000 issued at Rs. 222,998,250	2,278.58	—		28-04-2008
face value of Rs. 100,000,000 issued at Rs. 83,187,000	874.27	—		20-11-2008
face value of Rs. 900,000,000 issued at Rs. 748,683,000	7,868.44	—		20-11-2008
face value of Rs. 150,000,000 issued at Rs. 116,494,200	1,254.31	—		20-05-2009
	14,266.06	11,988.69		

3) The short term and other loans and advances from Banks/Financial Institution/Corporates are covered by a negative lien on specified receivables under auto finance of the Company in favour of the banks/financial institution/corporates.

	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Schedule 4		
Deferred Tax		
Liabilities		
Brokerage	1,301.48	1,173.76
		1,173.76
Assets		
Depreciation on fixed assets	1,212.14	394.63
Provision for doubtful debts, advances and receivables under auto finance	835.96	463.44
Provision for gratuity	32.77	21.70
Provision for unencashed leave	69.59	—
Provision for interest on debentures	184.97	—
Expenses allowable for tax purposes when paid	0.70	16.37
		2,336.13
Total	(1,034.65)	277.62

Schedule 5 - Fixed Asset

Description	Gross Block			Depreciation			Net Block			
	As at 01-04-2006	Additions	Deductions	As at 31-03-2007	As at 01-04-2006	For the year	Deductions	As at 31-03-2007	As at 31-03-2007	As at 31-03-2006
Buildings	18.07	—	—	18.07	4.23	0.29	—	4.52	13.55	13.84
Office Equipment	173.35	46.64	73.15	146.84	152.08	12.94	71.80	93.22	53.62	21.27
Computers	245.60	74.16	84.30	235.46	210.32	31.16	83.31	158.17	77.29	35.28
Furniture & Fixtures	42.68	11.29	12.73	41.24	38.76	12.05	12.68	38.13	3.11	3.92
Vehicles	135.90	12.16	47.85	100.21	77.77	26.71	41.83	62.65	37.56	58.13
Leasehold Improvements	51.68	43.74	—	95.42	19.31	15.59	—	34.90	60.52	32.37
Total	667.28	187.99	218.03	637.24	502.47	98.74	209.62	391.59	245.65	164.81
Previous year	687.21	57.84	77.77	667.28	488.66	90.00	76.19	502.47	164.81	—
Capital Work in progress	—	1,403.68	—	1,403.68	—	—	—	—	1,403.68	—
Previous year	—	—	—	—	—	—	—	—	—	—

Schedules forming part of the Balance Sheet (Contd.)

Schedule 6

	Face Value Rupees	Quantity		Rupees in lakhs	
		31st March, 2007	31st March, 2006	31st March, 2007	31st March, 2006
Investments					
Long term Investments – (at cost)					
(Non trade, unquoted)					
In equity shares - fully paid					
Kotak Mahindra Old Mutual Life Insurance Limited (company under the same management)	10	54,000,000	56,254,216	5,400.00	5,625.42
In units of Venture Capital Fund - partly paid					
Kotak India Real Estate Fund	100,000	1,500	1,500	1,125.00	150.00
(Non trade, quoted, fully paid)					
Investments in equity shares					
Bajaj Auto Limited	10	1,650	—	46.55	—
Gujarat Ambuja Cement Limited	2	31,500	—	44.27	—
Info Edge (India) Limited	10	13,100	—	89.65	—
Jain Irrigation Systems Limited	10	10,678	—	40.91	—
Nagarjuna Construction Co. Limited	2	18,200	—	40.12	—
New Delhi Television Limited	4	14,300	—	43.35	—
Wire & Wireless (India) Limited	1	50,000	—	60.66	—
Current Investments					
(Non trade, unquoted, fully paid)					
Investments in units of Mutual fund (at net asset value declared by the mutual fund)					
Kotak Liquid Institutional Premium Daily Dividend	10	7,635,247	27,833,803	933.65	3,403.55
DSP Merrill Lynch Liquidity Fund Institutional - Daily Dividend	1000	—	190,348	—	1,903.86
HDFC Cash Management Fund Savings Plan - Daily Dividend	10	—	8,708,414	—	926.26
Pru ICICI Institutional Liquid Plan Super Institutional - Daily Dividend	10	—	5,762,040	—	576.20
HSBC Cash Fund Institutional Plus - Daily Dividend	10	—	14,503,334	—	1,451.15
Birla Cash Plus Institutional Premium - Daily Dividend	10	—	9,047,903	—	906.56
Templeton Treasury Management Super Institutional - Daily Dividend	1000	—	78,647	—	786.67
Reliance Liquidity Fund Institutional - Daily Dividend	10	14,908,398	—	1,491.30	—
(Non trade, quoted, fully paid)					
Investments in equity shares (at lower of cost or market value)					
Mahindra & Mahindra Financial Services Limited	10	—	33,317	—	66.63
Total				9,315.46	15,796.30

Notes :

1) For Shares/Units purchased and sold during the year refer Note No. II (H) of Schedule 16

		31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
2) Aggregate value of unquoted investments	At cost/net asset value	8,949.95	15,729.67
3) Aggregate value of quoted investments	At cost	365.51	66.63
	Market Value	325.60	80.68

Schedules forming part of the Balance Sheet (Contd.)

