



Kotak Mahindra Investments Ltd.

ANNUAL REPORT 2006-2007

Directors' Report

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

I. FINANCIAL HIGHLIGHTS

	(Rs. in lakhs) For the year ended 31st March 2007	(Rs. in lakhs) For the year ended 31st March 2006
Gross Income	11463.36	9104.42
Profit before tax	3567.53	3926.76
Provision for tax	861.70	1143.64
Profit after tax	2705.83	2779.60
Net Profit after tax carried to Balance Sheet	9969.42	7898.29

II. THE BUSINESS OF THE COMPANY

Your Company is engaged in holding long term strategic investments, providing finance against securities and mutual fund units, providing overdraft against shares and such other activities. The vibrant and strong capital markets helped your Company's growth during the year under review. Strong credit and collateral value monitoring mechanism put in place by your Company ensures minimal credit losses in this business. Your Company's strategy has been of continuous product innovation coupled with tight control on credit quality and effective risk management. The operating team of the Company is confident of maintaining the growth momentum along with superior quality of loan portfolio.

Your Company last year had purchased NPA portfolios from the companies in various sectors and also ventured into advisory services of distress companies. This activity had generated steady stream on fee based income for your company.

Your Company is the sponsor and the Investment Manager of Kotak Mahindra Realty Fund (KMRF) and its scheme Kotak India Real Estate Fund – I (KIREF-I). KMRF is registered with Securities and Exchange Board of India as a venture capital fund with a corpus over Rs. 450 Crore.

III. DIVIDEND

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

IV. DIRECTORS

Mr. Dipak Gupta and Mr. K.V.S. Manian, Directors, retire by rotation at the Nineteenth Annual General Meeting and, being eligible, offer themselves for re-appointment.

V. MANAGER

Mr. Sachin Samant had been appointed as the Manager of the Company for a period of two years i.e. up to 1st July 2008.

VI. COMMITTEES

AUDIT COMMITTEE

The Audit Committee consists of Mr. Dipak Gupta, Ms. Shanti Ekambaram and Mr. Jaimin Bhatt, with any two members forming the quorum.

ALCO COMMITTEE

ALCO consists of (1) Ms. Shanti Ekambaram, (2) Mr. Jaimin Bhatt, (3) Mr. Sachin Samant, and (4) Mr. K. G. Subramanian with any one member each from the first two and the last two members forming the quorum. Members of ALCO meet every month to discuss various issues for the effective management of the assets and liabilities of the Company.

VII. AUDITORS

The Company's Auditors, Messrs. V. C. Shah & Co., Chartered Accountants, Mumbai, retire at the Annual General Meeting and are eligible for re-appointment. You are requested to re-appoint them and fix their remuneration.

VIII. DEBENTURE TRUSTEES

UTI Bank Limited and IDBI Trusteeship Services Limited act as the Debenture Trustees for the redeemable non-convertible debentures issued under the Shelf Information Memorandum dated February 12, 2007.

IX. STATUTORY INFORMATION

A statement giving 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.

The Company did not accept any deposits from the public during the year.

There were no earnings or outgo of foreign exchange and the other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since the Company is not a manufacturing company.

X. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the management, confirm in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

- i) the Company has, in the preparation of the annual accounts, 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 judgments 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 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.

For and on behalf of the Board of Directors

Dipak Gupta
Chairman

Mumbai, 2nd May, 2007

Auditors' Report

To the Members of

KOTAK MAHINDRA INVESTMENTS LIMITED

1. We have audited the attached Balance Sheet of **KOTAK MAHINDRA INVESTMENTS LIMITED** as at 31st March, 2007 and the Profit and Loss Account of the company 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 have conducted our audit in accordance with 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) Order, 2003, as amended thereafter issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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:
 - (i) 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;
 - (ii) 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;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) 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;
 - (v) On the basis of the written representations received from the directors, 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.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For V. C. Shah & Co.
Chartered Accountants

V. C. Shah
Partner
Membership No.: 10360

Place: Mumbai
Date: 2nd May, 2007

Annexure to the Auditors' Report

[referred to in paragraph 3 of our report of even date]

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any fixed assets during the year under report.
- ii. (a) The inventory of the Company consists of units of mutual fund. The physical verification of inventory has been conducted at reasonable intervals by the management.
- (b) In our opinion, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. (a) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence sub-clauses (b), (c), (d), (e), (f) & (g) of clause 4(iii) are not applicable to the Company during the year under report.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for purchase of units and fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- v. (a) There are no transactions that need to be entered into the register maintained under section 301 of Companies Act, 1956. Hence sub-clause (b) of this clause is not applicable to the Company during the year under report.
- vi. The Company has not accepted any deposits from the public during the year under report.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The provisions of section 209 (1) (d) of the Companies Act, 1956 in respect of maintenance of cost records as may be prescribed by the Central Government, are not applicable to the Company.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, if any, applicable to it.
- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom tax, wealth tax, service tax, excise duty, cess that have not been deposited on account of any dispute.
- x. There are no accumulated losses of the Company at the end of the financial year. The Company has also not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the company has maintained adequate records in cases of loans and advances granted on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. The Company has maintained proper records of its transactions and contracts in shares, securities, and other investments and timely entries have been made therein. The shares, securities and other investments, are held by the company, in its own name or are in the process of being transferred in the name of the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The company has not taken any term loans during the year under report.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. During the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. According to the information and explanations given to us, the company has created security or charge, in respect of secured debentures issued during the year under report.
- xx. The Company has not raised any money by public issues, during the year under report.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year under report.

For V. C. Shah & Co.
Chartered Accountants

V. C. Shah
Partner
Membership No.: 10360

Place: Mumbai
Date: 2nd May, 2007

Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March 2007 Rs. in thousands	As at 31st March 2006 Rs. in thousands
Sources of Funds			
1. Shareholders' Funds			
(a) Share Capital	(1)	30,503	30,503
(b) Reserves and Surplus	(2)	1,346,872	1,078,244
2. Loan Funds			
(a) Secured	(3)	862,000	71,500
(b) Unsecured	(4)	5,445,000	6,310,000
Total		7,684,375	7,490,247
Application of Funds			
1. Fixed Assets			
(a) Gross Block		9,221	8,348
(b) Less: Depreciation		4,681	1,802
(c) Net Block	(5)	4,540	6,546
2. Investments	(6)	387,503	1,496,643
3. Current Assets, Loans and Advances			
(a) Stock-in-trade	(7)	1,528,535	190,030
(b) Cash and Bank Balances	(8)	211,845	49,671
(c) Loans and Advances	(9)	6,151,645	6,178,472
(d) Interest accrued on Investments		—	3,155
		7,892,025	6,421,328
Less: Current Liabilities and Provisions			
(a) Current Liabilities	(10)	382,629	208,634
(b) Provisions	(11)	268,910	225,852
		651,539	434,486
Net Current Assets		7,240,486	5,986,842
4. Deferred Tax Asset	(12)	51,846	216
Total		7,684,375	7,490,247

Significant Accounting Policies and Notes to the Financial Statements (19)

As per our attached report of even date
For V. C. Shah & Co.
Chartered Accountants

