



DIRECTORS' REPORT

The Directors present their Seventeenth Annual Report together with the audited accounts of the Company for the year ended 31st March 2002.

I. FINANCIAL RESULTS

	(Rs. in crores)	
	31 st March 2002	31 st March 2001
Gross Income	180.29	224.89
Profit/ (Loss) on sale of Investments	7.97	(10.50)
Expenditure	42.39	47.68
Loss on trading in shares	0.02	3.55
Interest and Bank Charges	55.24	66.98
Gross Profit	90.61	96.18
Provisions / write offs for Non-Performing Assets	10.35	7.72
Profit before Depreciation and Tax	80.26	88.46
Depreciation	5.25	5.36
Profit before tax	75.01	83.10
Provision for tax (including deferred tax)	20.49	33.50
Profit after tax	54.52	49.60
Add / (less): Tax Write Back/(write off)	—	(0.34)
Surplus brought forward from previous year	126.43	72.10
Less: transferred as per scheme of amalgamation	—	0.12
Amount available for appropriation	180.95	121.24
Appropriations:		
General Reserve	5.50	5.00
Debenture Redemption Reserve	—	5.00
Special Reserve under Section 45 IC of the Reserve Bank of India Act, 1934	11.00	10.00
Interim Dividend	11.84	—
Proposed Dividend	12.44	10.66
Tax on distribution of Dividend	1.21	1.08
Transfer from DRR	(5.00)	(35.50)
Transfer from Investment Allowance Reserve	—	(1.43)
Surplus carried to Balance Sheet	143.96	126.43

In line with Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India, the consolidated financial results of the Company along with its subsidiaries for the year ended 31st March 2002 are attached to this report. The Group Profit after tax for the year was Rs. 84.09 crores and the combined net worth of the Group was above Rs. 1200 crores (including the minority interest share).

II. DIVIDEND

The Directors, at their meeting held on 28th January 2002, declared an interim dividend of 20%, to mark the tenth anniversary of the Company's listing. Keeping in mind the overall performance of the Company and the positive outlook for your Company, the Directors recommended a final dividend of 21%. (Previous year 18%).

III. BUSINESS ENVIRONMENT

The year has seen considerable turbulence, both in international economies and in the domestic economy, due to a combination of economic events and events triggered by other than economic considerations. The Indian economy has consequently been affected due to these events. Further, interest rates during the year have seen significant reductions. These factors have brought added pressures to bear on the financial sector. Cost efficiencies, strict credit and loss monitoring, branding and use of technology are the key elements which differentiate between success and failure.

The financial sector is undergoing several changes. The line of distinction between types of entities i.e. Non Banking Financial Companies (NBFCs), Financial Institutions, Banks, etc. is breaking down. There no longer is any segment/product which is the preserve of a specific type of entity. Entry / expansion by several multinational companies (MNCs) into the sector is also a significant change that has taken place.

The NBFC sector within the finance sector has consolidated significantly and only a few large players capable of operating in the new paradigm, where they compete with the MNCs and private banks, have survived in the mainstream of the financial sector. Other small NBFCs have moved to niche segments or markets.

The induction of higher technology platform and more efficient business operating models of private banks, MNCs and foreign banks is raising the levels of customer service and setting new benchmarks in levels of competition to acquire customers. This competition, coupled with the cost of customer acquisition makes it incumbent upon the players to manage the economics of their operations in a superior manner. The sector as a whole is continuously looking for better cost controls and new and more efficient processes which reduce costs yet enhance customer service.

The growth in wholesale credit has been less than desired and is driving more players towards retail focus and the retail consumer now has more options, apart from easier availability of credit and services.

The key to the future of the financial sector will still depend largely on the ability of its players to manage the risks of the business, where the sector as a whole is yet at a level lower than what is desirable.



Going forward, higher private participation and consolidation of players in the sector is bound to be more vigorous. The sector is also likely to witness clearly distinctive strategies for differentiation amongst players.

IV. PROPOSED ENTRY INTO BANKING BUSINESS

The Reserve Bank of India has granted "in principle" approval to your Company to convert itself into a bank. Your Company is taking steps to be operational as a commercial bank by the end of the year.

V. CORPORATE RESTRUCTURING

To facilitate the process of complying with various conditions for conversion into a Bank, Mr. Anand Mahindra and Mr. Uday Kotak, promoters of the Company, decided that their investment companies, viz. Guldsta Investment and Trading Private Limited, Mega Assets and Capital Management Private Limited, Twilight Holdings Private Limited and Scope Holdings Private Limited, through which they hold their stake in your Company, be merged with your Company.

The merger was necessitated as the guidelines prescribed by Reserve Bank of India stipulate that a Director of a Bank cannot hold substantial interest in any Non-Banking Financial Company. The petition for the merger is pending before the Honourable High Court, Bombay.

During the year, the group also decided to reduce the number of subsidiaries and consolidate its business. As part of such consolidation, Kotak Mahindra Investment Limited was merged with Hamko Financial Services Limited ("Hamko"). Both these were wholly owned subsidiary companies of your Company. Komaf Securities (a company with unlimited liability) ("Komaf") was merged with Hamko. Komaf was a 100% subsidiary of Hamko.

VI. EMPLOYEE STOCK OPTION SCHEME

The Kotak Mahindra Equity Option Plan 2001 (ESOP 2001) was adopted by the Board of Directors in July 2001 pursuant to the authority granted by a Resolution of the Members in July 2000. The Board formed an "ESOP Committee" to define and review the process of allocation of ESOPs, short listing of eligible employees and defining the extent of ESOPs to be offered to eligible employees under the ESOP 2001. In September 2001, the Committee granted 8,35,000 options to employees of your Company and its subsidiaries. Each option comprised one equity share. The pricing for the options is higher than the fair market value at the time of the grant. The exercise price would be Rs 50, Rs 55 or Rs 60 per share depending on the time of the exercise of the options. The options have not vested and hence have not been exercised. 25,000 options have lapsed and thus the options in force are 8,10,000. Among the persons who have been granted options are senior management personnel, Mr. C. Jayaram and Mr. Dipak Gupta, Executive Directors of your Company. Options have also been granted to Mr. Shivaji Dam, Director of your Company, who is the Managing Director of OM Kotak Mahindra Life Insurance Company Limited, a subsidiary of your Company. No employee holds 5% or more of the total options granted during the year and no employee was granted options equal to or exceeding 1% of the issued capital of your Company.

VII. OPERATIONS

Your Company's operations are in the areas of asset finance; commercial vehicle financing; corporate finance; retail finance; capital market financing; asset reconstruction and investments. Details of the operations are outlined in the Management Discussion and Analysis section appended to this Report.

VIII. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled 'Corporate Governance' has been included in this Annual Report.

IX. SUBSIDIARIES

Each subsidiary company focuses specifically on separate business activities. The various activities of the subsidiaries of your Company are outlined in the Management Discussion and Analysis section appended to this Report and their financial results are detailed in the respective Directors' Report and Audited Accounts of the subsidiary companies, which are attached to this Report.

Two of your Company's subsidiaries, Kotak Mahindra Capital Company and Kotak Securities, which were earlier companies with unlimited liability, were converted into companies with limited liability with effect from 27th November 2001.

Kotak Mahindra Investment Company Limited PCC, Mauritius became a subsidiary of Kotak Mahindra International Ltd., Mauritius.

X. DIRECTORS

Mr. Anand Mahindra, Mr. K.M. Gherda and Mr. Cyril Shroff retire at the Seventeenth Annual General Meeting and are eligible for reappointment.

Mr. Ajay Sondhi had been appointed as an Additional Director of your Company with effect from 1st July 2002. He holds office up to the date of the ensuing Annual General Meeting of the Company and is eligible to be appointed as a Director of the Company.

Mr. Uday Kotak, a promoter of your Company, has been appointed as a Whole Time Director, designated as Executive Vice Chairman and Managing Director, effective 1st August 2002. He was the non-executive Vice-Chairman prior to this appointment.

Mr. Uday Kotak's appointment and the remuneration payable to him are subject to the approval of the Members of the Company.

XI. AUDITORS

The Company's auditors, Messrs. C. C. Chokshi & Co., Chartered Accountants, Mumbai, have intimated to the Company their unwillingness to be re-appointed as joint Auditors of the Company. Messrs. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, are eligible to be appointed as Auditors and have consented to act as joint Auditors of the Company. The appointment of Messrs. Deloitte Haskins & Sells is for the approval of the Members.



Messrs. V.C. Shah & Co., Chartered Accountants, Mumbai, the joint Auditors of the Company, retire at the Seventeenth Annual General Meeting and are eligible for reappointment.

XII. STATUTORY INFORMATION

During the year under review, your Company's foreign exchange outgo was Rs. 0.12 crores and it had no foreign exchange earnings. The other particulars prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable since the Company is not a manufacturing company.

As on 31st March 2002, 2390 deposits amounting to Rs 3.43 crores were unclaimed. Till the date of this Report, 1399 deposits aggregating Rs. 2.19 crores have been renewed or repaid and steps are being taken to elicit responses from the remaining depositors for the renewal or repayment of their deposit. Your Company has complied fully with all the guidelines of Reserve Bank of India on maintenance of liquid assets on its portfolio of deposits.

XIII. EMPLOYEES

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.

XIV. REGULATORY GUIDELINES

Your Company has made a provision/ write-offs of Rs. 10.35 crores for the year towards NPAs, fully complying with the provisioning requirement of the prudential norms prescribed by the Reserve Bank of India, and has also complied with the Directions issued by the Reserve Bank of India regarding Capital Adequacy, Asset Classification and restriction on concentration of credit and investments. Your Company's Capital Adequacy Ratio was 28.99 % as on 31st March 2002. Your Company deposited a sum aggregating not less than 15% of the public deposits in approved securities in accordance with the Reserve Bank of India directions regarding maintenance of the Statutory Liquidity Ratio.

XV. DIRECTORS' RESPONSIBILITY STATEMENT

Based on representations from the 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 2002, 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 2002 and of the profit of the Company for the financial year ended 31st March 2002;
- 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.

XVI. ACKNOWLEDGEMENTS

The Directors wish to thank the employees for their commendable efforts, teamwork and professionalism. The Board also acknowledges the faith reposed in the Company by the investing public and the Company's lending institutions.

For and on behalf of the Board of Directors

ANAND MAHINDRA

Chairman

Mumbai, July 30, 2002

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2002

EMPLOYED FOR THE FULL YEAR

Emp Name, Gross Remuneration, Designation, Qualification, Exp. Years, Age yrs., Date of commencement, Last Employment Held

C. Jayaram, 7,402,992, Executive Director, BA, PGDM, 24, 46, 09-Oct-99, Kotak Securities, Managing Director. Dr. Ram Mangal, 2,944,654, Senior Vice President, B.Tech, MBA, Ph.D., 22, 45, 07-Oct-98, Reliance Petroleum Ltd., Senior Vice President. Dipak Gupta, 6,627,359, Executive Director, B.Tech, PGDM, 17, 41, 01-Oct-99, Kotak Mahindra Primus Ltd., CEO. K. V.S. Manian, 5,061,395, Chief Operating Officer, B.Tech, MMS, ICWA, 18, 40, 01-Feb-95, Premier Auto Electric Company Ltd. Nandip Vaidya, 2,981,900, Senior Vice President, B.Tech, PGDM, 16, 38, 01-Jan-00, Kotak Securities, Senior Vice President. V. Srinivasan, 3,616,225, Vice President, BA, MA, M.Com, MBA, ICWA, 16, 41, 02-Jun-93, Overseas Sanmar Financial Ltd., Manager.