Schedule 7

	Rupees in lakhs	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Current Assets, Loans and Advances			
(a) Cash and Bank Balances			
Cash on hand	226.73		136.51
Bank balances (with scheduled banks)			
(i) Current accounts	8,582.70		4,702.32
(ii) Fixed deposits (lodged with government department Rs. 8.87 Lakhs (Previous year Rs. 22.29 Lakhs) and with a bank as credit collateral Rs. 1,019.05 Lakhs (Previous year Rs. 400 Lakhs) and as liquidity facility Rs. 66.77 Lakhs (Previous year Rs. 30 Lakhs) on assignment of receivables	1,094.69		452.29
		9,904.12	5,291.12
(b) Receivables under Financing Activity			
Secured – considered good			
Hire Purchase – Vehicles	16.92		30.98
Loans – Vehicles	328,415.11		295,747.70
Lease – Vehicles	3,112.29		6,508.35
Loans against Securities	29,216.75		28,212.18
Corporate Loans	20,515.75		—
Other Loans	9,161.59		8,081.94
Installments and Other dues from Borrowers (*)	1,010.64		916.77
Secured – considered doubtful			
Loans – Vehicles	356.71		388.81
Other Loans	808.19		—
Installments and Other dues from Borrowers	306.24		182.64
Unsecured – considered good			
Personal Loans	17,833.61		3,544.08
Installments and Other dues from Borrowers	12.13		—
Unsecured – considered doubtful			
Personal Loans	23.02		—
Installments and other dues from Borrowers	9.28		—
	410,798.23		343,613.45
Less: Provision for doubtful receivables	1,503.44		571.45
		409,294.79	343,042.00
(c) Other Loans and Advances			
Unsecured			
Advances recoverable in cash or in kind or for value to be received			
Unsecured – Considered Good	7,177.99		6,156.94
Unsecured – Considered Doubtful	—		8.75
	7,177.99		6,165.69
Less : Provision for doubtful advances	—		8.75
	7,177.99		6,156.94
Advance payment of taxes and tax deducted at source (net of provision for taxation of Rs. 7,510.55 lakhs Previous year Rs. 3,565.47 lakhs)	415.44		545.80
Security deposit for premises	132.41		113.62
		7,725.84	6,816.36
Total		426,924.75	355,149.48

Schedules forming part of the Balance Sheet (Contd.)

Schedule 7

Current Assets, Loans and Advances (Contd.)

Notes:

- (i) Secured means exposures secured by hypothecation of vehicles, and/or, pledge of securities and/or, equitable mortgage of property and/or, undertaking to create a security.
- (ii) The above receivables of vehicles and installment dues from borrowers includes Rs. 83.31 Lakhs (Previous year Rs. 185.13 Lakhs) being receivables and installment on vehicles repossessed, necessary provision for which is made.
- (iii) (*) includes Rs. 0.25 Lakh (Previous year Rs. 18.75 Lakhs) being debt earmarked in favour of the assignee as credit collateral on assignment of receivables.
- (iv) Refer Schedule 9 for Provision for standard assets.
- (v) Details of Gross Investment, unearned finance income and present value of rentals under Hire Purchase and Lease:

	31st March, 2007 Rupees	31st March, 2006 Rupees
Gross Investment		
(a) not later than 1 year	2,020.10	3,388.02
(b) between 1 and 5 years	1,350.16	3,934.04
	3,370.26	7,322.06
Unearned Finance Income		
(a) not later than 1 year	185.57	512.72
(b) between 1 and 5 years	55.48	270.01
	241.05	782.73
Present value of rentals		
(a) not later than 1 year	1,834.53	2,875.30
(b) between 1 and 5 years	1,294.68	3,664.03
	3,129.21	6,539.33

(vi) Also refer Note No. II (L) of Schedule 16

(vii) Unsecured - Considered Good Other Loans and advances include:

	31-03-2007 Rupees in lakhs Maximum Outstanding	31-03-2007 Rupees in lakhs Outstanding	31-03-2006 Rupees in lakhs Maximum Outstanding	31-03-2006 Rupees in lakhs Outstanding
Due from companies under the same management				
Ford Credit Kotak Mahindra Limited (till 04-10-2005)	—	—	38.63	—
Kotak Mahindra Asset Management Company Limited	0.37	0.04	0.33	0.01
Kotak Mahindra Old Mutual Life Insurance Limited	12.73	10.77	5.88	5.00
Kotak Forex Brokerage Limited	244.54	—	225.94	225.94
Kotak Mahindra Securities Limited	728.95	—	—	—
Kotak Securities Limited	1,008.79	602.62	281.15	281.15
Kotak Mahindra Capital Co Limited	197.91	—	159.92	159.92
Kotak Mahindra Investments Limited	2.74	—	3.53	—

Schedules forming part of the Balance Sheet (Contd.)

Schedule 8

	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Liabilities		
Sundry creditors:		
Other than small scale industrial undertakings	11,703.49	7,371.10
Interest accrued but not due on loans	8,211.10	4,397.45
Advances received against hire purchase/loan/lease agreements	368.95	368.74
Book overdraft with banks	2,237.00	1,116.64
Other liabilities	81.05	55.78
Total	22,601.59	13,309.71

Schedule 9

	31st March, 2007 Rupees in lakhs	31st March, 2006 Rupees in lakhs
Provisions		
Provision for gratuity (Refer Note No. II (P) of Schedule 16)	96.42	64.47
Provision for compensated absences (Refer Note No. II (P) of Schedule 16)	204.73	—
Provision for Mark to Market on derivatives	7.73	—
Provision for standard assets (Refer Note No. II (Q) of Schedule 16)	955.98	796.63
Total	1,264.86	861.10

Schedules forming part of the Profit and Loss Account

Schedule 10

	Rupees in lakhs	Year ended 31st March, 2007 Rupees in lakhs	Year ended 31st March, 2006 Rupees in lakhs
Income from Operations			
Lease rentals	3,831.24		3,818.50
Less : Capital Recovery	3,394.56		2,880.01
		436.68	938.49
Income from Hire Purchase/Loans etc. (Tax deducted at source Rs. 147.31 Lakhs, Previous year Rs. 24.57 Lakhs)		31,189.86	24,071.22
Interest from Wholesale Trade Advances (Tax deducted at source Rs. 562.57 Lakhs, Previous year Rs. 682.96 Lakhs)		4,169.76	3,242.94
Income from fee based activities (Tax deducted at source Rs. 76.19 Lakhs, Previous year Rs. 11.32 Lakhs)		661.57	558.78
Interest from Loans against securities (Tax deducted at source Rs. 291.61 Lakhs, Previous year Rs. 3.85 Lakhs)		3,689.44	804.29
Income from securitisation of receivables (Tax deducted at source Rs. 207.98 Lakhs, Previous year Rs. Nil)		2,140.05	122.09
Income from assignment of receivables		202.07	223.58
Income from Corporate Loans (Tax deducted at source Rs. 67.56 Lakhs, Previous year Rs. Nil)		369.59	—
Total		42,859.02	29,961.39