V. C. Shah
Partner

Ashutosh Naik
Company Secretary

For and on behalf of the Board of Directors

Dipak Gupta
Director

Jaimin Bhatt
Director

Mumbai
Dated: 2nd May, 2007

Profit and Loss Account for the Year ended 31st March, 2007

	Schedule	For the year ended 31st March 2007 Rs. in thousands	For the year ended 31st March 2006 Rs. in thousands
Income			
Interest Income	(13)	780,831	765,554
Income from investments	(14)	125,776	51,501
Profit on trading in securities	(15)	109,614	39,596
Fee Income		91,580	36,971
Recoveries in excess of cost of NPAs purchased		37,859	16,614
Other Income		676	206
Total		1,146,336	910,442
Expenditure			
Personnel	(16)	67,163	36,501
Interest and Finance Charges	(17)	648,368	450,740
Administrative and Operating Expenses	(18)	68,816	28,337
Provisions / Write offs (net of recovery)		2,357	799
Total		786,704	516,377
Profit before Depreciation and Tax		359,632	394,066
Depreciation		(2,879)	(1,390)
Profit before Tax		356,753	392,676
Provision for Taxation :			
Current Tax		(137,300)	(114,200)
Deferred Tax		51,630	(164)
Fringe Benefit Tax		(500)	(351)
Profit after Tax		270,583	277,960
Prior Period Income		—	305
Prior Years Tax Adjustments		(8,102)	(458)
		262,482	277,807
Balance brought forward from previous year		789,829	716,290
Transitional Adjustments under revised AS-15			
Provision for Gratuity (Refer Note No. II (5) of Schedule 19)		(280)	—
Provision for Accumulated Compensated Absences (Refer Note No. II (5) of Schedule 19)		(1,089)	—
Profit available for appropriation		1,050,942	994,098
Appropriations			
Interim Dividend		—	18,302
Corporate Dividend Tax		—	2,567
Transfer to General Reserve		—	27,800
Transfer to Capital Redemption Reserve		—	100,000
Transfer to Special Reserve under section 45IC of Reserve Bank of India, Act 1934		54,000	55,600
Surplus carried to Balance Sheet		996,942	789,829
		1,050,942	994,098

Earnings per share - (Refer Note No. II (11) of Schedule 19)			
Basic & Diluted		88.71	91.13
Significant Accounting Policies and Notes to the Accounts	(19)		

As per our attached report of even date
For V. C. Shah & Co.
Chartered Accountants

For and on behalf of the Board of Directors

V. C. Shah
Partner

Ashutosh Naik
Company Secretary

Dipak Gupta
Director

Jaimin Bhatt
Director

Mumbai
Dated: 2nd May, 2007

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

Particulars	2006-2007		2005-2006	
	Amount Rupees in thousands	Amount Rupees in thousands	Amount Rupees in thousands	Amount Rupees in thousands
Cash Flow From Operating Activities				
Net Profit before taxation and extraordinary items	356,753		392,676	
Adjustments for :				
Depreciation	2,879		1,390	
(Profit) / Loss on Long Term Investments	(119,893)		(27,115)	
(Profit) / Loss on Current Investments	(2,878)		(20,974)	
Interest on Long Term Investments	(3,005)		(3,412)	
Prior Period Income	—		305	
Provisions / Write offs	2,357		799	
Operating Profit Before Working Capital Changes	236,213		343,669	
(Increase) / Decrease in Stock in trade	(1,338,505)		1,044,167	
(Increase) / Decrease in Loans and Advances	73,854		(650,077)	
(Increase) / Decrease in Interest accrued on Investments	3,155		1,891	
(Increase) / Decrease in Miscellaneous Expenditure	—		7,199	
Increase / (Decrease) in Current Liabilities	173,994		105,100	
Increase / (Decrease) in Provision for Gratuity and Leave encashment	5,253		142	
Cash generated from / (used in) Operations	(846,036)		852,091	
(Income Taxes paid) / Refund Received	(162,658)		(82,850)	
Net Cash generated from / (used in) Operating Activities	(A)	(1,008,694)		769,240
Cash Flow from Investing Activities				
Interest on Long term Investment	3,005		3,412	
Purchase of Investment	(295,912)		(1,285,808)	
Sale of Investment	1,527,823		106,076	
Purchase of Fixed Assets	(875)		(6,244)	
Net Cash (used in) / from Investing Activities	(B)	1,234,041		(1,182,564)
Cash Flow from Financing Activities				
Redemption of Preference Shares	—		(100,000)	
Increase / (Decrease) in Secured Loan	790,500		(7,500)	
Received Securities Premium (Net)	11,328		—	
Increase / (Decrease) in Unsecured Loan	(865,000)		345,000	
Interim Dividend paid	—		(20,868)	
Net Cash from Financing Activities	(C)	(63,172)		216,632
Net Increase / (Decrease) in Cash & Cash equivalents	(A + B + C)	162,174		(196,693)
Cash & Cash equivalents at the beginning of the year		49,671		246,364
Cash & Cash equivalents at the end of the year	(D)	211,845		49,671
		162,174		(196,693)

Notes: 1. Cash and cash equivalents include :

Cash on hand	—	—
Bank Balances	71,845	49,671
Fixed Deposits	140,000	—
Total cash and cash equivalents	211,845	49,671

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 previous year's figures have been re-grouped, wherever necessary in order to conform to this year's presentation.

As per our attached report of even date

For and on behalf of the Board of Directors

For V. C. Shah & Co.

Chartered Accountants

V. C. Shah
Partner

Ashutosh Naik
Company Secretary

Dipak Gupta
Director

Jaimin Bhatt
Director

Mumbai

Dated: 2nd May, 2007

Schedules forming part of the Balance Sheet as at 31st March, 2007

	31st March 2007 Rs. in thousands	31st March 2006 Rs. in thousands	As at 31st March 2007 Rs. in thousands	As at 31st March 2006 Rs. in thousands
Schedule 1 - Share Capital				
Authorised				
58,000,000 Equity Shares of Rs. 10/- each			580,000	580,000
1,200 Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each			120,000	120,000
Total			700,000	700,000
Issued, Subscribed and Paid up				
3,050,280 Equity Shares of Rs. 10/- each fully paid up			30,503	30,503
All the above shares are held by Kotak Mahindra Bank Ltd, the holding company, and its nominees				
Total			30,503	30,503
Schedule 2 - Reserves And Surplus				
General Reserve				
As per last Balance Sheet	43,110	15,310		
Add: Transferred from Profit and Loss Account	—	27,800	43,110	43,110
Special Reserve				
Under Section 45 IC of the Reserve Bank of India Act, 1934				
As per last Balance Sheet	144,920	89,320		
Add: Transferred from Profit and Loss Account	54,000	55,600	198,920	144,920
Capital Redemption Reserve				
As per last Balance Sheet	100,385	385		
Add: Additions during the year	—	100,000	100,385	100,385
Securities Premium Account				
As per last Balance Sheet	—	—		
Add: Received during the year on issue of debentures (net of taxes)	20,445	1,430		
Less: Expenses on issue of debentures adjusted	9,117	1,430		
Less: Tax effect on receipts and expenses	3,813	—	7,515	—
Profit and Loss Account				
Balance in Profit and Loss Account			996,942	789,829
Total			1,346,872	1,078,244
Schedule 3 - Secured Loans				
772 (P.Y. 143) Secured Redeemable Non Convertible Debentures fully paid, privately placed Secured by way of charge on specified receivables of the company, in favour of the Trustees and are redeemable at par			862,000	71,500
Total			862,000	71,500

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

The details of debentures are as under:

Description	Amount Rs. in thousands	Amount Rs. in thousands (P.Y.)	Redemption Date
4 Debentures of Rs. 5,00,000 each	2000	2000	26-Sep-07
4 Debentures of Rs. 5,00,000 each	2000	—	6-Oct-07
4 Debentures of Rs. 5,00,000 each	2000	—	16-Oct-07
5 Debentures of Rs. 5,00,000 each	2500	—	18-Oct-07
4 Debentures of Rs. 5,00,000 each	2000	—	23-Oct-07
4 Debentures of Rs. 5,00,000 each	2000	—	24-Oct-07
25 Debentures of Rs. 5,00,000 each	12500	—	27-Oct-07
4 Debentures of Rs. 5,00,000 each	2000	—	1-Nov-07
2 Debentures of Rs. 5,00,000 each	1000	—	3-Nov-07
4 Debentures of Rs. 5,00,000 each	2000	—	7-Nov-07
6 Debentures of Rs. 5,00,000 each	3000	—	9-Nov-07
25 Debentures of Rs. 5,00,000 each	12500	—	15-Nov-07
4 Debentures of Rs. 5,00,000 each	2000	—	17-Nov-07
6 Debentures of Rs. 5,00,000 each	3000	—	21-Nov-07
50 Debentures of Rs. 5,00,000 each	25000	—	4-May-08
14 Debentures of Rs. 5,00,000 each	7000	—	11-May-08
2 Debentures of Rs. 5,00,000 each	1000	—	14-May-08
4 Debentures of Rs. 5,00,000 each	2000	—	16-May-08
8 Debentures of Rs. 5,00,000 each	4000	—	18-May-08
12 Debentures of Rs. 5,00,000 each	6000	—	21-May-08
10 Debentures of Rs. 5,00,000 each	5000	—	22-May-08
42 Debentures of Rs. 5,00,000 each	21000	—	4-Jun-08
10 Debentures of Rs. 5,00,000 each	5000	—	5-Jun-08
52 Debentures of Rs. 5,00,000 each	26000	—	6-Jun-08
70 Debentures of Rs. 5,00,000 each	35000	—	7-Jun-08
3 Debentures of Rs. 5,00,000 each	1500	—	8-Jun-08
12 Debentures of Rs. 5,00,000 each	6000	—	13-Jun-08
2 Debentures of Rs. 5,00,000 each	1000	—	15-Jun-08
9 Debentures of Rs. 5,00,000 each	4500	—	18-Jun-08
4 Debentures of Rs. 5,00,000 each	2000	—	10-Jul-08
4 Debentures of Rs. 5,00,000 each	2000	—	13-Jul-08
14 Debentures of Rs. 5,00,000 each	7000	—	20-Jul-08
4 Debentures of Rs. 5,00,000 each	2000	—	30-Jul-08
6 Debentures of Rs. 5,00,000 each	3000	—	2-Aug-08
6 Debentures of Rs. 5,00,000 each	3000	—	7-Aug-08
4 Debentures of Rs. 5,00,000 each	2000	—	13-Aug-08
4 Debentures of Rs. 5,00,000 each	2000	—	15-Aug-08
4 Debentures of Rs. 5,00,000 each	2000	—	16-Aug-08
5 Debentures of Rs. 5,00,000 each	2500	—	17-Aug-08
2 Debentures of Rs. 5,00,000 each	1000	—	21-Aug-08
8 Debentures of Rs. 5,00,000 each	4000	—	22-Aug-08
4 Debentures of Rs. 5,00,000 each	2000	—	23-Aug-08
2 Debentures of Rs. 5,00,000 each	1000	—	24-Aug-08
12 Debentures of Rs. 5,00,000 each	6000	—	27-Aug-08

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

Description	Amount Rs. in thousands	Amount Rs. in thousands (P.Y.)	Redemption Date
10 Debentures of Rs. 5,00,000 each	5000	—	29-Aug-08
4 Debentures of Rs. 5,00,000 each	2000	—	3-Jan-09
2 Debentures of Rs. 5,00,000 each	1000	—	8-Jan-09
4 Debentures of Rs. 5,00,000 each	2000	—	9-Jan-09
2 Debentures of Rs. 5,00,000 each	1000	—	11-Jan-09
2 Debentures of Rs. 5,00,000 each	1000	—	16-Jan-09
6 Debentures of Rs. 5,00,000 each	3000	—	18-Jan-09
6 Debentures of Rs. 5,00,000 each	3000	—	26-Jan-09
163 Debentures of Rs. 25,00,000 each	407500	—	24-Jul-09
75 Debentures of Rs. 25,00,000 each	187500	—	28-Aug-09
2 Debentures of Rs. 5,00,000 each	1000	—	5-Oct-09
4 Debentures of Rs. 5,00,000 each	2000	—	11-Oct-09
2 Debentures of Rs. 5,00,000 each	1000	—	12-Oct-09
4 Debentures of Rs. 5,00,000 each	2000	—	16-Oct-09
2 Debentures of Rs. 5,00,000 each	1000	—	22-Oct-09
2 Debentures of Rs. 5,00,000 each	—	1000	23-Aug-06
4 Debentures of Rs. 5,00,000 each	—	2000	28-Aug-06
4 Debentures of Rs. 5,00,000 each	—	2000	29-Aug-06
2 Debentures of Rs. 5,00,000 each	—	1000	30-Aug-06
2 Debentures of Rs. 5,00,000 each	—	1000	31-Aug-06
4 Debentures of Rs. 5,00,000 each	—	2000	1-Sep-06
9 Debentures of Rs. 5,00,000 each	—	4500	4-Sep-06
4 Debentures of Rs. 5,00,000 each	—	2000	5-Sep-06
12 Debentures of Rs. 5,00,000 each	—	6000	7-Sep-06
3 Debentures of Rs. 5,00,000 each	—	1500	8-Sep-06
2 Debentures of Rs. 5,00,000 each	—	1000	11-Sep-06
2 Debentures of Rs. 5,00,000 each	—	1000	12-Sep-06
8 Debentures of Rs. 5,00,000 each	—	4000	15-Sep-06
2 Debentures of Rs. 5,00,000 each	—	1000	27-Sep-06
4 Debentures of Rs. 5,00,000 each	—	2000	6-Dec-06
2 Debentures of Rs. 5,00,000 each	—	1000	11-Dec-06
6 Debentures of Rs. 5,00,000 each	—	3000	13-Dec-06
22 Debentures of Rs. 5,00,000 each	—	11000	19-Dec-06
2 Debentures of Rs. 5,00,000 each	—	1000	25-Dec-06
4 Debentures of Rs. 5,00,000 each	—	2000	27-Dec-06
4 Debentures of Rs. 5,00,000 each	—	2000	29-Dec-06
6 Debentures of Rs. 5,00,000 each	—	3000	1-Jan-07
2 Debentures of Rs. 5,00,000 each	—	1000	2-Jan-07
2 Debentures of Rs. 5,00,000 each	—	1000	8-Jan-07
2 Debentures of Rs. 5,00,000 each	—	1000	18-Jan-07
4 Debentures of Rs. 5,00,000 each	—	2000	19-Jan-07
2 Debentures of Rs. 5,00,000 each	—	1000	22-Jan-07
2 Debentures of Rs. 5,00,000 each	—	1000	24-Jan-07
15 Debentures of Rs. 5,00,000 each	—	7500	29-Jan-07
Total	862,000	71,500	

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

	As at 31st March 2007 Rs. in thousands	As at 31st March 2006 Rs. in thousands
Schedule 4 - Unsecured Loans		
Short Term Loans from others		
Unsecured Redeemable Non Convertible Debentures fully paid , privately placed (**)	5,300,000	5,960,000
Inter Corporate Deposits	—	205,000
Other Loans		
1,450,000 (P.Y. 1,450,000) Unsecured Fully Convertible Debentures of Rs. 100/- each, fully paid (Redeemable at par on or before, 28th February 2011, at the exercise of put or call option exercisable after 3 years from the date of allotment, being 28th February, 2006. If option to redeem is not exercised, the debentures shall be convertible in to equity shares of Rs. 10/- each on the maturity date, being 28th February 2011, at book value as per audited financials on 30th September, 2010.)	145,000	145,000
Total	5,445,000	6,310,000

(**) The debentures are redeemable at par. There is a pari passu mortgage and charge in favour of the Trustees on the Company's immovable property costing Rs. 10,25,656.