EMPLOYED FOR PART OF THE YEAR

Emp Name, Gross Remuneration, Designation, Qualification, Exp. Years, Age yrs., Date of commencement, Last Employment Held.

Anjali Telang, 726,641, Associate Vice President, B.Com, MMS, 11, 33, 01-Jun-91, —. B. Sriram, 713,370, Associate Vice President, B.Sc, PDBM, 21, 43, 07-Nov-94, Sundaram Motors, Salesman. Chandrashekhar Sathe, 1,086,190, Senior Vice President, B.Tech, 28, 51, 01-Dec-01, Kotak Mahindra Asset Management Company, Chief Executive Officer. Jayant Gandhi, 617,503, Associate Vice President, B.Com, ACA, 19, 40, 30-Sep-91, Sterling Lease Finance Ltd., Executive. L. M. Sebastian, 773,574, Assistant Manager, SSC, 21, 42, 15-Sep-86, Elcome Marine Services Pvt. Ltd., Accounts Assistant. S R Batliboi & Co., Senior Auditor. R. S. Mani, 852,991.52, Vice President, B.Com, M.Com., PGDFT, 19, 44, 16-Sep-93, Kotak Mahindra Capital Company, Sudhanshu Mittal, 720,202, Associate Vice President, B.Com, CA, 16, 36, 04-Apr-94, Vice President. Raghavendra Mahajankatti, 595,072, Associate Vice President, B.Com, 20, 47, 01-Dec-96, Sundaram Finance Ltd., Area General Manager. Veena Vora, 546,498, Manager, B.Com, 16, 39, 03-Oct-89, Chandraq International, Accountant.

Notes :

1. Gross remuneration includes salary, house rent allowance etc., reimbursement of medical expenses and leave travel passage. Company's contribution to Provident Fund/Pension Fund and monetary value of perquisites calculated in accordance with the Income Tax Act, 1961 and the Rules made thereunder.
2. None of the above employees is related to any Director of the Company and holds 2% of the share capital of the Company.

For and on behalf of the Board of Directors

ANAND MAHINDRA

Chairman

Mumbai, July 30, 2002.



MANAGEMENT DISCUSSION AND ANALYSIS

I BUSINESS ENVIRONMENT

The business environment and the outlook for the financial sector have been dealt with in detail in the Directors' Report.

II. BUSINESS OPERATIONS

A. Divisions

Your Company, along with its subsidiaries, is one of India's leading financial services organizations, offering diverse finance solutions encompassing almost all spheres – corporate finance, retail finance, investment banking, stock broking, mutual funds and life insurance.

Commercial Vehicle Financing Division

This business constitutes the largest part of your Company's loan portfolio. This business performed well during the year with disbursements growing by over 90% over the previous year. As against this, the commercial vehicle industry showed a year on year decline of 3% in sales. Strict credit control and effective monitoring of receivables have resulted in debtors being below 0.75% of the closing lending assets of the division. During the year substantial focus was given to process improvements as an on going activity. The distribution network was also strengthened and business from new centres stabilized. The division currently operates out of 29 centres across the country.

Based on the current trends, the prospects for the commercial vehicle sector in the current year appear favourable.

Retail Finance

The year 2001 - 2002 was the first full financial year of operations of the division for its unsecured loans portfolio of personal loans and holiday loans. The activities of this division first started in Mumbai and then branched off to 6 other locations viz. Delhi, Chennai, Calcutta, Bangalore, Pune and Ahmedabad. Recruitment of personnel and setting up the distribution network, the backbone of this business, were key activities during the year. Collection mechanism and the recovery processes were put in place across all the branches.

The year saw significant progress both in terms of disbursements and the control on delinquency. Disbursements during the year have grown by over 190% as compared to the last year.

The division now has set its sights on expanding this business to other locations whilst increasing numbers significantly in the existing branches.

The division's objective is to be amongst the top few players in the cities that it operates in by the end of this year.

The levels of credit losses in this business continued to be at levels afforded by the pricing of the products and the business has broken even in terms of profitability.

Structured Finance Division

The Structured Finance division continued to follow its niche strategy centred on financing against cash flows and receivables. The disbursements have been maintained at previous year's levels. The credit quality of the book continues to be satisfactory.

Capital Market Finance Division

The products in this division include financing against securities and mutual fund units for both the primary and secondary markets. Margin financing and open offer financing were some new products offered by this division during this year. The strong credit and collateral value monitoring mechanisms put in place by your Company ensure negligible level of 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 systems. The division is confident of maintaining the growth momentum along with the superior quality of the loan portfolio.

Asset Reconstruction Division

This is a unique and innovative business initiative of your Company. The division continued to perform quite well. The division's pioneering effort in the field of recoveries of problematic accounts on behalf of banks and financial services companies continued during the year. The division has expanded its scope of activities from the financial services sector to manufacturing and service sectors.

Legal reforms proposed for Non Performing Assets and setting up of Asset Reconstruction Companies by Banks and FIs would open up further exciting opportunities for this division. With the experience of recoveries garnered over the years, the division is looking at selectively purchasing some debilitated portfolios. The potential for this business is huge considering the level of NPAs in the economy, the formation of Asset Reconstruction Companies and the lack of availability of competent asset managers for delinquent assets.



Fixed Deposit Division

The fixed deposit schemes of your Company continue to be well patronized by the depositor community. The levels of inflows and renewals were maintained throughout the last year. The FD program continues to be rated at the highest levels of "AAA" by both CRISIL & FITCH Ratings India Pvt. Ltd. These ratings signify "very strong degree of safety regarding timely payment of principal and interest". The company is currently under rating watch consequent to its decision to convert itself into a Banking company, subject to RBI approval.

Your Company's Fixed Deposit base as on 31st March 2002 was Rs. 176.51 crores, trusted by 93,630 depositors. The renewal rates also saw an increase during the year.

The exclusive tie-up of the Company with United India Insurance Company for giving free accident death insurance up to Rs. 5 lakhs has added value to the depositors.

Investments

During the year, your Company liquidated most of its long-term quoted equity holdings and thereby realized a profit on sale of investments of Rs. 7.97 crores. Your Company also provided for diminution in the value of some long term investments (both quoted and unquoted) of Rs. 5.08 crores.

B. Borrowings

Your Company had an extremely comfortable borrowing situation throughout the year. The bankers to the Company continue to be highly supportive of the funds requirements of your Company to meet the growth in the asset book. The debentures and CP programmes continue to be well received by the investor community, largely consisting of mutual funds and investment desks of banks.

During 2001-2002, the borrowing requirements of your Company further increased in line with growing disbursements. In all, total borrowing of your Company during 2001-2002 was in the region of Rs. 650 crores, with about 87% being in the form of wholesale borrowings from various banks and mutual funds, with the balance being in the form of retail borrowings through fixed deposits.

Your Company was able to reduce its cost of borrowing beyond the general decline in interest rates by increasingly resorting to privately-placed debentures, commercial paper and foreign currency (FCNR-B) loans from banks, which allowed the Company to avail of funding at attractive costs. Your Company was also able to diversify its borrowing profile even further to prevent over-reliance on any particular type of lender/s or instrument. During July - August 2001, your Company came out with a privately placed issue of medium-term, non-convertible debentures, which was oversubscribed 1.8 times despite tight liquidity conditions. In line with the declining interest rate scenario, peak marginal rates of fixed deposits (3 year maturity) have reduced from 10.50% in April 2001 to 9.75% in March 2002.

C. Lending Operations

Overall the lending operations of your Company showed a very healthy growth during the year.

The total disbursements during the year were Rs. 87816 lakhs, as against Rs. 53862 lakhs in the previous year, a growth of 63%. Major growth was in Commercial Vehicles (90%) and Consumer Loans (190%) and Capital Markets (38%).

Loan Portfolio

Your Company's core credit portfolio grew from Rs. 64439 lakhs to Rs. 102385 lakhs, a significant growth of 59%.

The growth in the asset book has been achieved while maintaining the portfolio quality as evidenced by a negligible level of net NPA.

The increase in the loan portfolio was also accompanied with stringent expense control measures leading to higher profitability on the loan book.

Lending Rates

The declining interest rates in the economy in general have not affected the overall spreads of your Company during the year. This is primarily because of not only better alignment of the borrowing costs with the general fall in rates, but also proper matching of asset and liability profiles of the book.

D. Risk Management

Your Company continued to follow robust systems to manage credit risks, interest rate risks, liquidity risks and operational risks. Credit has been established as an independent function which focuses on not only individual credit clearances but also on credit scoring and rating methodologies, portfolio management and research based views on markets and products. There is also an independent recovery function, which enables proactive management of credit risk.

The risks were managed essentially through independent Credit and Recovery functions, asset liability committee (ALCO) and proper documented procedure manuals for operations. ALCO reviews asset build up, borrowing programme on a monthly basis.

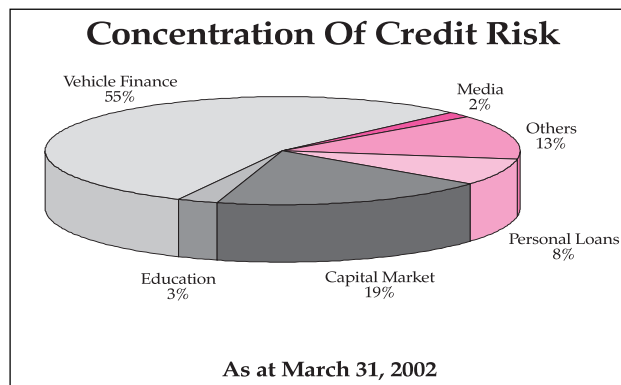


It ensures interest rate risks are minimized and liquidity mismatches are controlled through the technique of bucket-wise gap analysis. ALCO reviews interest rate scenario and prescribes borrowing and lending rates for your Company.

Your Company improved its operational efficiency and procedures through implementation of a state of the art, centralized operating system for its retail businesses and also an advanced general accounting system during this year and hopes to reap the real benefits of better controls, more timely MIS and better customer service in the coming year.

Your Company managed its legal, statutory compliances, regulatory and reputational risks adequately throughout the year.

E. Quality of loan portfolio



Classification of Assets		
Type of assets	Rs. in lakhs Amount (Total assets)	As a % of Total assets
Standard	145966	100.00
Sub standard	Nil	Nil
Doubtful	5	Negligible
Loss assets	Nil	Nil
Total	145971	100.00

NPA movement	(Rs. in lakhs) Total
Opening Net NPAs	698.30
Additions	420.11
Less: collections	
Provisions/ write offs	1113.48
Closing Net NPAs	4.93

Your Company follows very stringent provisioning policies in respect of non performing assets. These policies generally ensure that the non performing assets are written off well in advance of their being classified as substandard under Reserve Bank of India's prudential guidelines.