Schedule 11

Other Income

(Loss)/Profit on sale of current investments (Net)		(5.54)	9.94
Dividend on current investments		658.97	169.89
(Loss)/Profit on sale of long term investments (Net)		(15.47)	—
Dividend on long term investments		0.40	—
Profit on sale of derivatives		304.00	—
Interest (Gross) :			
On deposits/advances etc. (Tax deducted at source Rs. 35.03 Lakhs, Previous year Rs. 0.42 Lakh)		183.74	7.27
Profit on sale of fixed assets (Net)		15.96	0.35
Gain on Foreign Exchange Transactions (Net)		—	4.91
Other Miscellaneous Income (Net) (Tax deducted at source Rs. 10.06 Lakhs, Previous year Rs. 9.40 Lakhs) (Refer Note No. II (M)(b)(ii) of Schedule 16)		362.02	166.49
Total		1,504.08	358.85

Schedule 12

Payments to Employees

Salaries, Allowances and Bonus		1,672.47	1,180.51
Contribution to Employees' Provident Fund		80.31	53.33
Provision for Gratuity		42.98	7.03
Staff Welfare expenses		100.42	80.03
Recovery of expenses (Refer Note No. II (O) of Schedule 16)		(8.08)	(51.14)
Total		1,888.10	1,269.76

Schedule 13

Interest and Finance Charges

(a) Interest On			
Debentures		16,594.14	8,050.41
Term borrowings		7,703.20	6,810.32
Others		128.82	93.35
(b) Bank and other finance charges		192.60	190.38
(c) Premium on Forward Exchange Contract		—	19.40
(d) Interest Rate Swap receipts (net)		(302.16)	(163.43)
Total		24,316.60	15,000.43

Schedules forming part of the Balance Sheet (Contd.)

Schedule 14

	Year ended 31st March, 2007 Rupees in lakhs	Year ended 31st March, 2006 Rupees in lakhs
Administrative and Other Expenses		
Travelling and Conveyance	188.91	174.30
Professional fees	1,250.46	842.29
Auditors' Remuneration		
Audit Fees	20.00	16.00
Others :		
Certification Work	2.28	12.25
Tax audit fees	2.00	1.00
Out of pocket expenses	0.14	0.19
Service tax on above services	0.54	3.23
Service tax input credit	(0.54)	(3.23)
Brokerage and Commission	24.42	29.44
Software Expenses	4,398.15	4,481.14
Office Expenses	21.16	13.15
Electricity Expenses	108.98	100.47
Common Establishment Expenses - Reimbursements	78.40	74.15
Commission to a Non-Wholetime Director	141.22	90.14
Telephone, Telex and Postage	80.00	—
Data Processing and Communication Expenses	207.64	206.95
Rent and licence fees for premises (Refer Note No. II (M)(a)(ii) of Schedule 16)	60.00	258.65
Royalty	261.57	217.36
Advertisement Expenses	—	2,351.30
Maintenance Expenses	265.07	411.02
Insurance Expenses	85.67	75.18
Printing and Stationery	14.13	9.77
Rates and Taxes	150.44	114.62
Business Promotion expenses	132.27	201.95
Wealth Tax	79.61	47.73
Miscellaneous Expenses	0.01	—
Recovery of expenses (Refer Note No. II (O) of Schedule 16)	190.92	169.16
	—	(62.32)
Total	7,739.03	9,806.45

Schedule 15

Provisions/Write Offs For Non Performing/Other Assets

Loss on sale of repossessed vehicles/termination of contracts (Net)	909.57	758.66
Provision for doubtful receivables under financing activity	923.25	139.44
Provision for standard assets	159.36	245.48
Provision for diminution in value of properties	—	(39.55)
Loss on sale of properties	—	39.55
Provision for Mark to Market on derivatives	7.73	—
Write offs recovered	(104.48)	(100.55)
Total	1,895.43	1,043.03

Schedules forming part of the Financial Statements for the year ended 31st March, 2007

Schedule 16 - Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies:

A. BASIS OF ACCOUNTING

The Accounts are prepared on accrual basis under the historical cost convention and to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India, the guidelines issued by the Reserve Bank of India for Non-Banking Financial Companies and the relevant provisions of the Companies Act, 1956.

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

B. REVENUE RECOGNITION

- (i) Auto Finance Income (including service charges, incentives) is accounted for by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. The volume-based incentives and brokerage are accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.
- (ii) The Company complies with prudential norms for income recognition and provisioning for non-performing assets as prescribed by the Reserve Bank of India for Non Banking Financial Companies. In addition, the Company adopts an approach to provisioning that is based on the past experience, realisation of security, erosion over time in value of security and other related factors.
- (iii) Gain on account of securitisation of assets is recognised, based on the difference between the book value of the securitised asset and consideration received. The same is amortised over the life of the securities issued in accordance with the guidelines issued by the Reserve Bank of India.
- (iv) In respect of non performing assets acquired from other banks/NBFCs/Financial Institutions/Companies, collections in excess of the consideration paid for acquisition at each asset level is treated as income.
- (v) Interest income is recognised on accrual basis except in case of non-performing assets. Overdue interest is recognised as income on realisation.
- (vi) Fees and commission income are recognised when due.
- (vii) Dividend income is accounted on an accrual basis when the Company's right to receive the dividend is established.

C. FIXED ASSETS

- (i) All the fixed assets have been stated at cost inclusive of incidental expenses less accumulated depreciation.
- (ii) Depreciation on fixed assets is provided on the straight line method over the useful life of the assets as under (these rates being equal to or higher than those prescribed under Schedule XIV of the Companies Act, 1956):

Computers	3 years
Office Equipment	5 years
Furniture and Fixtures	6 years
Vehicles	4 years
Buildings	58 years
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years

- (iii) Depreciation on assets whose cost does not exceed Rs. 5,000/- is fully provided in the year of purchase.

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

D. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year, are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary is provided for. Current investments in equity shares are valued at cost or market/fair value whichever is lower, while units of mutual fund are valued at Net Asset Value declared by the mutual fund.