The details of unsecured debentures are as under:

Description	Amount Rs. in thousands	Amount Rs. in thousands (P.Y.)
5,300 (P.Y. 5,960) Debentures of Rs. 10 lakh each	5,300,000	5,960,000
Total	5,300,000	5,960,000

Schedule 5 - Fixed Assets

(Rs. in thousands)

Description	Gross Block			Depreciation			Net Block		
	As at 01.04.2006	Additions during the year	Deductions	As at 31.03.2007	Upto 31.03.2006	For the period	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Premises*	1,026	—	—	1,026	71	17	88	938	955
Office Equipment	891	115	—	1,006	160	190	350	656	731
Furniture and Fixtures	240	—	—	240	227	3	230	10	13
Leasehold Improvements **	2,428	—	—	2,428	914	1,514	2,428	—	1,514
Computers	1,206	338	—	1,544	180	463	643	901	1,026
Vehicles	2,557	420	—	2,977	250	692	942	2,035	2,307
Total	8,348	875	—	9,221	1,802	2,879	4,681	4,540	6,546
Previous Year	2,104	6,244	—	8,348	412	1,390	1,802	6,546	1,692

* Refer Note No. II (2) of Schedule 19

** Refer Note No. II (3) of Schedule 19

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

	Face Value Rs.	Rs. in thousands			
		As at 31.03.2007 Quantity	As at 31.03.2007 Amount (Rs.)	As at 31.03.2006 Quantity	As at 31.03.2006 Amount (Rs.)
Schedule 6 - Investments (Non Trade)					
(I) LONG TERM: (At cost)					
A. Quoted fully paid up Equity shares in:					
3i Infotech Ltd.	10	23,000	5,695	—	—
Bharati Airtel Ltd	10	7,900	6,261	—	—
Centurion Bank of Punjab Ltd.	1	5	—	5	—
Corporation Bank Ltd.	10	5	2	5	2
Dewan Housing Finance Ltd.	10	5	—	5	—
DSP Merrill Lynch Ltd.	10	5	6	5	6
Geojit Financial Services Ltd.	1	50	1	5	1
Global Broadcast News Ltd.	10	46,000	24,947	—	—
Great Offshore Limited	10	7,450	3,152	—	—
Gujarat Ambuja Cements Ltd.	2	45,000	6,276	—	—
HDFC Bank Ltd.	10	5,205	4,813	5	3
HDFC Ltd.	10	5	5	5	5
ICICI Bank Ltd.	10	39,205	32,793	5	3
IDBI Ltd.	10	5	—	5	—
IDEA Cellular Ltd	10	150,000	13,979	—	—
India Infoline Ltd.	10	5	1	5	1
Indiabulls Financial Services Ltd.	2	5	1	5	1
JM Financial Ltd.	10	5	2	5	2
Larsen & Toubro Ltd.	2	11,500	18,669	—	—
LIC Housing Finance Ltd.	10	5	1	5	1
N K Industries Ltd.	10	169,800	2,334	—	—
Network 18 Ltd.	5	29,115	6,621	—	—
ONGC Ltd.	10	12,450	9,590	—	—
Reliance Capital Ltd.	10	7,505	5,003	5	2
Reliance Industries Ltd	10	10,900	14,918	—	—
State Bank of India Ltd.	10	8,100	7,930	—	—
SUN TV Ltd.	10	7,150	10,211	—	—
Sundaram Finance Ltd.	10	20,170	8,053	16875	6,760
TV Eighteen Ltd.	5	16,143	1,111	79888	29,501
UTI Bank Ltd.	10	5	1	5	1
Sub-total (A)			182,376		36,289

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

	Face Value Rs.	Rs. in thousands			
		As at 31.03.2007 Quantity	As at 31.03.2007 Amount (Rs.)	As at 31.03.2006 Quantity	As at 31.03.2006 Amount (Rs.)
B. Unquoted fully paid up Equity shares in:					
Business Standard Ltd.	10	14,891,090	236,382	14,891,090	236,382
Kotak Mahindra Prime Limited	10	—	—	1,188,400	1,209,827
Friday Content Solutions Limited	10	12,275	25,405	12,275	25,405
Amitabh Bachchan Corporation Ltd.	10	325,000	26,000	325,000	26,000
TAIB Capital Corporation Ltd.	10	245,000	1,554	245,000	1,554
Snowcem Paints Pvt. Ltd.	10	26,438	9,400	—	—
Less: Provision for Diminution		—	(120,963)		(120,963)
Sub-total (B)			177,779		1,378,206
C. Debentures / Bonds					
5.25% Rural Electrification Corporation Bonds			—		65,280
Sub-total (C)			—		65,280
D. Others					
Pass Through Certificates					
— Corporate Loan Securitisation	10000	1	10	3	30
India Growth Fund - Class A Units (Refer Note. II 1(b) of Schedule 19)	1000		27,338	75000	16,838
Sub-total (D)			27,348		16,868
Total Long Term Investments (A +B+C)			387,503		1,496,643
Aggregate of Quoted Investments					
— at cost			182,376		36,289
— at market value			199,114		58,412
Aggregate of Unquoted Investments					
— at cost			205,127		1,460,354

	As at 31st March 2007 Quantity	As at 31st March 2006 Quantity	As at 31st March 2007 Rs. in thousands	As at 31st March 2006 Rs. in thousands
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Schedule 7 - Stock-in-trade

(At cost or market value, whichever is lower)

Unquoted and fully paid up units in Kotak Mahindra Mutual Fund:

Kotak Liquid (Institutional Premium) - Daily Dividend	125,001,801	15,540,403	1,528,535	190,030
Total			1,528,535	190,030

Schedules forming part of the Balance Sheet as at 31st March, 2007 (Contd.)

	As at 31st March 2007 Rs. in thousands	As at 31st March 2006 Rs. in thousands
Schedule 8 - Cash and Bank Balances		
Balances with Scheduled Banks		
— in current accounts	71,845	49,671
— in Fixed Deposit account	140,000	—
Total	211,845	49,671
Schedule 9 - Loans and Advances		
Advances recoverable in cash or in kind or for value to be received		
Secured, considered good	5,575,697	5,923,374
Secured, considered doubtful	188	752
Less: Provisions for doubtful advances	(188)	(752)
	—	—
Unsecured, considered good	202,845	53,526
Unsecured, considered doubtful	1,066	752
Less: Provisions for doubtful advances	(1,066)	(752)
	—	—
Advance Taxes paid and tax deducted at source	245,835	196,451
Initial Margin - Equity / Index Derivative Instrument	86,518	5,122
Deposit for Mark to Market Margin - Equity / Index Derivative Instrument	40,750	—
Total	6,151,645	6,178,472
Schedule 10 - Current Liabilities		
Sundry Creditors	12,541	4,442
(Other than Small Scale Industrial undertakings)		
Interest accrued but not due	325,633	185,512
Other Liabilities	26,234	18,680
Book Overdraft	18,221	—
Total	382,629	208,634
Schedule 11 - Provisions		
Provision for Gratuity (Refer Note No. II (5) of Schedule 19)	1,522	577
Provision for Accumulated Compensated Absences (Refer Note No. II (5) of Schedule 19)	5,672	—
Provision for Taxation	261,716	225,275
Total	268,910	225,852
Schedule 12 - Deferred Tax Asset		
Deferred tax asset		
as at 1st April, 2006 (P.Y. 1st April, 2005)	216	380
For the year	51,630	(164)
Total	51,846	216