F. Capital Adequacy

Your Company is required to maintain capital adequacy of 15% as per the prudential norms laid down by the Reserve Bank of India. As against this your Company's capital adequacy as on 31st March 2002 stood at 28.99%. The details are as under:

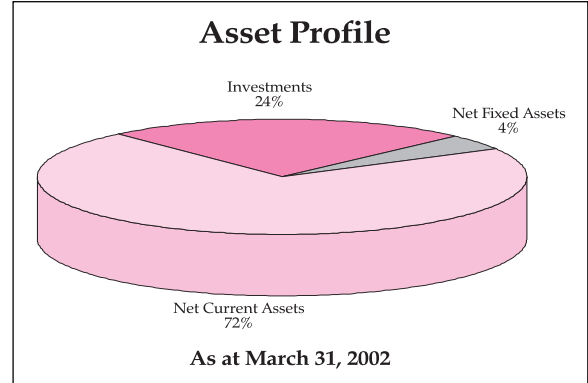
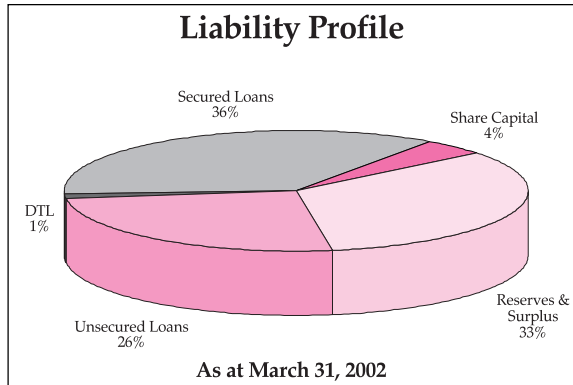
As at March 31, 2002	Rs. in lakhs
Share Capital	5921.28
Reserves & Surplus	45126.80
Less : Miscellaneous expenditure not written off	75.65
Net worth (Owned Funds)	50972.43
Investments, loans and advances to subsidiaries and investments in other NBFCs in excess of 10% of owned funds	14697.38
Net Owned Funds (Tier I Capital Funds)	36274.04
Total Risk Weighted Assets	125118.00
Capital Adequacy Ratio	28.99%

G. Employees

The Company had 265 employees as on 31st March 2002.



III. BALANCE SHEET



A. LIABILITIES

Reserves and Surplus

In accordance with Accounting Standard 22 on accounting for taxes on income, an amount of Rs. 2169.52 lakhs has been debited to the reserves being the cumulative net deferred tax liability as on 1st April 2001. The reserves as at end March 2002 were Rs. 45126.80 lakhs as against Rs. 44392.72 lakhs at the beginning of the year.

Secured Loans

Consequent to the increase in lendings/ asset base of your Company and in line with the borrowing strategy, secured loans at Rs. 47998 lakhs have increased by Rs. 25224 lakhs over the previous year (Bank borrowings Rs. 15371 lakhs, secured debentures Rs. 11022 lakhs).

Unsecured Loans

As indicated, based on balance sheet growth, unsecured loans at Rs. 34562 lakhs have increased by Rs. 5381 lakhs over the previous year, with the major increase comprising of bank borrowings (Rs. 5900 lakhs).

B. ASSETS

Investments

Investments at Rs. 32615 lakhs have reduced by Rs. 2311 lakhs over the previous year, with major reduction in quoted long-term equity of Rs. 3041 lakhs, consequent to sale and provisioning for diminution and which have been partially offset by increases in SLR investments by Rs. 319 lakhs and in subsidiaries by Rs. 607 lakhs.

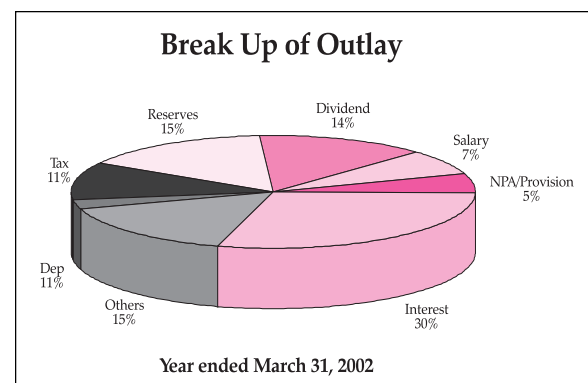
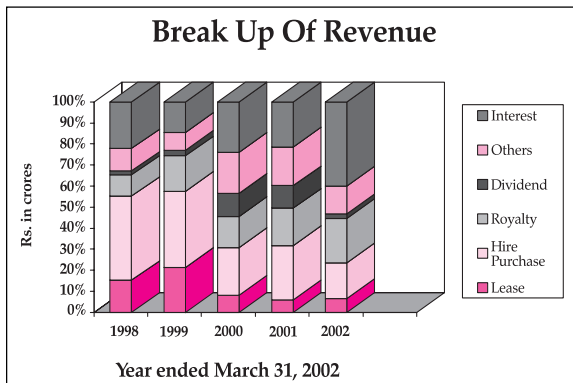
Current assets, loans and advances

As at 31st March 2002, the gross current assets were Rs. 107365 lakhs, which have grown by Rs. 38118 lakhs over the previous year on account of increased lendings. While your Company has consciously reduced its lease and hire purchase exposures (Rs. 12390 lakhs), loans have increased (Rs. 49367 lakhs). Cash and bank balances have increased by Rs. 585 lakhs due to unutilized collections prior to the year end, on account of higher lending assets.

Current liabilities

Current liabilities at Rs. 9420 lakhs have increased by Rs. 2274 lakhs, with the major increase in other liabilities (Rs. 2839 lakhs) due to disbursements pending for payment (Rs. 2266 lakhs).

IV. PROFIT & LOSS ACCOUNT





A. Income

Lease and Hire Purchase

Lease and hire purchase income of Rs. 4432 lakhs has reduced by Rs. 2612 lakhs over the previous year, as a result of reduction in the portfolio by Rs. 12390 lakhs.

Financing and Investment activity

Income on this count at Rs. 9142 lakhs has increased by Rs. 1346 lakhs over the previous year, comprising increase in interest income on account of lending portfolio by Rs. 2233 lakhs, profit on sale of investments by Rs. 890 lakhs and reduction in dividend and interest income from investments of Rs. 1752 lakhs.

Other income

Other income at Rs. 5253 lakhs has reduced by Rs. 2396 lakhs over the previous year on account of reductions in fee based income (Rs. 1189 lakhs) and other miscellaneous income (Rs. 1178 lakhs).

B. Expenditure

Interest and bank charges

Interest and bank charges at Rs. 5524 lakhs have reduced by Rs. 1174 lakhs over the previous year. This is despite the increased borrowing consequent to the increase in lending assets. This is on account of reduction in interest rates in the economy as well as redemption/ repayment of high cost loans during the end of March 2001.

Establishment and other expenses

Establishment and other expenses at Rs. 2881 lakhs have reduced by Rs. 1536 lakhs over the previous year. Out of the above, the previous year included a loss on sale of investments of Rs. 1050 lakhs. Advertising expenses (Rs. 116 lakhs), Office expenses (Rs. 96 lakhs), Professional expenses (Rs. 83 lakhs), Rent (Rs. 48 lakhs), Debenture issue expenses (Rs. 58 lakhs), Travelling (Rs. 44 lakhs) and Telephone (Rs. 43 lakhs) have also contributed to the decrease as a result of policy measures and focus on cost efficiencies.

V CONSOLIDATED RESULTS

In line with Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India, the results of the Company along with its subsidiaries for the year ended 31st March 2002 have been consolidated. In respect of the international subsidiaries, the results considered relate to the calendar year ended December 2001. As compared to the PBT of Rs. 7501 lakhs of the Company, the Group has a PBT (before minority interest charge) of Rs. 15334 lakhs. Similarly, as compared to the PAT of Rs. 5452 lakhs of the Company, the Group has a PAT of Rs. 8409 lakhs, post the minority interest charge of Rs. 1067 lakhs.

The Group has a total networth of Rs. 121641 lakhs (including minority interest share of Rs. 24686 lakhs) and an asset base of Rs. 353200 lakhs.

VI. SUBSIDIARIES

A. Operations

1. Kotak Mahindra Capital Company Limited

Kotak Mahindra Capital Company Limited (KMCC), a strategic alliance between your Company and Goldman Sachs Group Inc., is one of India's leading investment banks with focus on five key areas: Capital Markets (Equity & Debt), Mergers & Acquisitions, Structured Finance & Corporate Advisory, Primary Dealership and International Operations.

Kotak Mahindra International Limited is the international arm of the Kotak Mahindra Group, incorporated in Mauritius, with a branch in Dubai and a subsidiary, **Kotak Mahindra (UK) Limited**, in London. International operations cover the United Kingdom through Kotak Mahindra (UK) Limited and through **Kotak Mahindra Incorporated** in the U.S.A. Services offered include GDR trading and broking, debt syndication, placement of Indian securities and advisory services. **Kotak Mahindra Investment Company Limited**, PCC is a subsidiary of Kotak Mahindra International Limited and is a sub account of Kotak Mahindra (UK) Limited a FII registered in India. **Kotak Mahindra Securities Limited** is a member of the wholesale debt market in NSE and offers broking services in debt securities such as government securities, treasury bills, etc. to institutional and corporate clients as well as pension funds.

The fiscal year ended 2002 witnessed almost non-existent activity in primary capital markets in India, though the Primary Dealership business recorded its highest profit. This overall industry condition impacted KMCC and consequently performance, which resulted in lower revenues from the capital market segment. In the area of M&A, KMCC advised clients in the software, paper and breweries sectors among others and managed buyback of shares through the stock exchange route and open offers for companies. KMCC also played a leading role as lead book runner in almost all private placements for raising of debt. There is a healthy pipeline of mandates in all the products and KMCC would continue to strive to retain its leadership position as the most preferred investment banker.

Given the soft interest rate scenario right through the year KMCC optimally managed the resources at its disposal and actively participated as a Primary Dealer in the market leading to buoyant interest and trading revenues. The next year is likely to see more volatile interest rate movements with a narrower trading range.

2. Kotak Securities Limited

Kotak Securities Limited (KS) is the stock-broking and distribution arm of your Company, a strategic alliance between your Company and Goldman Sachs Group Inc. KS is a corporate member of both the Bombay Stock Exchange and the National Stock Exchange of India Limited. Currently, KS is one of the largest broking houses in India with a wide geographical reach in India and abroad where it has offices in the US, UK and the Middle East through its affiliates.



The **institutional business** division of KS primarily covers secondary market broking. It caters to the needs of foreign and Indian institutional investors in Indian equities (both local shares and GDRs). The division also has a comprehensive research cell with sectoral analysts covering all major areas of the Indian economy. The institutional division focused on increasing market share during 2001-2002 with efforts yielding an FII market share of about 10% at the close of the year, up from 5% in April 2001. Domestic mutual fund market share remained at 5%.