E. EMPLOYEE BENEFITS

- (i) Provident fund is a defined contribution plan and the contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.
- (ii) Gratuity liability is defined benefit obligation and is wholly unfunded. The Company accounts for liability for future gratuity benefits based on actuarial valuation.
- (iii) Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.
- (iv) The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service. These benefits include performance incentives and compensative absences on paid annual leave

F. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are restated at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of monetary items are dealt with in the Profit and Loss Account.

Foreign currency liabilities covered by forward exchange contracts entered to hedge the foreign currency risk are stated at the rate of exchange ruling on the date of the transaction. The difference between forward rate and exchange rate at the inception of the forward exchange contract is recognised as income or expense over the life of the contract.

G. ZERO COUPON INSTRUMENTS

The difference between the acquisition cost and redemption value of Commercial Papers and Deep Discount Debentures are apportioned on time basis and recognised as discounting charges/debenture interest expense.

H. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets/liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of change.

I. BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred.

J. DERIVATIVE TRANSACTIONS

The derivative transactions comprising of Interest rate swaps, equity index/stock futures and Options are considered off balance sheet items.

Interest rate swaps

- (i) The outstanding swap trades at the reporting date are disclosed at the contract rates. The interest rate swaps are matched to the underlying liabilities and the interest rate swap is accounted on an accrual basis. Accrued interest is adjusted against the interest cost of the underlying liability.

Equity Index/Stock Futures and Options

- (i) Gains are recognised only on settlement/expiry of the derivative instruments
- (ii) All open positions are marked to market and the unrealized loss is netted off on a scrip wise basis. Mark to market gains, if any, are not recognized.
- (iii) Debit/Credit balance on open positions are shown as current assets/current liabilities, as the case may be.

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

K. ADVANCES

Amounts paid for acquiring non performing assets from other banks/NBFCs/Financial Institutions/Companies are considered as advances. In accordance with RBI guidelines, such assets are treated as "standard" for a period of 90 days from the date of purchase. Thereafter actual collections received on such non performing assets are compared with cash flows estimated while purchasing the asset to ascertain default. If the default is in excess of 90 days, then the assets are classified into sub-standard, doubtful and loss as required by the guidelines on purchase/sale of non performing assets issued by the Reserve Bank of India.

L. PROVISION/CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

M. SEGMENTAL ACCOUNTING

The following accounting policies have been followed for segment reporting:

- (i) Segment Revenue includes Contract Receipts and other income directly identifiable with/allocable to the segment.
- (ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the Segment Results. The expenses which relate to the Company as a whole and not allocable to segments are included under Unallocable expenses.
- (iii) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment. Unallocated assets mainly comprise Advance payment of taxes and tax deducted at source (net of provision for taxation). Unallocable liabilities include Deferred tax, Provision for retirement benefits and Other liabilities.

N. OPERATING LEASE

Assets acquired on leases, where a significant portion of the risks and rewards incidental to ownership is retained by the lessors, are classified as operating lease. Lease rentals are charged to the Profit and Loss Account on accrual basis.

II. Notes to the Accounts

A. Contingent Liabilities

- (i) Payments made by company for release of repossessed vehicles amounting to Rs. 13.15 lakhs (Previous year Rs. 13.15 lakhs) not acknowledged as debts against which bank guarantees of Rs. 15.31 lakhs have been furnished (Previous year Rs. 15.31 lakhs).
- (ii) The Company has received a demand of Rs. 425.83 lakhs (including interest of Rs. 115.69 lakhs), Rs. 5.65 lakhs (including interest of Rs. 5.62 lakhs), Rs. 71.64 lakhs (including interest of Rs. 17.58 lakhs) and Rs. 35.67 lakhs (including interest of Rs. 1.66 lakhs) on completion of income tax assessment for the assessment year 2002-03, 2003-04, 2004-05 and 2005-06 respectively. The said amounts are disputed and the company has preferred an appeal against the same. The amounts for the respective years has been paid to the credit of the central government.
- (iii) Uncalled liability on partly paid Units – Rs. 375.00 lakhs (Previous year Rs. 1,350 lakhs)
- (iv) Credit collateral of Rs. 993.04 lakhs (Previous year Rs. 400 lakhs) in respect of assignment of receivables to which the assignee has a recourse.

B. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1,213.64 lakhs (Previous year Rs. NIL).

C. In terms of a Joint Venture agreement entered into by the company with Kotak Mahindra Bank Limited and Old Mutual Financial Services (UK) Plc, the company has acquired a 16.35% (Previous year 23%) ownership interest in Kotak Mahindra Old Mutual Life Insurance Limited (incorporated in India) which falls under the category of Jointly Controlled Entity as per Accounting Standard 27 Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

Aggregate amounts of assets, liabilities, income and expenses related to the interest in the jointly controlled entities based on the accounts for the year ended 31st March, 2007 (subject to audit)

	31-03-2007 Rupees in lakhs	31-03-2006 Rupees in lakhs
Assets	31,967.58	32,944.81
Liabilities	30,018.50	26,127.47
Income	17,741.23	17,247.62
Expenses	18,695.23	18,257.66

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

- D. Managerial remuneration under Section 198 of the Companies Act, 1956 to a Manager for the year (Previous year for the period 4th October, 2005 to 31st March, 2006).

	31-03-2007 Rupees in lakhs	31-03-2006 Rupees in lakhs
Salary	54.36	10.55
Contribution to Provident Fund	1.80	0.90
Employee Stock Option Plan (Refer note N below)	3.05	0.85
Perquisites in cash or in kind	2.36	1.08
Total	61.57	13.38

Note:

Provision for gratuity benefits, which is based on actuarial valuation done on an overall basis for the company is excluded in the remuneration shown above.