Schedules forming part of the Profit and Loss Account for the Year Ended 31st March, 2007

	For the year ended 31st March 2007 Rs. in thousands	For the year ended 31st March 2006 Rs. in thousands
Schedule 13 - Interest Income		
Interest on Deposits and Loans (TDS Rs. 3,73,86,837/-; P.Y. Rs. 2,20,42,554/-)	778,356	765,365
Interest - others (TDS Rs. 5,46,457/- ; P.Y. Rs. 49,061)	2,475	189
Total	780,831	765,554
Schedule 14 - Income from Investments		
Interest on Long Term Investments (TDS Rs. NIL; P.Y. Rs. NIL)	3,005	3,412
Profit on sale of Current Investments	2,878	20,974
Profit on Long Term Investments	119,893	27,115
Total	125,776	51,501
Schedule 15 - Profit on Trading In Securities		
Profit on trading in Options / Futures	66,304	19,835
Dividend on units of mutual funds	41,277	19,761
Dividend on Equity Shares / Investments	2,033	—
Total	109,614	39,596
Schedule 16 - Personnel		
Salaries, Allowances and Bonus	63,905	35,045
Contribution to Provident and Other Funds	2,227	1,027
Staff Welfare	1,031	429
Total	67,163	36,501
Schedule 17 - Interest and Finance Charges		
Interest on Debentures and Fixed period loans	648,230	445,359
Securities Issue expenses	—	5,357
Interest Others	118	—
Bank Charges	20	24
Total	648,368	450,740
Schedule 18 - Administrative and Operating Expenses		
Travelling and Conveyance	8,301	2,845
Legal and Professional Charges	8,910	2,293
Arranger's Fees and Brokerage	7,083	3
Business Promotion Expenses	6,574	1,158
Rent Expense	7,824	3,254
Common Establishment Expenses - Reimbursements	20,089	15,022
Office expenses	5,223	2,905
Printing and Stationery	1,511	254
Auditor's Remuneration:		
Audit fees	220	220
Tax Audit Fees	50	40
In other capacity	44	20
Commission to Non-whole-time Directors	2,400	—
Rates, Taxes and Fees	375	277
Insurance Expenses	4	11
Miscellaneous Expenses	208	36
Total	68,816	28,337

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 19 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. Significant Accounting Policies

A. ACCOUNTING METHODOLOGY

The Accounts have been prepared on historical cost basis of accounting. The Company adopts the accrual system of accounting.

B. REVENUE RECOGNITION

- a. Interest income is recognised on accrual basis.
- b. Dividend on investments is recognised when the right to receive payment is established.
- c. The Company has followed the prudential norms for income recognition and provisioning for non-performing assets as prescribed by Reserve Bank of India for Non-Banking Financial Companies.
- d. In respect of non performing assets purchased, collection in excess of consideration paid at each asset level or portfolio level is treated as income.

C. FIXED ASSETS

- a. Fixed assets are stated at cost inclusive of incidental expenses less accumulated depreciation.
- b. Depreciation: The Company adopts the Straight Line Method of depreciation so as to write off 100% of the cost of the assets, except in respect of premises, at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956, based on the management's estimates of the useful lives of all assets as follows:

Asset Type	Useful life in years
Premises	58*
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years
Office Equipment	5
Computers	3
Furniture and Fixtures	6
Vehicles	4

Items costing less than Rs. 5,000 are fully depreciated in the year of purchase.

* Arising from commercial and technical considerations, the Company has revised the estimated useful life of premises from 30 years to 58 years with effect from 1st April 2006. In accordance with the Accounting Standard (AS) 6 "Depreciation Accounting", the unamortized depreciable amount of the premises is charged to revenue over the revised remaining useful life.

D. INVESTMENTS

- a. Long term Investments of the Company, have been valued at weighted average cost of acquisition and provision for decline in value, other than temporary, is made in the accounts.
- b. Current investments are valued at weighted average cost of acquisition or fair/market value whichever is lower.

E. STOCK IN TRADE

Stock in trade is valued at weighted average cost or market value whichever is lower.

F. BORROWING COST

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

G. TAXES ON INCOME

The Income Tax expense comprise of Current tax, Deferred tax and Fringe Benefit tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income tax Act. Deferred tax adjustments comprises of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised subject to prudence and judgment that realisation is more likely than not. 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 the change.

H. EMPLOYEE BENEFITS

- a. Provident fund is a defined contribution scheme and the contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.
- b. Gratuity liability is defined benefit obligation and is wholly unfunded. The Company accounts for liability for future gratuity benefits based on actuarial valuation.
- c. Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.
- d. 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 compensated absences on paid annual leave.

I. EQUITY INDEX/STOCK FUTURES:

- a. "Initial Margin - Equity/Index Derivative Instrument" representing the initial margin paid and /or additional margin paid over and above the initial margin, for entering into contracts for equity index/stock futures, which are released on final settlement/squaring – up of the underlying contracts, are disclosed under Loans and Advances.
- b. "Deposit for Mark to Market Margin - Equity/Index Derivative Instrument" representing the deposit paid in respect of mark to market margin is disclosed under Loans and Advances.
- c. Equity Index/ Stock Futures are marked to market on a daily basis and the resultant unrealized loss is recognised in the profit and loss account. On final settlement or squaring up of contracts for equity index/ stock futures, the realised profit or loss after adjusting the unrealized loss already accounted, if any is recognised in the profit and loss account and shown as Profit/(Loss) on trading in Options/Futures.

J. EQUITY INDEX/STOCK OPTIONS

- a. "Initial Margin Equity Derivative Instrument" representing the initial margin paid, and "Margin Deposit", representing the additional margin paid over and above the initial margin, for entering into contracts for equity index/stock options, which are released on final settlement/squaring – up of the underlying contracts, are disclosed under Loans and Advances.
- b. Equity Index Options Premium Account represents premium paid on buying the options during the year. The premium paid on buying the options is recognised in the profit and loss account alongwith realized income on all expired/squared up/settled contracts. As at the balance sheet date, in case of long positions outstanding, the same has been represented in Other Current Assets as Equity Index Options Premium Account and provision is made for the amount by which the premium paid for those options exceeds the prevailing premium on the balance sheet date.

K. SEGMENTAL ACCOUNTING

In accordance with Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has determined the following segments with principal activities as under:

Segment	Principal Activity
Lending	Financing against securities, Purchasing of Non-performing assets
Treasury and Investments	Borrowings, Derivatives and Investments
Asset Management	Investment management activity related to Real Estate Funds.

Since the business operations of the Company are concentrated in India, the Company is considered to operate only in the domestic segment.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

L. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is 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 disclosed in the notes. Contingent assets are neither recognised nor disclosed in financial statements.

II. Notes To Accounts

1. CONTINGENT LIABILITIES:

- Claims made against the company not acknowledged as debts – Rs. 5,00,000 (P.Y. Rs. 5,00,000).
 - Uncalled liability on capital commitment in respect of units of India Growth Fund – Class A Units Rs. 2,62,50,000/- (P.Y. Rs. 3,67,50,000/-).
 - Taxation matters in respect of which appeals are pending, Rs. 61,84,547 (P.Y. Rs. NIL)
- Consequent to the change in estimated useful life of premises, the depreciation charged for the current year was lesser by Rs. 17,088. The effective charge to profit and loss account after the change in estimated useful life is however higher than the minimum rate of depreciation as prescribed by the Companies Act, 1956.
 - Leasehold improvements having written down value of Rs. 5,98,829 as on 31st March 2007, have been fully depreciated during the year. Consequently, the depreciation charge for the year is higher by Rs. 5,98,829 and correspondingly the profit for the year is lower by the said amount.
 - Open Interest in Equity Stock/Index Futures & 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-Apr-2007	2970	1,48,500
S & P CNX Nifty	31-May-2007	577	28,850
As at 31st March 2006			
S & P CNX Nifty	27-Apr-2006	298	14,900

The Company enters into index futures and option for the purpose of hedging.