On the retail side, KS offers broking on the cash and the derivatives segment of the stock exchanges, depository, portfolio management, online broking through its website www.kotakstreet.com, and securities lending and borrowing services to its customers. During the year, KS has achieved a more than modest penetration in the retail markets. The number of locations through which the services are offered to the retail investor has gone up to 150 offices. Additional locations are planned to be opened in the current year to further expand the company's retail reach.

The online trading division, www.kotakstreet.com also significantly added to its customer base in the current year and services about 12000 customers.

3. Kotak Mahindra Primus Limited

Kotak Mahindra Primus Limited (KMPL) is the car finance company of the Kotak Mahindra Group, a strategic alliance with Ford Credit International, USA. KMPL offers customers retail finance, for both new as well as used cars and wholesale finance to dealers in the automobile trade. KMPL continues to be among the top car finance companies in India.

During the year under review, KMPL consolidated its position as a leading player in the auto-finance industry. Although passenger car sales remained stagnant during the year, KMPL, due to its dominant position and focussed approach, managed to grow its disbursements by about 14% compared to the previous year. During the year, KMPL expanded its operations to cover 5 more cities. It is the preferred financier for most passenger car brands including Maruti, Hyundai, Toyota, Honda, Daimler Chrysler and General Motors in India.

4. OM Kotak Mahindra Life Insurance Company Limited

OM Kotak Mahindra Life Insurance Company Limited (OMKM) is a strategic alliance between your Company and Old Mutual plc, a UK based financial services group with vast experience in the life insurance business. OMKM currently operates from 25 locations in India spread over twelve states. It has set up multi-distribution channels comprising of quality life advisors, alternate distribution channels team for managing corporate agents and selling group products. OMKM currently offers a range of products with add-on benefits and has the distinction of bringing to the market the concept of Accumulation Account and Automatic Cover Maintenance. Accumulation Account meets the need for transparency and Automatic Cover Maintenance keeps a policy in force despite non-payment of premium.

OMKM has won the Silver Award for the Best Financial Campaign of the year at the recently held Abby awards, one of India's most prestigious awards for advertising excellence. The campaign "Jeene ki Azaadi" reflects OMKM's brands philosophy that its products help people to be independent.

OMKM completed a successful first year generating new business with annualized premium of Rs. 9.05 crores representing a sum assured of Rs. 168.73 crores. The vast potential of life insurance market in India and the company's knowledge of managing investments, product development and distribution herald a bright future for OMKM.

5. Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Asset Management Company Limited is a wholly owned subsidiary of your Company and the asset manager to Kotak Mahindra Mutual Fund (KMMF). KMMF launched its maiden schemes in December 1998. KMMF holds the distinction of being the first fund house in the country to launch a dedicated gilt scheme, investing only in government securities. It was also the first and is now among the few fund houses to offer a simulated AMFI (Association of Mutual Funds of India) test on its website. In the past one year, K Bond Wholesale Plan was ranked as The Best Performing Open-Ended Debt/Income Fund –(One Year) by Moody's Investor Services for The CNBC-BNP Paribas Mutual Fund of the Year Award 2002. It also was ranked Crisil – CPR 1 Open End Debt Scheme – General, April 2000 – March 2002.

KMMF's assets under management increased to over Rs. 1,860 crores by March 2002. It has over 1,30,000 unit holders across all the schemes.

The mutual fund industry assets under management showed a modest growth of 11% to reach Rs. 1,00,594 crores for the year ending March 2002. As many as 90 new Schemes were launched this year as against 41 last year. Though the gross mobilization was up by 77% to Rs. 1,64,523 crores, on a net basis the mobilization was down by 27% to Rs. 7,175 crores compared to last fiscal year.

During the fiscal year, the debt schemes have yielded good returns. Focused management of the portfolios in a softening interest rate scenario has been a major factor. The equity markets during the year were quite listless. The slowdown in global economy and the terrorist attack on the US dampened stock markets all over the world, including India and this reflected in the performance of the equity schemes of the Fund as well. As in other industries, the trend of mergers and acquisitions has become more pronounced in the mutual fund industry as well.

The trustee of the Mutual Fund is Kotak Mahindra Trustee Company Limited, a wholly owned subsidiary of the company.

6. Hamko Financial Services Limited

Hamko Financial Services Limited (Hamko) is a 100% subsidiary of your Company and is the vehicle for strategic investments of your Company.

During the year under review, Kotak Mahindra Investments Limited, a wholly owned subsidiary of the company was merged with Hamko. Komaf Securities (a company with unlimited liability) was also merged with Hamko.



7. Business Standard Limited

Business Standard Limited (BSL), publishes the daily newspaper "Business Standard" and other publications. Business Standard Digital Limited is a wholly owned subsidiary of BSL.

8. Kotak Mahindra Private-Equity Trustee Limited

Kotak Mahindra Private-Equity Trustee Limited, a wholly owned subsidiary of your Company, is the trustee of Kotak Mahindra Venture Capital Fund (KMVCF). KMVCF is registered with the Securities and Exchange Board of India as a venture capital fund. Your Company is the principal investor in KMVCF along with other private investors, and is the Investment Manager of KMVCF.

9. Kotak Forex Brokerage Limited

The year under review was the first full year of operation for Kotak Forex Brokerage Limited (KFBL). KFBL does not expect significant growth in the inter-bank foreign exchange volumes, as Spot Rupee, as well as Dollar and Rupee interest rates are likely to remain stable during fiscal 2002-03. The main contributing factors to the relative stability of the Rupee are the strong accretion to the country's foreign currency reserves and continuing purchase of Dollars by the Reserve Bank of India from the market.

B. Financials of Subsidiaries

(Amount Rs. in lakhs)

As at 31 st March 2001				Subsidiaries	% holding	As at 31 st March 2002			
PBT	PAT	Assets	Networth			PBT	PAT	Assets	Networth
6423.16	3647.16	43453.10	11601.15	KMCCL	74.99	8428.65	5611.13	32652.79	17003.52
4210.15	2585.15	8769.63	6704.00	KSL	74.99	2499.33	1582.86	17162.25	8342.64
283.79	233.79	105859.58	32917.61	KMPL	60.00	714.42	445.45	134129.57	36905.49
12.29	12.29	15259.00	15259.00	OMKMLICL	74.00	(2343.56)	(2343.56)	13278.63	12929.99
(332.79)	(332.79)	1195.72	1191.78	KMAMCL	100.00	36.95	17.74	1732.75	1731.27
75.39	45.47	79.72	52.48	KMTCL	100.00	119.49	77.80	130.46	130.52
144.83	137.83	2525.62	1225.62	HAMKO	100.00	(403.85)	(179.80)	8356.25	5508.02
202.7	119.49	1325.25	1325.25	KM(I)IL	74.99	(386.45)	(331.81)	1027.77	1027.77
20.86	20.86	48.06	48.06	KMInc.	74.99	(76.13)	(76.13)	(28.18)	(28.18)
46.42	43.52	384.31	384.31	KMSL	74.99	51.76	34.60	363.17	364.15
(523.35)	(523.35)	2280.61	918.67	BSL	62.61	(646.19)	(646.19)	2043.53	896.20
(471.51)	(471.51)	133.73	128.48	BS. DIGITAL	62.61	(85.82)	(85.82)	42.67	42.67
0.89	0.51	0.52	0.52	KPETCL	100.00	0.95	0.58	0.92	0.92
0.86	0.78	625.92	100.92	KOTAK FOREX	100.00	2.64	1.45	563.36	101.96
4.87	2.49	143.34	131.81	KOMAF SEC	75.00	CO. MERGED WITH HAMKO			
7031.41	6998.15	9277.78	7027.78	KMIL	100.00	CO. MERGED WITH HAMKO			

SAFE HARBOUR CLAUSE

The statements in this document, other than factual/ historical information, contain words or phrases such as "believe", "expect", "plan", "objective" and other similar words, which are forward looking in nature. Such forward looking statements may be subject to a variety of risks and uncertainties that could result in actual results differing materially from those indicated in this document. The Company is not under any obligation to update such forward looking statements after this date.



REPORT ON CORPORATE GOVERNANCE

Kotak Mahindra Finance Limited believes in good corporate governance as a means of long term value creation for its stakeholders. Over the years, the Company has consciously chosen to follow a policy of transparency, fair play and proper disclosures and has always held the interests of all its stakeholders to be of paramount importance.

Clause 49 of the Listing Agreement with the stock exchanges requires the Company to disclose adherence to principles of corporate governance from the year commencing April 1, 2001. The Company has been practising the principles of good corporate governance even before these were enunciated as a code.

This Report on corporate governance is divided into four parts : (i) Board of Directors, (ii) Committees of the Board of Directors, (iii) Shareholder Information and (iv) other Disclosures.

I. BOARD OF DIRECTORS

The Board of Directors of the Company, comprising a combination of executive and non-executive Directors, consists of eleven members, of whom nine are non-executive Directors. Mr. Anand Mahindra, Chairman, Mr. Uday Kotak, Vice Chairman, and Mr. S.A.A. Pinto may be deemed to be promoters of the Company. The Executive Directors, Mr. C. Jayaram and Mr. Dipak Gupta, are entrusted with substantial powers of management of the business and affairs of the Company, subject to the superintendence, control and direction of the Board.

During the year under review, seven Board Meetings were held, on 29th June 2001, 26th July 2001, 29th October 2001, 27th November 2001, 18th December 2001, 28th January 2002 and 2nd March 2002 .

Mr. Ajay Sondhi was appointed as an Additional Director with effect from 1st July 2002. He holds office till the Annual General Meeting and is eligible for appointment as a Director. Mr. Uday Kotak, a promoter of the Company, who was the non executive Vice Chairman of the Company, has been appointed as a Whole-time Director, designated as Executive Vice Chairman and Managing Director, effective 1st August 2002. Mr. Anand Mahindra, Mr. K.M. Gherda and Mr. Cyril Shroff retire by rotation at the ensuing Annual General Meeting.

Given below is a brief resume of the aforementioned Directors :

Mr. Anand Mahindra

Mr. Anand Mahindra, an Honours graduate of Harvard College, U.S.A and MBA from Harvard Business School, aged 47 years, is the Chairman of the Company and is the Vice Chairman & Managing Director of Mahindra & Mahindra Ltd., the country's dominant producer of off-road vehicles and agricultural tractors. Besides being on the Board of several leading companies, Mr. Mahindra is also keenly interested in education and professional management in India and is a member of several prestigious organizations in India and abroad.

Mr. Uday Kotak

Mr. Uday Kotak, B.Com, MMS, aged 43 years, is the Executive Vice Chairman and Managing Director of the Company and its principal founder and promoter. He is responsible for the growth of the Company from a fledgling finance company in 1985 to a financial institution providing the full basket of financial services today.

Mr. K. M. Gherda

Mr. K.M. Gherda, B.Com., A.C.A, F.C.A (England & Wales), F.C.S, was the Managing Director of the three Tata Electric companies and is currently Chairman and Director in several public and private limited companies. He is also connected with various charitable trusts and organisations.

Mr. Cyril Shroff

Mr. Cyril Shroff, B.Com., L.L.B., aged 42 years, is the Managing Partner of the law firm of Amarchand & Mangaldas & Suresh A. Shroff & Company. He is also a Director of several other companies.