Computation of net profits as per Section 349 read with Section 309 (5) and Section 198 of the Companies Act, 1956

	2006-2007 Rupees in lakhs
Profit before taxation as per Profit and Loss account	8,425.20
Add:	
Managerial remuneration (including sitting fees 0.50 lakh)	142.07
Provision for doubtful debts/standard assets	1090.34
Net Profit for Section 198 of Companies Act, 1956	9,657.61
Calculation of Commission to non-whole time directors @ 1% of net profit as above in terms of Special Resolution of the Members dated April 30, 2007	96.58
Determined and limited by the Board to	80.00

Figures for the previous year have not been given as there was no Commission payable for the previous year

- E. Arising from commercial and technical considerations, the Company has revised the estimated useful life of buildings from 30 years to 58 years with effect from 1st April, 2006. In accordance with Accounting Standard (AS) 6 "Depreciation Accounting" the unamortised depreciable amount of the premises is charged to revenue over the revised remaining useful life. However, the minimum depreciation as prescribed by the Companies Act, 1956 is provided in respect of premises wherein the effective depreciation rate after the change in estimated useful life is less than the prescribed minimum rate. Consequently the depreciation charge to the profit and loss account for the current year is lower by Rs. 0.28 lakh with corresponding increase in profit for the year.
- F. Disclosure regarding Derivative Transactions:

The Company has outstanding Interest Rate Swap covering the underlying liability aggregating to Rs. 35,500 lakhs (Previous year Rs. 33,525 lakhs) acquired for hedging purpose. The Company does not have any foreign currency exposure.

Open interest in equity stock/index futures and options:

Equity Stock/Index Futures	Expiration Date	No of contracts	Open long (short) position (number of shares)
As at 31st March, 2007			
S & P CNX Nifty	26 April, 2007	1,648	82,400
S & P CNX Nifty	31 May, 2007	330	16,500
ONGC Limited	26 April, 2007	56	(12,600)
As at 31st March, 2006			
NIL	NIL	NIL	NIL

The initial margin of Rs. 326.73 lakhs (Previous year Rs. NIL) on the above positions in the form of Cash/Deposits has been placed with the Trading Member. The company enters into index futures and options for the purpose of hedging and into stock futures for the purpose of trading.

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

G. Details of non performing financial assets purchased:

	31-03-2007 Rupees in crores	31-03-2006 Rupees in crores
No. of accounts purchased during the year	2	1
Aggregate Outstanding	91.62	80.82

H. Investments:

The company has purchased and sold during the year the following investments:

	31-03-2007		31-03-2006	
	Quantity	Rupees in lakhs	Quantity	Rupees in lakhs
Mutual Fund				
Kotak Liquid Institutional Premium Daily Dividend	4,497,442,091	549,951.72	2,709,992,435	331,353.59
Reliance Liquidity Fund Daily Dividend	131,526,402	13,156.72	—	—
DSP Merrill Lynch Liquidity Fund Daily Dividend	4,160,374	41,612.06	2,144,272	21,447.01
HDFC Cash Management Fund Savings Plan – Daily Dividend	6,593,531	701.31	57,377,475	6,102.90
Pru ICICI Institutional Liquid Plan Super Institutional – Daily Dividend	350,855,051	35,085.51	61,638,448	6,163.84
HSBC Cash Fund Institutional Plus – Daily Dividend	91,676,388	9,172.77	128,790,848	12,886.30
Birla Cash Plus Plan Institutional Premium – Daily Dividend	520,150,317	52,116.46	95,861,449	9,604.84
Templeton Treasury Management Super Institutional – Daily Dividend	2,061,867	20,623.83	495,626	4,957.50
Principal Cash Management Fund Institutional Premium – Daily Dividend	241,177,979	24,119.49	—	—
Tata Liquid Super High Interest Fund – Daily Dividend	385,968	4,301.69	—	—
Equity Shares				
Autoline Industries Limited	6407	14.42	—	—
Bharti Airtel Limited	7,900	49.70	—	—
ICICI Bank Limited	8,700	78.25	—	—
Reliance Communications Limited	16,400	69.54	—	—
Sobha Developers Limited	4,600	49.97	—	—
Tanla Solutions Limited	20,000	73.96	—	—
Wire and Wireless (India) Limited	30,000	37.79	—	—
Mahindra & Mahindra Financial Services Limited	—	—	25,000	50.00
Preference Shares				
Marico Limited	180,000,000	18,000	—	—

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

- I. Earnings Per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	31-03-2007	31-03-2006
Profit attributable to the Equity Shareholders (Rs.) – (A)	573,404,321	208,783,058
Basic/Weighted average number of Equity Shares outstanding during the year – (B)	3,007,000	2,976,918
Diluted number of Equity Shares outstanding during the year	3,007,000	2,976,918
Nominal value of Equity Shares (Rs.)	10	10
Basic and Diluted Earnings per share (Rs.) – (A)/(B)	190.69	70.13

- J. Expenditure in foreign currency on salaries, communication and conference Rs. 0.92 lakh (Previous year Rs. 232.74 lakhs).
- K. The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.
- L. The company is in the business of vehicle financing. The company enters into finance lease agreements ranging between one to five years. The accumulated provision for uncollectible minimum lease/hire purchase payments receivable is Rs. 28.02 lakhs (Previous Year Rs. 33.67 lakhs)
- M. The company has taken various premises under operating lease and has sub let some of them.
- (a) Where the Company is a lessee:
- (i) The company has taken various offices, residential and godown premises under operating lease or leave and licence agreements. These are generally cancellable and range between 11 months and 9 years under leave and licence agreement and are renewable by mutual consent on mutually agreeable terms.
 - (ii) Lease payments recognised in the statement of Profit and Loss Account under ‘Rent and licence fees for Premises’ in Schedule-14 Rs. 258.11 lakhs (Previous year Rs. 216.43 lakhs).
 - (iii) The future minimum lease payments under non-cancellable operating lease – not later than one year : Rs. 64.18 lakhs (Previous year Rs. 100.95 lakhs) later than one year and not later than five years: Rs. 169.92 lakhs (Previous year Rs. 301.99 lakhs).
- (b) Where the Company is a sub-lessor:
- (i) The company has sublet some of the premises under operating lease. These are generally cancellable and are renewable by mutual consent on mutually agreeable terms.
 - (ii) The sub-lease income recognised in the profit and loss account under ‘Other Miscellaneous Income’ in Schedule-11 is Rs. 8.48 lakhs (Previous year Rs. 27.91 lakhs).
- N. At the Annual General Meetings of the holding company, Kotak Mahindra Bank Limited, (“the Bank”), the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, and 26th July, 2005, to grant options to the Eligible Employees of the Bank and its subsidiary companies. Pursuant to these resolutions, the following three Employee Stock Option Scheme (“Scheme”) had been formulated and adopted:
- (i) Kotak Mahindra Equity Option Scheme 2001-02
 - (ii) Kotak Mahindra Equity Option Scheme 2002-03
 - (iii) Kotak Mahindra Equity Option Scheme 2005

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on “Accounting for Employee Share based payments” issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period. The Company has reimbursed the Bank Rs. 11.67 lakhs (Previous year Rs. 13.21 lakhs) during the year on account of such costs and the same is forming part of Employee costs and included under the head “Salaries, allowances and bonus” under Schedule 12.