5. Employee Benefit

The company has adopted the revised AS 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.

	As at 31st March, 2007 Rs. in thousands
Change in Unfunded benefit obligations	
Present value of unfunded benefit obligations, 1st April 2006	857
Current Service cost	16
Interest cost	61
Benefits paid	—
Actuarial (gain)/loss on obligations	13
Liability acquired on employee transfer	575
Present value of unfunded benefit obligations as at 31st March, 2007	1,522

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

	Rs. in thousands
Reconciliation of present value of the obligation and the fair value of the plan assets	
Fair value of plan assets as at 31st March, 2007	—
Present value of unfunded benefit obligations as at 31st March, 2007	1,522
Net asset/ (liability) as at 31st March, 2007	(1,522)
Cost recognised for the period	
Current service cost	16
Interest cost	61
Expected return on plan assets	—
Actuarial (gain)/loss	13
Net gratuity cost	90

Actuarial assumptions used

Discount rate	8.20% p.a
Salary escalation rate	15.0% p.a. for the first 2 years 10.0% p.a. for the next 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 and on basic pay to the extent leave will be encashed.

As per the transitional provision of revised AS 15, the difference in the liability on account of employee benefits created by the Company amounting to Rs. 13,69,043 (net of tax effect) have been adjusted against the accumulated balance in profit and loss account.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

6. Components of net deferred tax asset as at 31st March 2007:

	As at 31st March 2007 Amount Rs. in thousands	As at 31st March 2006 Amount Rs. in thousands
Deferred Tax Assets		
Amalgamation Expenditure allowed over 5 years	NIL	54
Depreciation	547	42
Others	19	14
Expenses allowable on payment basis	1,500	106
Interest provided on Debentures to be allowable on crystallisation of liability	49,604	NIL
Provision for doubtful advances	175	NIL
Total Deferred Tax Assets	51,845	216
Deferred Tax Liabilities	NIL	NIL
Net Deferred Tax Asset/(Liability)	51,845	216

7. (a) Quantitative information in respect of trading in units of mutual funds:

Description	31st March, 2007		31st March, 2006	
	Quantity	Amount Rs. in thousands	Quantity	Amount Rs. in thousands
Kotak Liquid (Institutional Premium) – Daily Dividend				
Opening Stock	1,55,40,403	1,90,030	10,09,31,216	12,34,197
Add: Purchases	10,65,20,66,856	13,02,54,539	4,43,21,77,642	5,41,97,111
Less: Sales	10,54,26,05,458	12,89,16,034	4,51,75,68,455	5,52,41,279
Closing Stock	12,50,01,801	15,28,535	1,55,40,403	1,90,030

(b) Quantitative information in respect of trading in equity shares:

Description	31st March 2007		31st March 2006	
	Quantity	Amount Rs. in thousands	Quantity	Amount Rs. in thousands
Opening Stock	NIL	NIL	NIL	NIL
Add : Purchases	13089	3927	NIL	NIL
Less : Sales	13089	6815	NIL	NIL
Closing Stock	NIL	NIL	NIL	NIL

8. Managerial remuneration under section 198 of the Companies Act, 1956 to the Manager for the year:

	31st March 2007 Rs. in thousands	31st March 2006 Rs. in thousands
Salaries and Allowances	5,030	4,492
Contribution to Provident and Other Funds	120	86
Employee's Stock Option Plan (Refer Note No.10)	723	190
Total	5,873	4,768

Provision for Gratuity benefits which is based on actuarial valuation and Accumulated Compensated Absences, done on an overall basis for the Company is excluded in the remuneration shown above.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

9. Computation of net profit as per section 349 read with section 309 (4) and section 198 of the Companies Act, 1956.

	2006-07 Rs. in thousands	2005-06 Rs. in thousands
Profit before taxation as per Profit & Loss Account	356,753	392,676
Add:		
Depreciation as per financial statement	2,879	1,390
Managerial remuneration	5,873	4,768
Commission to Non-Wholetime Directors	2,400	-
Provision for Doubtful Debts	1,255	799
Provision for Doubtful Debts no longer required	(799)	-
	368361	399,633
Less:		
Depreciation under Section 350 of the Companies Act, 1956	886	1,390
Profit on sale of long Term Investments	119,893	27,115
Net Profit for Section 198 of Companies Act, 1956	244581	371,128
Calculation of Commission to non-whole time directors @1% of net profit as above in terms of Special Resolution passed at the Extra Ordinary General Meeting of the Members held on 30th April 2007	2,446	3,711
Determined and Limited by the Board of Directors to	2,400	NIL

10. During the year, the Company has paid Rs.33,02,638/- (P.Y. Rs. 10,45,915/-) towards Kotak Mahindra Equity Option Plan of Kotak Mahindra Bank Limited, the Holding Company, in respect of stock options granted to its employees. This amount has been charged to the Profit and Loss Account and included under the head Salaries, Allowances and Bonus.
11. Earnings Per Share (EPS) – the numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

Particulars	31st March 2007 Rs. in thousands	31st March 2006 Rs. in thousands
Profit attributable to the Equity Shareholders – (A)	2,70,583	2,77,960
Add: Interest net of tax on fully convertible Debentures – (B)	**_	**_
Diluted Profit attributable to the Equity Shareholders – (A) + (B) = (C)	2,70,583	2,77,960
Basic/Weighted average number of equity shares outstanding during the year – (D)	30,50,280	30,50,280
Add: Conversion of fully convertible debentures into shares	**_	**_
Diluted number of Equity Shares outstanding during the year – (E)	30,50,280	30,50,280
Nominal value of Equity Shares (Rs.)	10	10
Basic & Diluted Earnings per share (Rs.) – (A)/(D)	88.71	91.13

** The convertible debentures issued during the previous year are convertible on 28th February 2011 at the book value as at 30th September 2010. As the conversion, if made, would be at book value prevailing as on that date, the potential equity shares shall not have a dilutive effect and hence have been ignored for the purpose of calculation of diluted earnings per share.

12. (i) The Company has taken office premises and residential premises under operating leases or leave and licence agreements. The same are cancelable and range between 11 months to 60 months and are renewable by mutual consent on mutually agreeable terms.
- (ii) Lease payments recognized in Profit and Loss Account under the head 'Rent Expenses' Rs. 50,66,931 (P.Y. 14,68,108/-) .
13. 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.
14. Segment Reporting:

In accordance with Accounting Standard 17 on Segment Reporting issued by the institute of Chartered Accountants of India, the Company has determined business segments as outlined in para "K" of Significant Accounting Policies. Summary of the segments of the Company are:

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

	Amount 2006-07 Rs. in thousands	Amount 2005-06 Rs. in thousands
Segment Revenue		
Lending	816,842	802,753
Treasury	237,726	70,676
Venture Fund Management	91,768	37,014
Total	1,146,336	910,442
Segment Results		
Lending	373,657	380,270
Treasury	(21,198)	9,769
Venture Fund Management	9,949	3,521
Total	362,407	393,559
Less: Unallocable expenditure	(5,654)	(883)
Total profit before tax	356,753	392,676
Segment Assets		
Lending	5,601,643	5,960,810
Treasury	2,406,359	1,769,709
Venture Fund Management	28,393	4,428
Total	8,036,395	7,734,947
Less: Inter-segment Assets	498,841	723,322
Total	7,537,554	7,011,625
Segment Liabilities		
Lending	8,799	6,438
Treasury	6,653,364	6,567,012
Venture Fund Management	19,226	11,800
Total	6,681,388	6,585,250
Less: Inter-segment Liabilities	498,841	723,322
Total	6,182,548	5,861,928
Unallocated Assets net of liabilities	22,373	(41,850)
Capital Expenditure		
Lending	787	933
Treasury	—	—
Venture Fund Management	86	5,311
Total	873	6,244
Depreciation		
Lending	1,204	508
Treasury	3	—
Venture Fund Management	1,672	882
Total	2,879	1,390