Mr. Shroff has been a member of various committees of the government, including the Dahanukar Committee for reform on capital markets.

Mr. Ajay Sondhi

Mr. Ajay Sondhi, B.A.(Hons.) Economics, MMS, aged 42 years, is the Vice-Chairman and Managing Director of Kotak Mahindra Capital Company Limited and is also the Group President – Institutions for the Kotak Mahindra group. He is responsible for all investment banking and institutional broking activities of the Kotak Mahindra group.

Mr. Sondhi has over 20 years experience in the banking industry, having worked with Citibank in Mumbai, Salomon Brothers in Hongkong, as the Group CEO in India for Barclays Bank / BZW and as the Managing Director and India Head of UBS Warburg.



The names of companies in which the aforementioned Directors hold Directorships and membership of Committees of the Board are as under :

Name of Director	Details of Directorships held in other companies	Committee positions held*
Mr. Anand Mahindra	Mahindra & Mahindra Limited Mahindra UGINE Steel Co. Limited Mahindra Realty and Infrastructure Developers Limited Mahindra Intertrade Limited Mahindra & Mahindra Financial Services Limited Mahindra Sona Limited Mahindra Consulting Limited Mahindra Sintered Products Limited Mahindra Holdings & Finance Limited Mahindra-British Telecom Limited Mahindra Information Technology Services Limited Ford India Limited Automart India Limited Avion Aerosols Private Limited MW.Com India Private Limited M.A.R.K. Hotels Private Limited Angular Constructions Private Limited National Stock Exchange of India Ltd. Guldasta Investment and Trading Company Pvt. Ltd.	<i>Share Transfer & Shareholders/ Investors Grievance Committee -Member</i>
Mr. Uday Kotak	Kotak Securities Limited Kotak Mahindra Asset Management Company Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Primus Limited OM Kotak Mahindra Life Insurance Company Limited Bajaj Hindustan Limited Blue Star Limited Dabur India Limited Ford Credit Kotak Mahindra Limited Kotak Forex Brokerage Limited Mahindra & Mahindra Financial Services Limited Hutchison Max Telecom Private Limited Business Standard Limited Indiacar.com Private Limited	<i>Audit Committee- Chairman Audit Committee- Member Audit Committee- Chairman Remuneration Committee- Member Audit Committee- Chairman</i>
Mr. K.M. Gherda	Tata Ceramics Limited WTI Advanced Technology Limited Universal Ferro & Allied Chemicals Limited Tata Services Limited Bradma of India Limited Yashmun Engineers Limited Nelito Systems Limited Emerson Network Power India Private Limited Sanchez Capital Services Private Limited Aerospace Systems Private Limited Pallonji Leasing Private Limited Deutsche Asset Management (India) Private Limited	<i>Audit Committee - Member</i>
Mr. Cyril Shroff	IDBI Capital Markets Limited Thirumalai Chemicals Limited Apar Industries Limited Grasim Industries Limited Associated Cement Companies Limited	<i>Investor Relation Committee- Member</i>
Mr. Ajay Sondhi	Kotak Mahindra Capital Company Limited Kotak Securities Limited Mahanagar Gas Limited	<i>Audit Committee- Member Audit Committee- Member</i>

* The details of Committee memberships are in relation to the three specified Committees, viz. Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee.



The composition of the Board of Directors, details of Directors' attendance, the outside Directorships / committee positions held are as under :

Sr. No.	Name	Category	Board Meetings attended during the year, out of the total 7 Meetings held	Whether attended last AGM held on 3 rd August 2001	Number of other Directorships held in public limited companies	Number of specified committees of other Boards
1	Mr. Anand Mahindra	Chairman Promoter	5	Yes	14	1
2.	Mr. Uday Kotak	Vice Chairman Promoter	7	Yes	12	5
3.	Mr. C.Jayaram	Executive Director	6	Yes	4	—
4.	Mr. Dipak Gupta	Executive Director	7	Yes	9	8
5.	Mr. S.A.A. Pinto	Director Promoter	6	Yes	2	3
6.	Mr. Shivaji Dam	Director	4	No	4	2
7.	Mr. K.M. Gherda	Director Independent	7	Yes	7	1
8.	Mr. M.R. Punja	Director Independent	5	Yes	2	—
9.	Mr. Cyril Shroff	Director Independent	1	Yes	5	1
10.	Mr. Pradeep Kotak	Director Independent	7	Yes	—	—

Except Mr. C. Jayaram and Mr. Dipak Gupta, the other Directors are non-executive.

Mr. Ajay Sondhi was appointed as Additional Director with effect from 1st July 2002.

As per the Listing Agreement, "Independent Directors" means Directors who, apart from receiving Directors' remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which, in the judgement of the Board, may affect the independence of judgement of the Director.

Information supplied to the Board is as under :

The Directors are presented with all relevant information on various vital matters affecting the working of the Company as well as those that require deliberation at the highest level. Extensive information is provided on various critical items such as annual operating plans and budgets, minutes of meetings of the Audit Committee and other Committees of the Board, details of joint ventures or collaboration agreement and non-compliance, if any, with regulatory or statutory guidelines or with the listing requirements, etc.

Disclosures of interest are duly received from all Directors and there is no potential conflict of interest in any transaction of the Company with any of the Directors.

II. COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee was constituted by the Board on 18th November 1997 and now consists of Mr. K. M. Gherda, as Chairman, Mr. S. A. A. Pinto and Mr. Pradeep Kotak. All the members of the Committee are non-Executive Directors, with the majority being independent. Mr. N.J.N. Vazifdar, the Company Secretary, is the Secretary to the Audit Committee.

During the year, the Committee met six times, on 28th June 2001, 27th August 2001, 11th September 2001, 11th October 2001, 29th October 2001 and 22nd January 2002 and each Member was present at all the meetings of the Committee.

Since the close of the year, the Audit Committee has held two more meetings, on 10th and 29th July 2002 and, at the latter, the final accounts for the year ended 31st March 2002 were considered by the Committee.

The powers and role of the Committee are as per Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, and encompass accounting matters, financial reporting and internal controls. The terms of reference of the Audit Committee are primarily to review the systems and procedures of internal control, review financial operating systems, ensure compliance with regulatory guidelines, review accounting policies, review pending litigation, procedures for credit sanctions, etc. The Audit Committee also reviews the Audit Reports prepared by Internal Audit and the observations / comments of the Statutory Auditors.

INVESTOR RELATIONS (SHAREHOLDERS / INVESTORS GRIEVANCE) COMMITTEE

This Committee has been formed under the Chairmanship of Mr. S. A. A. Pinto to look into shareholders' and investor complaints and ensure redressal thereof.

The other members of this Committee are Mr. Dipak Gupta, Mr. M. R. Punja and Mr. Pradeep Kotak. Mr. N.J.N. Vazifdar, the Company Secretary, is the Secretary to this Committee. He is also the Compliance Officer. The Committee held its first meeting on 25th October 2001 and, thereafter, the Secretary to the Committee has been furnishing a monthly report to the Chairman of the Committee.

During the year under review, 806 investor complaints were received. Out of these, 801 were resolved during the year and the balance have been resolved subsequently.



SHARE TRANSFER AND ROUTINE TRANSACTIONS (START) COMMITTEE

The START Committee of the Board of Directors consists of six Directors, including the Whole-time Directors of the Company. The other members are Mr. Anand Mahindra, Mr. Uday Kotak, Mr. Shivaji Dam and Mr. S.A.A. Pinto. This Committee meets regularly and is delegated with the powers to approve share transfers/transmissions/ transpositions, issue duplicate share/debenture certificates, borrow funds, avail cash credit facilities, open, operate and close bank accounts, represent the Company at General Meetings of other companies, authorise persons to represent the Company in legal and other matters, issue Powers of Attorney, etc. During the year under review, the START Committee held thirty eight meetings. The Directors have waived their right to receive fees for attending meetings of the START Committee.

During the year under review, 1093 transfers were received. Out of these, 16 transfers were pending as on 31st March 2002 and were subsequently processed, on 2nd April 2002.

COMMITTEE FOR EMPLOYEES STOCK OPTION SCHEME

This Committee consists of three Directors, viz. Mr. Uday Kotak, Mr. K.M. Gherda and Mr. Cyril Shroff. The Committee was formed on 26th July 2001 to finalise, implement and administer the Company's Employee Stock Option Scheme and to make changes therein from time to time as may be deemed fit.

Remuneration of Directors

Given below are details of remuneration paid to the Directors :

(Rs. lakhs)

Name	Sitting Fees	Commission	Salary & Perquisites	Total
Mr. Anand Mahindra	0.25	3.00	–	3.25
Mr. Uday Kotak	0.40	44.00	–	44.40
Mr. Dipak Gupta (*)	–	–	**66.27	66.27
Mr. C. Jayaram (*)	–	–	**74.03	74.03
Mr. S.A.A. Pinto	0.65	1.00	–	#1.65
Mr. Shivaji Dam (*)	0.20	–	–	0.20
Mr. K.M. Gherda	0.70	2.00	–	2.70
Mr. M.R. Punja	0.25	1.00	–	1.25
Mr. Cyril Shroff	0.10	–	–	#0.10
Mr. Pradeep Kotak	0.70	1.00	–	1.70

* The Company has also granted a total of 100,000 stock options under the Employees Stock Option Scheme to these Directors.

** Includes incentives paid in accordance with the Company's policy on incentives, which is linked to performance and achievement of the Company's objectives.

The information above does not include amounts of Rs. 4.98 lakhs and Rs. 17.94 lakhs respectively, paid to Pinto & Co. and Amarchand & Mangaldas & Suresh A. Shroff & Co., law firms with which Mr. S. A. A. Pinto and Mr. Cyril Shroff, Directors of the Company, are connected. These firms are consulted by the Company from time to time and raise bills on the Company for professional services at prevailing market rates.

The appointments of Mr. C. Jayaram and Mr. Dipak Gupta, the Executive Directors of the Company have been renewed for a period of two years commencing 1st April 2001. Mr. Uday Kotak's contract as Executive Vice Chairman and Managing Director is for a period of five years commencing 1st August 2002. The re-appointment and remuneration payable to Mr. Jayaram and Mr. Gupta was approved at the Annual General Meeting held on 3rd August 2001. The appointment and remuneration of Mr. Uday Kotak is subject to the approval of the Members at the ensuing Annual General Meeting to be held on 26th September 2002. The total remuneration paid to Mr. C. Jayaram and Mr. Dipak Gupta was in accordance with the provisions of Schedule XIII to the Companies Act, 1956, and the limits prescribed under the Companies Act, 1956, and hence no Central Government approval was required. The Agreements with Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta may be terminated by mutual consent or by giving not less than 3 calendar months notice in writing.

III. SHAREHOLDER INFORMATION

Date of Incorporation : 21st November 1985. Registration No. : 11-38137 TA

Registered Office : 36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021. Tel. No. : (022) 285 5511, Fax : (022) 285 5577 Website : www.kotakmahindra.com

Contact : Mr. N. J. N. Vazifdar, Vice President & Secretary

Registrars & Share : Karvy Consultants Limited

Transfer Agents (i) Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034
Tel Nos. : (040) 3320251/751/752 Fax No. : (040) 3311968

(ii) 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai-400 058.
Tel Nos. : (022) 636 7226 /636 9044 Fax No. : (022) 6310882 Website : www.karvy.com

Date,venue and time of Annual General Meeting

Thursday, 26th September 2002 at 3:30 p.m.