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

- O. Recovery of expenses in Schedule 12 and 14 are amounts recovered from associate companies towards the value of costs apportioned of the Company's employees and facilities in accordance with the agreements on allocation of expenses with the companies.

P. Employee Benefits:

The Company has early adopted the Revised Accounting Standard 15 during the current financial year covering the recognition and measurement principles laid down therein. In view of the first time adoption, disclosures in respect of previous years have not been given.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:

	Rupees in lakhs
Change in Unfunded benefit obligations	
Present value of unfunded benefit obligations, 1st April 2006	79.46
Service cost	14.58
Interest cost	6.04
Benefits paid	(26.02)
Actuarial (gain)/loss on obligations	22.36
Present value of unfunded benefit obligations as at 31st March, 2007	96.42
Cost recognised for the period	
Current service cost	14.58
Interest cost	6.04
Expected return on plan assets	—
Actuarial (gain)/loss	22.36
Net gratuity cost	42.98
Actuarial assumptions used	
Discount rate	8.20% p.a.
Salary escalation rate	15% p.a. for first 2 year 10% p.a. for first 2 years & 6% p.a. thereafter

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Gratuity:

In accordance with Payment of Gratuity Act, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company subject to maximum of Rs. 3.50 lakhs. The gratuity benefit is provided through unfunded plan and annual contributions are charged to profit and loss account. Under the scheme, the settlement obligation remains with the Company.

Provident fund:

In accordance with Indian regulations, employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a recognised provident and administered by a Board of Trustees. The employee contributes 12% of his or her basic salary and the Company contributes an equal amount. The investments of the funds are made according to rules prescribed by the Government of India.

Accumulated Compensated Absences:

The Company provides for accumulated compensated absences as at balance sheet using full cost method to the extent leave will be utilised. The leave encashment on separation is paid on basic salary.

As per the transitional provision of Accounting Standard 15 Revised, the difference in the liability on account of employee benefits created by the Company amounting to Rs. 112.55 lakhs (net of tax effect) has been included in Schedule 2 ("Reserves and Surplus").

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

- Q. Provision for receivables created in addition to that required under Prudential norms prescribed by the Reserve Bank of India for Non Banking Financial Companies, which had been shown under "Reserve and Surplus" (Schedule 2) have been regrouped during the previous year and shown under "Provision for standard assets" (Schedule 9), since the additional provision made on the basis of past experience, management's judgement of realisability of the debts and other related factors, is no longer considered as "the amount exceeding the debts stated to be considered doubtful or bad".

R. Assets De-recognised:

	31-03-2007 Rupees in lakhs	31-03-2006 Rupees in lakhs
Assets De-recognised		
on Securitisation	114,300.00	5,000.00
on Assignment of Receivables bilaterally with Banks	9,695.01	8,441.88

S. Segmental Reporting:

In accordance with Accounting Standard 17 on Segment reporting issued by the Institute of Chartered Accountants of India, the Company has identified three business segments i.e. Vehicle Financing, Other lending activities and Treasury and Investments as primary segments and one Geographical Segment i.e. India as secondary segment.

Vehicle Financing includes Retail and Wholesale trade finance .Other Lending activities include financing against securities, securitisation and other loans/services. Treasury and Investment activities include proprietary trading in securities.

Segments have been identified and reported taking into account the nature of product and services, the differing risks and returns and the internal financial reporting system.

	31-03-2007				31-03-2006			
	Vehicle Financing	Other Lending activities	Treasury and Investment activities	Total	Vehicle Financing	Other Lending activities	Treasury and Investment activities	Total
	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs	Rupees in lakhs
Segment Revenue								
Income from external customers	36,813.85	6,911.43	637.82	44,363.10	29,071.06	977.13	272.04	30,320.23
Income from inter segment	—	—	—	—	—	—	—	—
Total Revenue	36,813.85	6,911.43	637.82	44,363.10	29,071.06	977.13	272.04	30,320.23
Segment Result	6,709.13	1,820.14	(104.07)	8,425.20	2,852.95	167.45	90.17	3,110.57
Add: Unallocated income	—	—	—	—	—	—	—	—
Less: Unallocated expenses	—	—	—	—	—	—	—	—
Less: Income tax (including deferred tax)	—	—	—	2,691.16	—	—	—	1,022.73
Net Profit	—	—	—	5,734.04	—	—	—	2,087.84
Other Information								
Carrying amount of segment assets	364,673.27	64,861.32	7,939.51	437,474.10	324,356.67	40,117.26	6,090.87	370,564.80
Unallocated corporate assets				1,450.09				545.80
Total Assets	364,673.27	64,861.32	7,939.51	438,924.19	324,356.67	40,117.26	6,090.87	371,110.60
Carrying amount of segment liabilities	348,204.29	33,640.76	968.60	382,813.65	280,725.31	39,949.81	1.22	320,676.34
Unallocated corporate liabilities				382.19				397.88
Total Liabilities	348,204.29	33,640.76	968.60	383,195.84	280,725.31	39,949.81	1.22	321,074.22
Cost to acquire fixed assets	1,591.67	—	—	1,591.67	57.84	—	—	57.84
Depreciation/Amortisation	98.74	—	—	98.74	90.00	—	—	90.00
Non cash expenses other than depreciation	254.28	828.33	7.73	1,090.34	384.92	—	—	384.92

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

T. Related Party Disclosures:

Parties where control exists:

Holding Company

Kotak Mahindra Bank Limited holds 59.28% of the share capital
Mr. Uday S. Kotak along with relatives and entities controlled by him hold 51.46% of the equity share capital of Kotak Mahindra Bank Limited

Other related parties:

Fellow Subsidiaries

Kotak Mahindra Capital Company Limited
Kotak Securities Limited
Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Forex Brokerage Limited

Enterprises having significant influence over the company

Ford Credit International Inc., USA held 40% of the share capital (till 4th October, 2005)

Key Management Personnel

Mr. Uday Kotak, Non Executive Chairman
Mr. Sumit Bali, CEO and Manager
Mr. Vyomesh Kapasi, COO till 18th April, 2006
Mr. Sudhakar Shanbhag, CFO till 3rd May, 2006 and as COO with effect from 4th May, 2006

Joint Venture

Kotak Mahindra Old Mutual Life Insurance Limited – Joint Venture with Kotak Mahindra Bank Limited and Old Mutual Financial Services (UK) plc

Others:

Enterprises over which Director/relatives/Key Management Personnel have significant influence

Aero Agencies Limited – Mr. Uday Kotak Ford Credit Kotak Mahindra Limited – Mr. Sudhakar Shanbhag, Sr. Vice President – Finance & Systems till 3rd October, 2005

Mutual Fund/Venture Capital Fund managed by fellow subsidiary

Kotak Mahindra Mutual Fund
Managed by fellow subsidiary – Kotak Mahindra Asset Management Company Limited
Kotak Real Estate Fund
Managed by fellow subsidiary – Kotak Mahindra Investments Limited

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

The following transactions were carried out with related parties in the ordinary course of business:-

Nature of transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/Relatives/Key Management Personnel have significant influence	Mutual Fund/Venture Capital Fund managed by Fellow Subsidiary	Total
Shares issued		—				—
		(3.60)				(3.60)
Kotak Mahindra Asset Management Co. Limited		—				—
		(3.60)				(3.60)
Premium received on issue of shares		—				—
		(593.55)				(593.55)
Kotak Mahindra Asset Management Co. Limited		—				—
		(593.55)				(593.55)
Non Convertible Debentures issued		2,000.00				2,000.00
		—				—
Kotak Mahindra Old Mutual Life Insurance Ltd.		2,000.00				2,000.00
		—				—
Interest payable on debenture issued		52.56				52.56
		—				—
Kotak Mahindra Old Mutual Life Insurance Ltd.		52.56				52.56
		—				—
Outstandings – Payables	68.05	—		—		68.05
	(92.93)					(92.93)
Interest Rate Swaps (Off Balance Sheet)	35,500.00					35,500.00
	(33,025.00)					(33,025.00)
Contracts for Interest Rate Swaps – (Off Balance Sheet)	21,000.00					21,000.00
	(15,525.00)					(15,525.00)
Purchase of units of Kotak Real Estate Fund					975.00	975.00
					(150.00)	(150.00)
Purchases of units of Kotak Mahindra Mutual Fund					550,885.36	550,885.36
					(334,757.13)	(334,757.13)
Sales of units of Kotak Mahindra Mutual Fund					553,355.26	553,355.26
					(331,353.59)	(331,353.59)
Dividend on units of Kotak Mahindra Mutual Fund					341.12	341.12
					(96.80)	(96.80)
Purchase of equity shares (of Kotak Mahindra Old Mutual Life Insurance Ltd.)	—	1,497.68				1,497.68
	(5,625.42)	—				(5,625.42)
Kotak Mahindra Old Mutual Life Insurance Ltd.		1,497.68				1,497.68
		—				—
Sale of equity shares (of Kotak Mahindra Old Mutual Life Insurance Ltd.)		1,723.10				1,723.10
		—				—

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

Nature of transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/Relatives/Key Management Personnel have significant influence	Mutual Fund/Venture Capital Fund managed by Fellow Subsidiary	Total
Kotak Mahindra Capital Company Limited		1,723.10				1,723.10
Purchase of optionally convertible debentures		—				—
		(225.00)				(225.00)
Kotak Forex Brokerage Limited		—				—
		(225.00)				(225.00)
Redemption of optionally convertible debentures		225.00				225.00
		—				—
Kotak Forex Brokerage Limited		225.00				225.00
		—				—
Inter Corporate Deposit placed		700.00				700.00
		—				—
Kotak Mahindra Securities Limited		700.00				700.00
		—				—
Inter Corporate Deposit redeemed		700.00				700.00
		—				—
Kotak Mahindra Securities Limited		700.00				700.00
		—				—
Amount Financed		213.78				213.78
		(286.56)				(286.56)
Kotak Securities Limited		94.28				94.28
		(170.89)				(170.89)
Kotak Mahindra Capital Company Limited		119.50				119.50
		(115.68)				(115.68)
Receivables under Auto Finance		—				—
		(441.08)				(441.08)
Kotak Securities Limited		—				—
		(281.15)				(281.15)
Kotak Mahindra Capital Company Limited		—				—
		(159.93)				(159.93)
Term Deposits placed	1,086.07	570.00				1,656.07
	(430.00)	—				(430.00)
Kotak Securities Limited		570.00				570.00
		—				—
Interest receivable on Term deposits (net of Tds)	1.75	8.70				10.45
	(1.48)	—				(1.48)
Kotak Securities Limited		8.70				8.70
		—				—
Deposits	0.10	10.00				10.10
	(0.10)	(5.00)				(5.10)
Kotak Mahindra Old Mutual Life Insurance Ltd.		10.00				10.00
		(5.00)				(5.00)