15. Related Party Disclosures:

A. RELATED PARTIES WHERE CONTROL EXISTS:		
	Nature of relationship	Related Party
	Holding Company	Kotak Mahindra Bank Limited (KMBL) (Holds 100% of the equity share capital)
		Mr. Uday S. Kotak along with relatives and companies controlled by him holds 51.46% (P.Y. 54.18%) of the equity share capital of KMBL

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

B. OTHER RELATED PARTIES:		
(i)	Fellow Subsidiaries:	Kotak Securities Limited
		Kotak Mahindra Prime Limited
		Kotak Mahindra Asset Management Company Limited
		Kotak Mahindra Trustee Company Limited
		Kotak Forex Brokerage Limited
		Kotak Mahindra Securities Limited
(ii)	Key Management personnel:	Sachin Samant, Manager
		Shanti Ekambaram, Director
		Jaimin Bhatt, Director
(iii)	Enterprises over which directors/ key management personnel /relatives of key management personnel have significant influence:	Business Standard Limited
		Ford Credit Kotak Mahindra Limited (till 4th October, 2005)
(iv)	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Mutual Fund managed by Kotak Mahindra Asset Management Company Ltd.
		India Growth Fund managed by Holding Company, Kotak Mahindra Bank Limited
(v)	Venture Capital Fund managed by the Company	Kotak Mahindra Realty Fund

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 Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
SHARE CAPITAL							
Redemption of preference shares	— (100,000)						— (100,000)
FINANCE							
Inter Corporate Deposits taken		— (300,000)					— (300,000)
Kotak Mahindra Securities Limited		— (80,000)					— (80,000)
Kotak Mahindra Asset Management Company Limited		— (220,000)					— (220,000)
Inter Corporate Deposits repaid		5,000 (415,000)					5,000 (415,000)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
Kotak Mahindra Asset Management Company Limited		5,000 (335,000)					5,000 (335,000)
Kotak Mahindra Securities Limited		— (80,000)					— (80,000)
Interest paid on ICDs		124 (5,633)					124 (5,633)
Kotak Mahindra Asset Management Company Limited		124 (5,335)					124 (5,335)
Kotak Mahindra Securities Limited		— (298)					— (298)
Debentures issued		— (145,000)	563 (1,530)				563 (146,530)
Kotak Mahindra Asset Management Company Limited		— (95,000)					— (95,000)
Kotak Mahindra Trustee Company Limited		— (50,000)					— (50,000)
Shanti Ekambaram			— (1,530)				— (1,530)
Jaimin Bhatt			563 (—)				563 (—)
Debentures redeemed	— (245,000)		1,530 (—)				1,530 (245,000)
Shanti Ekambaram			1,530 (—)				1,530 (—)
Interest paid on Debentures	— (5,264)	12,325 (1,081)	(58) (459)				12,267 (6,804)
Kotak Mahindra Asset Management Company Limited		8,075 (708)					8,075 (708)
Kotak Mahindra Trustee Company Limited		4,250 (373)					4,250 (373)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
Shanti Ekambaram			(127)				(127)
			(459)				(459)
Jaimin Bhatt			69				69
			(—)				(—)
Inter Corporate Deposits placed		—					—
		(1,000)					(1,000)
Kotak Forex Brokerage Limited		—					—
		(1,000)					(1,000)
Inter Corporate Deposits received back		—					—
		(1,000)					(1,000)
Kotak Forex Brokerage Limited		—					—
		(1,000)					(1,000)
Interest received on ICDs		—					—
		(1)					(1)
Kotak Forex Brokerage Limited		—					—
		(1)					(1)
Term Deposits placed	140,000						140,000
	(—)						(—)
Term Deposits withdrawn	—						—
	(190,000)						(190,000)
Interest received on Term Deposits	84						84
	(187)						(187)
OUTSTANDINGS							
Inter Corporate Deposits taken		—					—
		(5,000)					(5,000)
Kotak Mahindra Asset Management Company Limited		—					—
		(5,000)					(5,000)
Interest payable on ICDs taken		—					—
		(488)					(488)
Kotak Mahindra Asset Management Company Limited		—					—
		(488)					(488)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/ Holding Company	Kotak Mahindra Realty Fund	Total
Debentures		145,000 (145,000)	563 (1,530)				145,563 (146,530)
Kotak Mahindra Asset Management Company Limited		95,000 (95,000)					95,000 (—)
Kotak Mahindra Trustee Company Limited		50,000 (50,000)					50,000 (—)
Shanti Ekambaram			— (1,530)				— (1,530)
Jaimin Bhatt			563 (—)				563 (—)
Interest payable on Debentures		10,397 (838)	69 (459)				10,466 (1,297)
Kotak Mahindra Asset Management Company Limited		6,812 (549)					6,812 (549)
Kotak Mahindra Trustee Company Limited		3,585 (289)					3,585 (289)
Shanti Ekambaram			— (459)				— (459)
Jaimin Bhatt			69 (—)				69 (—)
Book Overdraft in current account	18,221 (—)						18,221 (—)
Term Deposits placed	140,000 (—)						140,000 (—)
Interest receivable on Term Deposits placed	65 (—)						65 (—)
Balance in Current Account	554 (43,052)						554 (43,052)
Demat Deposit Receivable	2 (20)						2 (20)
INVESTMENTS							
Purchases		271,229 (1,246,013)			10,500 (16,838)		281,729 (1,262,852)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
Kotak Mahindra Prime Limited		— (1,209,827)					— (1,209,827)
Kotak Securities Limited		271,229 (36,186)					271,229 (36,186)
India Growth Fund					10,500 (16,838)		10,500 (16,838)
Sales		1,497,350 (47,792)		— (50,940)			1,497,350 (98,732)
Kotak Securities Limited		242,399 (47,792)					242,399 (47,792)
Kotak Mahindra Prime Limited		1,254,950 (—)					1,254,950 (—)
Ford Credit Kotak Mahindra Limited				— (50,940)			— (50,940)
Investments – Gross		— (1,209,827)		236,382 (236,382)	27,338 (16,838)		263,720 (1,463,048)
Kotak Mahindra Prime Limited		— (1,209,827)					— (1,209,827)
Business Standard Limited				236,382 (236,382)			236,382 (236,382)
India Growth Fund					27,338 (16,838)		27,338 (16,838)
Diminution in Investments				69,558 (69,558)			69,558 (69,558)
Business Standard Limited				69,558 (69,558)			69,558 (69,558)
STOCK-IN TRADE (SECURITIES)							
MUTUAL FUND UNITS							
Kotak Mahindra Mutual Fund:							
Purchases					130,254,539 (54,197,111)		130,254,539 (54,197,111)
Sales					128,916,034 (55,241,279)		128,916,034 (55,241,279)
Dividend received					41,277 (19,761)		41,277 (19,761)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
Closing Stock					1,528,535 (190,030)		1,528,535 (190,030)
OTHER SECURITIES							
Kotak Securities Limited							
Purchases		6,319,970 (591,389)					6,319,970 (591,389)
Kotak Securities Limited		6,319,970 (591,389)					6,319,970 (591,389)
Sales		5,660,516 (606,467)					5,660,516 (606,467)
Kotak Securities Limited		5,660,516 (606,467)					5,660,516 (606,467)
Outstanding Receivable		11,876 (24,588)					11,876 (24,588)
Kotak Securities Limited		11,876 (24,588)					11,876 (24,588)
Interest on Deposit		2,164 (—)					2,164 (—)
Kotak Securities Limited		2,164 (—)					2,164 (—)
Interest on deposit receivable		366 (—)					366 (—)
Kotak Securities Limited		366 (—)					366 (—)
OTHER RECEIPTS & PAYMENTS							
Fees received						91,500 (36,971)	91,500 (36,971)
Expense reimbursement to other company	8,234 (15,791)	258 (—)					8,492 (15,791)
Kotak Mahindra Prime Limited		258 (—)					258 (—)
Expense reimbursement from other company	3,170 (—)	627 (—)					3,797 (—)
Kotak Mahindra Prime Limited		627 (—)					627 (—)