Sir Sitaram & Lady Shantabai Patkar Convocation Hall of S.N.D.T. Women's University 1, Nathibai Thackersey Road, Mumbai 400 020.

Date of Book Closure : From Tuesday, 24th September 2002 to Thursday, 26th September 2002 (both days inclusive)

Dividend: The Board had declared a special interim dividend of 20% for the year ended 31st March 2002 which was paid on 11th February 2002.

Dividend warrants for dividend, if declared at the Annual General Meeting, will be posted within a week of declaration.



Financial Calendar : For each calendar quarter, the financial results are reviewed and taken on record by the Board during the last week of the month subsequent to the quarter ending. The audited annual accounts as at 31st March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is held in the second quarter of the financial year.

Stock Exchanges on which listed: The Stock Exchange, Mumbai; National Stock Exchange of India Limited, Mumbai; The Stock Exchange- Ahmedabad; The Delhi Stock Exchange Association Limited and the Madras Stock Exchange Limited.

Pursuant to the approval of Members by way of a Special Resolution, the Company has applied for voluntary delisting from the Stock Exchanges at Ahmedabad, Delhi and Chennai.

Market Scrip Code: 500247 (The Stock Exchange, Mumbai)

Trading of shares to be in compulsorily dematerialized form : The Securities and Exchange Board of India has included the equity shares of the Company in the list of shares in which trading is compulsorily in dematerialized form, from 29th November 1999. The equity shares of the Company have been activated for dematerialisation with the National Securities Depository Limited with effect from 4th August 1998 and with the Central Depository Services (India) Limited with effect for 26th February 1999 vide ISIN INE237A01010.

Share Transfer System :

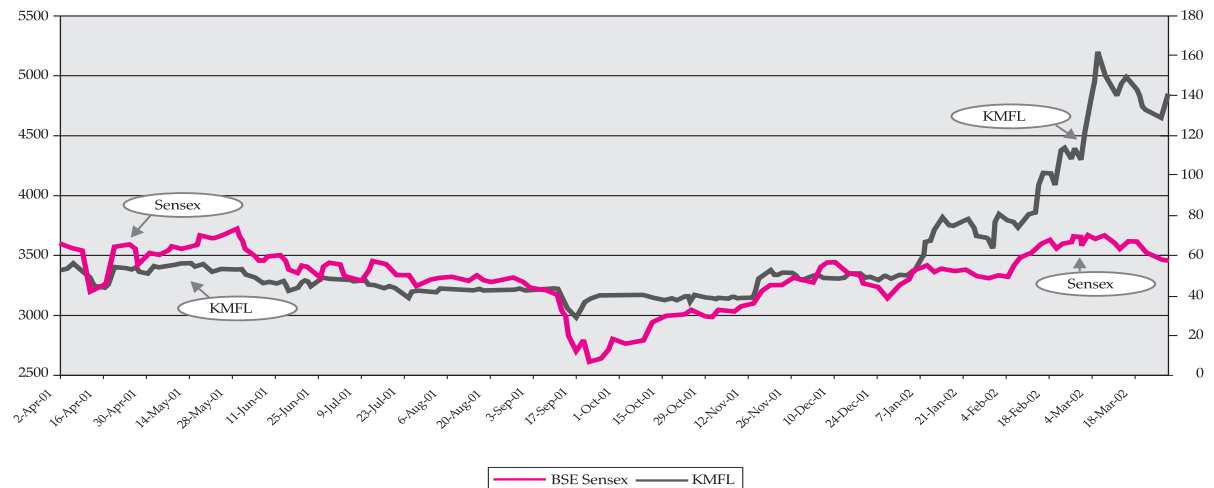
Applications for transfers, transmission and transposition are received by the Company at its Registered Office or at the office(s) of its Registrars & Share Transfer Agents. As the shares of the Company are in dematerialised form, the transfers are duly processed by NSDL/CDSL in electronic form through the respective depository participants. Shares which are in physical form are processed by the Registrars & Share Transfer Agents on a regular basis and the certificates despatched directly to the investors.

The START Committee of the Board of Directors of the Company is empowered to approve transfers, transmissions, etc. Such approvals are generally accorded on fixed dates, three times every month and, thereafter, transfers are registered and duly endorsed certificates are sent to the shareholders.

SHARE PRICE DETAILS

	HIGH (Rs.)	LOW (Rs.)	CLOSE (Rs.)	BSE Sensex
APRIL'01	57.55	42.50	51.00	3519.16
MAY'01	58.90	50.00	52.90	3631.91
JUNE'01	53.00	41.00	48.00	3456.78
JULY'01	48.90	38.00	41.85	3329.28
AUG'01	45.00	41.00	43.00	3244.95
SEPT'01	43.50	26.00	40.00	2811.60
OCT'01	42.10	30.45	38.55	2989.35
NOV'01	57.00	38.00	48.00	3287.56
DEC'01	52.00	44.00	50.50	3262.33
JAN'02	85.00	48.15	76.80	3311.03
FEB'02	123.05	73.35	108.00	3562.31
MAR'02	176.80	105.00	142.65	3469.35

BSE Sensex v/s KMFL - 2001-02



**SHARE HOLDING :****SHAREHOLDING PATTERN AS ON 31st March 2002**

CATEGORY	No. of Shares Held	Percentage of share holding
A Promoters Holding		
1 Promoters	36447352	61.55
2 Other Directors and Relatives	1213187	2.05
Sub Total	37660539	63.60
B Non-Promoters Holding		
3 Institutional Investors		
a Mutual Funds and UTI	796393	1.34
b Banks, Financial Institutions, Insurance Companies, (Central/State Government Institutions/Non-Government Institutions)	26100	0.04
c FIIs	2024292	3.42
Sub Total	2846785	4.81
4 Others		
a Private Corporate Bodies	1925470	3.25
b Indian Public	15483028	26.15
c NRIs / OCBs	1134410	1.92
d NSDL Transit	162518	0.27
Sub Total	18705426	31.59
Grand Total	59212750	100.00

Distribution Schedule as on 31st March 2002

Category	No of Shareholders	%
1 to 5000	50413	94.30
5001 to 50,000	2796	5.23
50001 & above	251	0.47
	53460	100.00

CAPITAL BUILD UP :

No. of Shares	Date of allotment	Issue price (Rs. per share)*	Face Value (Amount)	Mode
70	22.11.85	10	700	Subscription - Cash
308700	30.09.86	10	3087000	Initial offer - Cash
341230	22.06.89	10	3412300	Rights - Cash
650000	27.09.89	Bonus	6500000	Capitalisation of reserves
1300000	08.11.91	Bonus	13000000	Capitalisation of reserves
2600000	25.02.92	Bonus	26000000	Capitalisation of reserves
1782500	25.02.92	45	17825000	Public Issue - Cash
4400000	11.04.93	150	44000000	Public Issue - Cash
6982500	18.04.93	25	69825000	Rights - Cash
18365000	21.01.95	Bonus	183650000	Capitalisation of reserves
9182500	31.03.00	100	91825000	Rights - Cash
13300250	12.01.01	10	133002500	Net effect of merger with Pannier w.e.f. 12 th January 2001.
59212750			592127500	TOTAL

* Face value of all issued equity shares of the Company is Rs. 10/- each.



IV. OTHER DISCLOSURES

(A) GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020.

Annual General Meeting	Day, Date and Time	Special Resolutions passed thereat
Fourteenth Annual General Meeting	Tuesday, 10 th August 1999 4:00 p.m.	Voluntary de-listing of the equity shares of the Company from the Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited and the Stock Exchange, Ahmedabad.
Fifteenth Annual General Meeting	Friday, 28 th July 2000 4:00 p.m.	<ol style="list-style-type: none"> 1. Alteration of Article 145 of the Articles of Association of the Company. 2. Payment of remuneration to non whole-time Directors of the Company. 3. Approval of the Employees Stock Option Scheme. 4. Approval of the Employees Stock Option Scheme for subsidiary companies. 5. Amendment of Article 71 of the Articles of Association of the Company.
Sixteenth Annual General Meeting	Friday, 3 rd August 2001 3:30 p.m.	None

All the Directors of the Company other than Mr. Shivaji Dam attended the last Annual General Meeting held on 3rd August 2001. There were no Resolutions which require to be passed by postal ballot.

The High Court of Bombay had convened a shareholders meeting on 28th May 2002 to approve the merger of four investment companies, viz. Guldasta Investment and Trading Private Limited, Twilight Holdings Private Limited, Scope Holdings Private Limited and Mega Assets and Capital Management Private Limited into the Company, which was unanimously approved by the Members.

(B) THE MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report, giving an overview of the industry, the Company's business and its financials is provided separately as a part of this Annual Report.

(C) MEANS OF COMMUNICATION

The Board of Directors of the Company approves the unaudited financial results on a quarterly basis within one month of the quarter and the results are promptly forwarded to the stock exchanges and published in one widely circulated English newspaper and one regional language newspaper, within 48 hours of the conclusion of the Board Meeting. The results as well as other press releases are simultaneously displayed on the Company's website www.kotakmahindra.com. The website also displays all official news releases by the Company from time to time.

(D) Disclosures of interest are duly received from all Directors and there is no materially significant potential conflict of interest in any transaction of the Company with any of the Directors.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Company has obtained the certificate from the Auditors of the Company regarding compliance with the provisions relating to corporate governance laid down in Clause 49 of the Listing Agreement with the Stock Exchanges. This report is annexed to the Directors' Report and will also be sent to the Stock Exchanges alongwith the annual return to be filed by the Company.

CERTIFICATE

To the Members of

Kotak Mahindra Finance Limited

We have examined the compliance of conditions of corporate governance by **Kotak Mahindra Finance Limited**, for the year ended on March 31, 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For C.C. Chokshi & Co.
Chartered Accountants

For V.C. Shah & Co.
Chartered Accountants

R. Laxminarayan
Partner

V.C. Shah
Partner

Mumbai, 30th July, 2002.

**SECRETARIAL STANDARDS****I. SECRETARIAL STANDARD ON MEETINGS OF THE BOARD OF DIRECTORS – SS1**

The Institute of Company Secretaries of India (ICSI) issued the Secretarial Standard – 1 (SS-1), effective 13th December 2001. SS-1 prescribes a set of principles for the convening and conduct of Meetings of the Board of Directors and matters related thereto. Although, at this stage, SS-1 is recommendatory, the Company has complied with the prescribed set of principles regarding :

1. Convening of Meetings
2. Frequency of Meetings
3. Quorum
4. Attendance at Meetings
5. Chairman
6. Passing of Resolutions by Circulation
7. Approval of Accounts
8. Minutes
9. Recording in the Minutes
10. Preservation of Minutes and other Records

Disclosures regarding the number of Meetings of the Board held during the year and the attendance of each Director thereat are given in the Report on Corporate Governance.