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

Nature of transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/Relatives/Key Management Personnel have significant influence	Mutual Fund/Venture Capital Fund managed by Fellow Subsidiary	Total
Premium receivable on Interest Rate Swaps	259.19 (165.45)					259.19 (165.45)
Bank Balance in Current/OD Account	2,223.65 (978.67)					2,223.65 (978.67)
Outstandings – Receivables	19.37 (150.11)	33.42 (0.01)				52.78 (150.12)
Kotak Mahindra Asset Management Co. Limited		0.04 (0.01)				0.04 (0.01)
Kotak Mahindra Old Mutual Life Insurance Ltd.		0.77 —				0.77 —
Kotak Securities Limited		32.62 —				32.62 —
Interest received on Inter Corporate Deposits		33.69 —				33.69 —
Kotak Mahindra Securities Limited		33.69 —				33.69 —
Interest on debenture		18.60 (0.94)				18.60 (0.94)
Kotak Forex Brokerage Limited		18.60 (0.94)				18.60 (0.94)
Interest received on Term Deposits	76.48 (1.90)	26.56 —				103.04 (1.90)
Kotak Securities Limited		26.56 —				26.56 —
Income from vehicle financing		34.85 (25.50)				34.85 (25.50)
Kotak Securities Limited		20.02 (16.13)				20.02 (16.13)
Kotak Mahindra Capital Company Limited		14.83 (9.37)				14.83 (9.37)
Fee based income (net of service tax)	70.63 (148.40)					70.63 (148.40)
Premium received on Interest Rate Swaps	302.16 (163.43)					302.16 (163.43)
License fees received	4.04 (4.74)	1.89 (0.14)		— (20.10)		5.94 (24.99)
Kotak Mahindra Asset Management Co. Limited		0.19 (0.14)				0.19 (0.14)
Kotak Mahindra Old Mutual Life Insurance Ltd.		1.71 —				1.71 —

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

Nature of transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/Relatives/Key Management Personnel have significant influence	Mutual Fund/Venture Capital Fund managed by Fellow Subsidiary	Total
Ford Credit Kotak Mahindra Limited		—		—		—
		—		(20.10)		(20.10)
Common Establishment Expenses – Recovered	—	2.58		—		2.58
	(4.80)	—		(108.66)		(113.46)
Kotak Mahindra Investments Limited		2.58				2.58
		—				—
Ford Credit Kotak Mahindra Limited		—		—		—
		—		(108.66)		(108.66)
Miscellaneous income		—				—
		(0.19)				(0.19)
Kotak Mahindra Asset Management Co. Limited		—				—
		(0.19)				(0.19)
Bank charges – Interest on CC	17.94					17.94
	(10.64)					(10.64)
Issuing and Paying Agency Charges	—					—
	(1.25)					(1.25)
Brokerage paid		10.77				10.77
		(0.10)				(0.10)
Kotak Securities Limited		10.77				10.77
		(0.10)				(0.10)
Transaction charges paid		1.04				1.04
		—				—
Kotak Securities Limited		1.04				1.04
		—				—
Interest on debentures paid		52.56				52.56
		—				—
Kotak Mahindra Old Mutual Life Insurance Ltd.		52.56				52.56
		—				—
Core Communication Expenses	60.00			—		60.00
	—			—		—
Common Establishment Expenses – Reimbursed	134.96	6.27		—		141.22
	(90.14)	—				(90.14)
Kotak Mahindra Investments Limited		6.27				6.27
		—				—
Royalty paid (net of service tax)	—					—
	(2,351.30)					(2,351.30)
Fee based expense (net of service tax)	51.35					51.35
	(7.18)					(7.18)
License fees paid	104.42					104.42
	(72.70)					(72.70)
Demat charges paid	—					—
	(0.13)	(0.01)				(0.14)

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

Nature of transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/Relatives/Key Management Personnel have significant influence	Mutual Fund/Venture Capital Fund managed by Fellow Subsidiary	Total
Kotak Securities Limited		(0.01)				— (0.01)
Fee for private placement of debentures (net of service tax)		— (0.90)				— (0.90)
Kotak Mahindra Capital Company Limited		— (0.90)				— (0.90)
Cost of travel tickets purchased				16.66 (15.03)		16.66 (15.03)
Aero Agencies Limited				16.66 (15.03)		16.66 (15.03)
Expense reimbursement by other company	23.59 (1.97)	2.99 (5.23)		— (20.39)		26.58 (27.59)
Kotak Mahindra Asset Management Co. Limited		0.42 (0.15)				0.42 (0.15)
Kotak Mahindra Old Mutual Life Insurance Ltd.		2.57 —				2.57 —
Kotak Mahindra Investments Limited		— (5.08)				— (5.08)
Ford Credit Kotak Mahindra Limited				— (20.39)		— (20.39)
Expense reimbursement to other company	229.13 (271.63)	2.50 (2.63)		— (7.78)		231.63 (282.04)
Kotak Mahindra Investments Limited		2.50 (2.63)				2.50 (2.63)
Ford Credit Kotak Mahindra Limited				— (7.78)		— (7.78)
Reimbursement to Other Company – Purchase of Assets	1.01 —	— —	— —	— —	— —	1.01 —
Reimbursement by Other Company – Purchase of Assets	2.91 —	— —	— —	— —	— —	2.91 —
Remuneration to key management personnel*			108.85 (53.87)			108.85 (53.87)
Sumit Bali			61.57 (13.38)			61.57 (13.38)
Vyomesh Kapasi			5.64 (13.01)			5.64 (13.01)
Sudhakar Shanbhag			41.63 (27.48)			41.63 (27.48)

* Excludes provision for gratuity, since it is based on actuarial valuation done on an overall basis.
Figures in bracket indicates previous year figures

Schedules forming part of the Financial Statements for the year ended 31st March, 2007 (Contd.)

Long Term Investments:		
1.	Quoted:	
	(i) Shares:	
	(a) Equity	366
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	NIL
	(v) Others	NIL
2.	Unquoted:	
	(i) Shares:	
	(a) Equity	5,400
	(b) Preference	NIL
	(ii) Debentures and Bonds	NIL
	(iii) Units of mutual funds	NIL
	(iv) Government Securities	NIL
	(v) Others - Units of Kotak India Real Estate Fund	1,125

(5) Borrower group-wise classification of assets financed as in (2) and (3) above. Please see Note 2 below:

Category	Amount Net of provisions		Total
	Secured	Unsecured	
1. Related Parties **			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	903	903
(c) Other related parties	NIL	NIL	NIL
2. Other than Related Parties	409,295	6,823	416,118
Total	409,295	7,726	417,021

(6) Investor group-wise classification of all investments (current and long term) in the shares and securities (both quoted and unquoted):
Please see Note 3 below:

Category	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	5,400	5,400
(c) Other related parties	NIL	NIL
2. Other than related Parties	3,8768	3,916
Total	9,276	9,316

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other information:

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	9,430
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	7,926
(iii) Assets acquired in satisfaction of debt	NIL

Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (4) above.

- V. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Accordingly, amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