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel #	Enterprises over which Directors have significant influence	Mutual Fund/Other Fund managed by Fellow Subsidiary/Holding Company	Kotak Mahindra Realty Fund	Total
Dividend paid	— (18,302)						— (18,302)
Licence Fees paid	2,213 (1,729)						2,213 (1,729)
Demat Charges paid	(—) (60)	206 (1,190)					206 (1,250)
Kotak Securities Limited		206 (1,190)					206 (1,190)
Bank Charges	20 (12)						20 (12)
Brokerage paid		12,739 (1,272)					12,739 (1,272)
Kotak Securities Limited		12,739 (1,272)					12,739 (1,272)
Professional Fees		— (300)					— (300)
Kotak Securities Limited		— (300)					— (300)
Outstanding – Payables	2,720 (3,040)	206 (30)					2,926 (3,070)
Kotak Securities Limited		206 (30)					206 (30)
Remuneration *			5,873 (4,768)				5,873 (4,768)
Sachin Samant			5,873 (4,768)				5,873 (4,768)

* Excludes provision for gratuity and accumulated compensated absence.

Commission to non-executive directors amounting to Rs.2 4,00,000 (P.Y. Rs. NIL) has not been included above since the same is on an estimated basis.

Figures in bracket indicates previous year figures.

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

16. Schedule in terms of paragraph 9BB of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

Particulars	Amount Outstanding Rs. in thousands	Amount Overdue Rs. in thousands
Liabilities Side		
1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures:		
Secured	10,09,770	NIL
Unsecured (other than falling within the meaning of public deposits *)	56,22,864	NIL
(b) Deferred Credits	NIL	NIL
(c) Terms Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits *	NIL	NIL
(g) Other Loans (specify nature)	NIL	NIL
* Please see Note a) below		
2. Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of unsecured debentures:	NIL	NIL
(b) In the form of partly unsecured debentures:	NIL	NIL
(c) Other public deposits	NIL	NIL
* Please see Note a) below		
Assets Side		
3. Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured		55,75,697
(b) Unsecured		5,75,949
4. Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Leased Assets including lease rentals under sundry debtors		
(a) Financial Lease		NIL
(b) Operating Lease		NIL
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		NIL
(b) Repossessed Assets		NIL
(iii) Hypothecation loans counting towards EL/HP activities		
(a) Loans where assets have been repossessed		NIL
(b) Loans other than (a) above		NIL
5. Break-up of Investments:		
Current Investments:		
1. Quoted:		
(i) Shares:	(a) Equity	NIL
	(b) Preference	NIL
(ii) Debentures and Bonds		NIL
(iii) Units of Mutual Funds		NIL

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

Particulars	Amount Outstanding Rs. in thousands	Amount Overdue Rs. in thousands	
(iv) Government Securities		NIL	
(v) Others (please specify)		NIL	
2. Unquoted:			
(i) Shares: (a) Equity		NIL	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of Mutual Funds		NIL	
(iv) Government Securities		NIL	
(v) Others (please specify)		NIL	
Long Term Investments:			
1. Quoted:			
(i) Shares: (a) Equity		18,23,76	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of Mutual Funds		NIL	
(iv) Government Securities		NIL	
(v) Others (please specify)		NIL	
2. Unquoted:			
(i) Shares: (a) Equity		177,779	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of Mutual Funds		NIL	
(iv) Government Securities		NIL	
(v) Others - Pass Through Certificates & Units of Venture Capital Fund		27,348	
(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:			
Please see Note b) below			
Category	Amount Net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	432	432
2. Other Than Related Parties	55,75,697	2,02,413	57,78,110
Total	55,75,697	2,02,845	57,78,543

Schedules forming part of the Balance Sheet and Profit and Loss Account (Contd.)

- (7) Investor group-wise classification of all investments (current and long term) in the shares and securities (both quoted and unquoted):

Please see Note (c) below

Category	Amount Net of provisions	
	Market Value/Break up or fair value or NAV Rs. in thousands	Book Value (Net of Provisions) Rs. in thousands
1. Related Parties **		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	1,94,163	1,94,163
2. Other than related Parties	2,10,078	1,93,340
Total	4,04,241	3,87,503

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

- (8) Other information:

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	9,062
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	7,945
(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 Companies Prudential Norms (Reserve Bank) Directions, 1998 (Refer Note No. 1 B(ii) of Schedule 16).
- 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 (5) above.

17. Previous year's figures have been regrouped/reclassified wherever necessary to conform to figures of the current period.

As per our attached report of even date
For V. C. Shah & Co.
Chartered Accountants

V. C. Shah
Partner
Membership No. 10360

Mumbai
Dated: 2nd May, 2007

For and on behalf of the Board of Directors

Ashutosh Naik
Company Secretary

Dipak Gupta
Director

Jaimin Bhatt
Director

Balance Sheet Abstract and Company's General Business Profile

Additional information pursuant to Part IV of Schedule V of the Companies Act , 1956

(a) Registration details

Registration Number

4 7 9 8 6

State code

1 1

Balance Sheet Date

3 1

Date

0 3

Month

2 0 0 7

Year

(b) Capital raised during the year (Amount in Rs. '000)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private placement

N I L

(c) Position of mobilisation and deployment of funds (Amount in Rs. in thousands)

Total Liabilities

7 6 8 4 3 7 5

Sources of Funds

Paid up Capital

3 0 5 0 3

Secured Loans

8 6 2 0 0 0

Application of Funds

Net Fixed Assets

4 5 4 0

Net Current assets

7 2 4 0 4 8 6

Accumulated Losses

N I L

Total Assets

7 6 8 4 3 7 5

Reserves and surplus

1 3 4 6 8 7 2

Unsecured Loans

5 4 4 5 0 0 0

Investments

3 8 7 5 0 3

Miscellaneous Expenditure

N I L

Deferred Tax

5 1 8 4 6

(d) Performance of Company (Amount in Rs.in thousands)

Turnover

1 1 4 6 3 3 6

Profit before Tax

3 5 6 7 5 3

Earning per share in Rs (Basic)

8 8 . 7 1

Dividend Rate(%)

Total Expenditure

7 8 6 7 0 4

Profit after Tax

2 7 0 5 8 3

Earnings per share in Rs.(Dilute)

8 8 . 7 1

(e) Generic Names of three Principal Products/Services of the Company (as per Monetary terms)

Item Code No

N A

Product Description

I N V E S T M E N T C O M P A N Y

For and on behalf of the Board of Directors

Ashutosh Naik
Company Secretary

Dipak Gupta
Director

Jaimin Bhatt
Director

Mumbai
Dated: 2nd May, 2007