Out of the illustrative list of items of business to be placed before the Board in terms of Annexures A and C of SS-1, the applicable items of business have been duly placed before the Board, discussed and recorded in the Minutes of the Meetings.

II. SECRETARIAL STANDARD ON GENERAL MEETINGS – SS2

ICSI has also issued SS-2, effective 1st May 2002, which prescribes a set of principles for the convening and conduct of general meetings and matters related thereto.

The Company has adhered to SS-2 in respect of the Notice of the ensuing Annual General Meeting scheduled to be held on 26th September 2002 and, as in the past, expects to be in compliance with the principles set out in SS-2 in connection with :

1. Quorum
2. Presence of Directors and Auditors
3. Chairman
4. Voting
5. Proxies
6. Reading of Auditors' Report
7. Minutes of the Meeting
8. Recording in the Minutes
9. Preservation of Minutes and other records.

and any other matters in relation to the Annual General Meeting.

Particulars of General Meetings held during the last three years are given in the Report on Corporate Governance.

For Kotak Mahindra Finance Limited

N.J.N. VAZIFDAR
Company Secretary

Mumbai, 30th July 2002.


STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of the Subsidiary Company	Financial year ending of the Subsidiary	Holding Company's interest. Number of shares held. (Equity Shares of Rs.10 each unless stated otherwise)	Extent of Holding	For the financial year of the Subsidiary		For the previous financial years of the Subsidiary since it became a Subsidiary	
					profits/(losses) so far as it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
1	Kotak Mahindra Capital Company Limited (KMCC)	3/31/02	2,970,005	74.99% (Note A)	3,837.09	371.20	3977.12	4101.92
2	Kotak Securities Limited	3/31/02	1,199,990	74.99% (Note A)	1187.1456	—	3537.32	—
3	Kotak Mahindra Primus Limited (KMPL)	3/31/02	1,486,950	60% (Note B)	267.27	—	400.05	295.43
4	OM Kotak Mahindra Life Insurance Company Limited	3/31/02	74,740,000	74.00%	(1,734.00)	—	9.09	—
5	Kotak Mahindra Asset Management Company Limited (KMAMC)	3/31/02	24,000,000	100%	17.75	—	(686.48)	—
6	Kotak Mahindra Trustee Company Limited (KMTCL)	3/31/02	50,070	100%	77.80	—	47.95	15.12
7	Hamko Financial Services Limited	3/31/02	3,050,280	100% (Note C&D)	(175.53)	—	4374.67	—
8	Business Standard Limited	3/31/02	31,989,558	62.61% (Note E)	(404.58)	—	(3413.40)	—
9	Business Standard Digital Limited	3/31/02	6,000,070	100%	(53.73)	—	(295.22)	—
10	Kotak Mahindra (International) Limited (KM(I)L)	12/31/01	2,000,000 (US\$1)	100% (Note F)	(1.38) (US\$)	—	(0.94) (US\$)	—
11	Kotak Mahindra (UK) Limited (KM(UK)L)	12/31/01	470,000 (US\$1)	100 (Note F)	-1.73 (US\$)	—	5.02 (US\$)	2.25
12	Kotak Mahindra, Inc. (KM Inc)	12/31/01	350,000 US \$0.1 per share	100% (Note F)	(1.21) (US\$)	—	(1.85) (US\$)	—
13	Kotak Mahindra Securities Limited (KMSL)	3/31/02	2,000,070	100%	25.95	—	97.15	—
14	Kotak Mahindra Private Equity Trustee Co. Limited	3/31/02	70	100%	0.58	—	0.51	—
15	Kotak Forex Brokerage Limited	3/31/02	750,000	100%	1.45	—	25.51	—
16	Kotak Mahindra Investment Company Limited, PCC	12/31/01	1	100% (Note G)	2.68 (US\$)	—	—	—

Notes:-

- A** Kotak Securities and Kotak Mahindra Capital Company, which were earlier companies with unlimited liability, were converted into companies with limited liability on 27th November 2001.
- B** Kotak Mahindra Finance Limited was allotted 147825 shares of KMPL on 28/12/02 consequent to conversion of debentures to equity.
- C** During the year Komaf Securities (a company with unlimited liability) which was previously a subsidiary of Kotak Securities, became a subsidiary of Hamko Financial Services Limited (Hamko). On 6th June 2002, the Honourable High Court of Judicature at Bombay sanctioned the Scheme of Amalgamation of Komaf with Hamko.
- D** On 28th November 2001, the High Court of Judicature at Bombay sanctioned the Scheme of Amalgamation of Kotak Mahindra Investments Limited (KMIL) with Hamko.
- E** Consequent to the merger of KMIL with Hamko, the subsidiaries of KMIL, viz. Business Standard Limited and Business Standard Digital Limited, became subsidiary companies of Hamko.
- F** KMSL, KM(I)L, KM Inc. are 100% subsidiaries of KMCC. KM(UK)L is a 100% subsidiary of KM(I)L. KMCC being a subsidiary of the Company, the ultimate holding company of these companies is the Company.
- G** Kotak Mahindra Investment Company Limited, PCC, Mauritius became a subsidiary of Kotak Mahindra International Limited, Mauritius.

For and on behalf of the Board of Directors

ANAND MAHINDRA
Chairman

UDAY KOTAK
Vice Chairman

N.J.N. VAZIFDAR
Company Secretary

DIPAK GUPTA
Executive Director

Mumbai, July 30, 2002



AUDITORS' REPORT

To The Members of

Kotak Mahindra Finance Limited

We have audited the attached Balance Sheet of Kotak Mahindra Finance Limited as at 31st March, 2002 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.

We 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. 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 the books
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account
 - d) In our opinion the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2002 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 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:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For C.C. Chokshi & Co.
Chartered Accountants

For V.C. Shah & Co.
Chartered Accountants

R. Laxminarayan
Partner

V.C. Shah
Partner

Mumbai, 30th July, 2002

ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 1 of our report of even date)

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets and the same is in the process of being updated. Most of the fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- b. None of the fixed assets of the Company have been revalued during the year.
- c. The stock of shares have been physically verified during the year by the management at reasonable intervals.
- d. In our opinion, the procedures of physical verification of stock of shares followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- e. No discrepancies were noticed on physical verification of stock of shares as compared to book records.
- f. On the basis of our examination of stock records, in our opinion the valuation of stock of shares has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- g. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the registers maintained under section 301 are not prima facie, prejudicial to the interest of the Company. We were informed that there was no Company under the same management as this Company as defined under section 370 (1B) of the Companies Act, 1956 during the year.
- h. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to companies, firms or other parties listed in the registers maintained under section 301 are not prima facie prejudicial to the interest of the Company.



We were informed that there was no Company under the same management as this Company as defined under section 370 (1B) of the Companies Act, 1956 during the year.

- i. The employees and other parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated or rescheduled and are also regular in payment of interest wherever applicable, *except in the case of some parties where there have been delays in repayment of principal and payment of interest as stipulated.* The Company has taken reasonable steps for recovery of the same.
- j. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for purchase of plant and machinery, equipment and other assets and with regard to the sale of goods.
- k. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- l. In respect of deposits accepted from the public, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder as applicable to the Company.
- m. In our opinion, the Company has an adequate internal audit system commensurate with its size and the nature of its business.
- n. As per the records of the Company, the Provident Fund dues and the Employees' State Insurance dues have been regularly deposited with the appropriate authorities during the year.
- o. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.
- p. In our opinion and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- q. In relation to the service activities of the Company, there exists a reasonable internal control system commensurate with the size of the Company and the nature of its business.
- r. In our opinion and on the basis of the information and explanations given to us, the services rendered by the Company do not require any allocation of man-hours.
- s. The Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and in our opinion adequate documents and records are maintained.
- t. The provisions of any special statute applicable to Chit Funds, Nidhi, or Mutual benefit society do not apply to the Company.
- u. The Company is dealing or trading in shares and proper records have been maintained of the transactions and contracts and timely entries have been made therein. Shares, Securities, Debentures and other investments have been held by the Company in its own name or are in the process of being transferred in the Company's name.
- v. As per the information and explanations given to us and taking into consideration the nature of business of the Company, clauses (xii), (xiv), (xvi) and (xx) of paragraph 4(A) and clause (ii) of paragraph 4(B) of the order are not applicable to the Company for the year.

For C.C. Chokshi & Co.
Chartered Accountants

R. Laxminarayan
Partner

For V.C. Shah & Co.
Chartered Accountants

V.C. Shah
Partner

Mumbai, 30th July, 2002

**BALANCE SHEET AS AT 31ST MARCH 2002**

		Rs. in lakhs	
	Schedule	As at 31st March 2002	As at 31st March 2001
SOURCES OF FUNDS			
1. Shareholders' Funds :			
a) Share Capital	1	5921.28	5921.28
b) Reserves and Surplus	2	45126.80	44392.72
		51048.08	50314.00
2. Loan Funds			
a) Secured	3	47998.06	22774.06
b) Unsecured	4	34562.25	29181.68
		82560.31	51955.74
TOTAL		133608.39	102269.74
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	5	8773.97	10238.14
b) Less: Depreciation		2782.63	3862.60
c) Net Block		5991.34	6375.54
2. Investments			
	6	32614.86	34925.67
3. Current Assets, Loans and Advances			
a) Stock - in - trade	7	981.10	236.03
b) Receivables under Lease and Hire Purchase	8	19795.58	32186.99
c) Sundry Debtors	9	693.32	994.32
d) Cash and Bank balances	10	1849.49	1264.98
e) Other Current Assets - Interest Accrued on Investments		324.20	210.07
f) Loans and Advances	11	83721.35	34354.27
		107365.04	69246.66
Less : Current Liabilities and Provisions			
a) Current Liabilities	12	9420.29	7145.73
b) Provisions	13	1319.18	1260.63
		10739.47	8406.36
Net current assets		96625.57	60840.30
4. Deferred Tax Liability			
		(1699.03)	—
5. Miscellaneous Expenditure to the extent not written off or adjusted			
	14	75.65	128.23
TOTAL		133608.39	102269.74
Significant Accounting Polices and Notes to the Accounts			
	23		

As per our attached report of even date

For C.C. CHOKSHI & Co.
Chartered AccountantsR. LAXMINARAYAN
PartnerFor V.C. SHAH & Co.
Chartered AccountantsV.C. SHAH
Partner

For and on behalf of the Board of Directors

ANAND MAHINDRA
ChairmanUDAY KOTAK
Vice ChairmanN.J.N.VAZIFDAR
Company SecretaryDIPAK GUPTA
Executive Director

Mumbai, July 30, 2002

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002.**

	Schedule	Rs. in lakhs	
		Year ended 31st March 2002	Year ended 31st March 2001
INCOME			
Lease and Hire Purchase	15	4431.68	7043.84
Financing and Investment activity	16	9141.87	7795.91
Other Income	17	5252.93	7649.48
TOTAL INCOME		18826.48	22489.23
EXPENDITURE			
Personnel	18	1358.00	1401.19
Loss on Trading in Shares (Net)	19	1.95	355.01
Interest & Bank Charges	20	5524.19	6698.00
Provisions / Write offs for Non Performing Assets	21	1034.70	771.52
Establishment and Other Expenses	22	2881.25	4416.92
TOTAL EXPENDITURE		10800.09	13642.64
Profit before depreciation and tax		8026.39	8846.59
Depreciation		525.02	536.86
Profit before tax		7501.37	8309.73
Provision for taxation			
– Current Tax (including for Wealth tax Rs. 5 lakhs ; previous year Rs. 6 lakhs)		2519.75	3350.00
– Deferred Tax		(470.49)	—
PROFIT AFTER TAX		5452.11	4959.73
Add: Surplus brought forward from previous year		12643.01	7210.31
Add: Short provision for taxation of earlier years (net)		—	(34.00)
Less: Transferred as per the scheme of amalgamation		—	(11.78)
Profit available for appropriation		18095.12	12124.26
Appropriations:			
General Reserve		550.00	500.00
Transfer to Debenture Redemption Reserve		—	500.00
Transfer from Debenture Redemption Reserve		(500.00)	(3550.00)
Transfer from Investment Allowance Reserve Utilised		—	(143.30)
Special Reserve u/s 45 IC of the RBI Act, 1934		1100.00	1000.00
Interim Dividend		1184.25	0.00
Proposed Dividend		1243.47	1065.83
Corporate Dividend Tax		120.79	108.72
Surplus carried to Balance Sheet		14396.61	12643.01
		18095.12	12124.26
Earnings per share (Refer Note No. 12 in Schedule 23)			
– Basic and diluted		9.21	10.08
Significant Accounting Policies and Notes to the Accounts	23		

As per our attached report of even date

For C.C. CHOKSHI & Co.
Chartered Accountants
R. LAXMINARAYAN
Partner

For V.C. SHAH & Co.
Chartered Accountants
V.C. SHAH
Partner

For and on behalf of the Board of Directors
ANAND MAHINDRA
Chairman
UDAY KOTAK
Vice Chairman

N.J.N.VAZIFDAR
Company Secretary

DIPAK GUPTA
Executive Director

Mumbai, July 30, 2002



SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rs. in lakhs	
	As at 31st March 2002	As at 31st March 2001
SCHEDULE 1 – SHARE CAPITAL		
AUTHORISED		
10,00,00,000 Equity Shares of Rs.10/- each	10000.00	10000.00
Total	10000.00	10000.00
ISSUED, SUBSCRIBED AND PAID UP		
5,92,12,750 (Previous Year 4,59,12,500) Equity Shares of Rs. 10/- each fully paid up	5921.28	4591.25
Less: NIL (Previous year 17,00,000 Equity Shares of Rs. 10/- each held by Pannier Trading Company Private Limited to be cancelled on amalgamation)	—	(170.00)
Add: Share Capital Suspense (See Note (ii) below)	—	1,500.03
Total	5921.28	5921.28
Notes:		
Of the above shares:		
i) 2,29,15,000 equity shares of Rs.10 each are allotted as fully paid up bonus shares by capitalisation from General Reserves and Share Premium Account, and		
ii) 1,50,00,250 (Previous year NIL) equity shares of Rs. 10 each are allotted as fully paid up pursuant to the scheme of amalgamation of Pannier Trading Company Private Limited with the Company.		
SCHEDULE 2 – RESERVES AND SURPLUS		
Capital Reserve		
Surplus on reissue of forfeited shares	0.65	0.65
Add: Transfer as per the scheme of amalgamation	—	120.00
	0.65	120.65
Less: Goodwill arising out of amalgamation written off	—	(120.00)
	0.65	0.65
Share Premium Account		
As per last Balance Sheet	14083.30	14083.30
Debenture Redemption Reserve		
As per last Balance Sheet	500.00	3550.00
Add: Transferred from Profit and Loss Account	—	500.00
	500.00	4050.00
Less: Transferred to Profit and Loss Account	(500.00)	(3550.00)
	—	500.00
Investment Allowance Reserve Utilised		
As per last Balance Sheet	—	143.30
Less: Transferred to Profit and Loss Account	—	(143.30)
	—	—
General Reserve		
As per last Balance Sheet	13589.76	15600.00
Add: Transferred from Profit and Loss Account	550.00	500.00
	14139.76	16100.00
Less: Deferred Tax Liability as on 01-04-01 adjusted *	(2169.52)	—
Goodwill arising out of amalgamation written off	—	(2510.24)
	11970.24	13589.76
* (Refer Note 11 in Schedule 23)		
Special Reserve		
Under section 45 IC of the RBI Act, 1934		
As per last Balance Sheet	3576.00	2576.00
Add: Transferred from Profit and Loss Account	1100.00	1000.00
	4676.00	3576.00
Profit and Loss Account		
Balance in Profit and Loss Account	14396.61	12643.01
Total	45126.80	44392.72



SCHEDULES FORMING PART OF THE BALANCE SHEET

		Rs. in lakhs	
		As at 31st March 2002	As at 31st March 2001
SCHEDULE 3 – SECURED LOANS			
	Note		
A) Debentures			
i) Secured Redeemable Non-Convertible Debentures privately placed	1	25370.00	13735.00
ii) Borrowing from Subsidiaries NIL (P.Y. 626) Deep Discount Debentures of Rs. 1 lakh each	2	—	626.00
Less : Discount not written off		—	13.43
			612.57
B) Borrowings from Banks	3		
–Cash Credits		2211.31	1261.62
–Others		20416.75	5995.62
		22628.06	7257.24
C) From Institutions :	3		
Term Loans		—	1169.25
Total		47998.06	22774.06

Notes :

- The Secured Redeemable Non-Convertible Debentures are secured by way of pari passu mortgage / charge on specified present and future movable/ immovable assets of the Company in favour of the trustees.

The details of the Debentures are as under:

Description of Debentures	Amount 31/03/2002 (Rs.in lakhs)	Amount (P.Y.) 31/03/2001 (Rs.in lakhs)	Redemption Date
Redeemable at par :			
200 Debentures of Rs.100000 each	—	200.00	5-Feb-02
165 Debentures of Rs.100000 each	—	165.00	10-Jul-01
170 Debentures of Rs.100000 each	170.00	170.00	10-Jul-02
600 Debentures of Rs.100000 each	—	600.00	2-Jan-02
600 Debentures of Rs.100000 each	600.00	600.00	11-Aug-02
1000 Debentures of Rs.100000 each	—	1000.00	9-Feb-02
1000 Debentures of Rs.100000 each	1,000.00	1000.00	4-Apr-03
320 Debentures of Rs.1000000 each	3,200.00	3200.00	22-May-03
1000 Debentures of Rs.100000 each	—	1000.00	30-Aug-01
1000 Debentures of Rs.100000 each	—	1000.00	10-Sep-01
1000 Debentures of Rs.100000 each	—	1000.00	20-Aug-01
500 Debentures of Rs.100000 each	—	500.00	17-Sep-01
130 Debentures of Rs.1000000 each	1300.00	1300.00	25-Sep-03
50 Debentures of Rs.1000000 each	500.00	500.00	17-Oct-03
150 Debentures of Rs.1000000 each	1500.00	1500.00	25-Oct-03
10 Debentures of Rs.10000000 each	1000.00	—	13-Feb-03
1 Debentures of Rs.10000000 each	100.00	—	13-Feb-03
1 Debentures of Rs.10000000 each	100.00	—	13-Aug-04
10 Debentures of Rs.10000000 each	1000.00	—	13-Feb-03
2 Debentures of Rs.10000000 each	200.00	—	13-Aug-04
2 Debentures of Rs.10000000 each	200.00	—	13-Feb-03
5 Debentures of Rs.10000000 each	500.00	—	13-Feb-03



SCHEDULES FORMING PART OF THE BALANCE SHEET

The details of the Debentures are as under: (Contd.)

Description of Debentures	Amount 31/03/2002 (Rs.in lakhs)	Amount (P.Y.) 31/03/2001 (Rs.in lakhs)	Redemption Date
5 Debentures of Rs.1000000 each	500.00	—	13-Feb-03
5 Debentures of Rs.1000000 each	500.00	—	13-Feb-03
5 Debentures of Rs.1000000 each	500.00	—	13-Feb-03
10 Debentures of Rs.1000000 each	1000.00	—	28-Aug-02
5 Debentures of Rs.1000000 each	500.00	—	13-Sep-02
10 Debentures of Rs.1000000 each	1000.00	—	4-Oct-02
5 Debentures of Rs.1000000 each	500.00	—	17-Apr-02
5 Debentures of Rs.1000000 each	500.00	—	18-Nov-02
10 Debentures of Rs.1000000 each	1000.00	—	23-Nov-04
5 Debentures of Rs.1000000 each	500.00	—	13-Dec-04
5 Debentures of Rs.100,00,000 each	500.00	—	14-May-02
10 Debentures of Rs.1000000 each	1000.00	—	12-Jul-02
15 Debentures of Rs.1000000 each	1500.00	—	18-Jan-05
10 Debentures of Rs.1000000 each	1000.00	—	22-Jul-02
5 Debentures of Rs.1000000 each	500.00	—	6-Mar-04
10 Debentures of Rs.1000000 each	1000.00	—	13-Sep-03
5 Debentures of Rs.1000000 each	500.00	—	18-Sep-03
5 Debentures of Rs.1000000 each	500.00	—	27-Mar-03
10 Debentures of Rs.1000000 each	1,000.00	—	27-Mar-03
Total	25370.00	13735.00	

2. The Debentures were secured by way of exclusive charge on secured loans and advances of the Company. The details of the debentures are as under:-

Description	As at 31st March 2002 (Rs. in lakhs)	As at 31st March 2001 (Rs. in lakhs)	Redemption Date
NIL (Previous Year 626 secured, redeemable non convertible debentures of face value of Rs.1,00,000 each issued at Rs.78,603.65) Sr. No. VI 626 debentures	—	626.00	13-Jun-01
Total	—	626.00	

3. Term loans from Institutions and borrowings from Banks are secured by hypothecation of specified leased assets, receivables under Hire Purchase and other movable assets of the Company, both present and future.

	Rs. in lakhs	
	As at 31st March 2002	As at 31st March 2001
SCHEDULE 4 - UNSECURED LOANS		
1. Unsecured Redeemable Non-Convertible Debentures		
of Rs. 1 lakh each privately placed	—	1000.00
2. Fixed Deposits	17651.40	17344.62
3. Loans and Advances from Subsidiaries		
i. Short Term Loans	—	401.85
ii. Deposit for Premises given on Lease	4500.00	4500.00
	4500.00	4901.85
4. Short Term Loans		
From Banks	5,900.00	—
From Others	425.00	2302.50
	6325.00	2302.50
5. Other Loans and Advances		
From Others	1669.43	2649.72
6. Commercial Paper	4,510.00	1000.00
Less : Discount not written off	93.58	17.01
(Max. bal during the year Rs.4510 lakhs (Previous Year Rs.2000 lakhs))	4,416.42	982.99
Total	34562.25	29181.68



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 5 – FIXED ASSETS

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1st April 2001	Additions	Deductions	As on 31st March 2002	As on 1st April 2001	For the year	Deductions	As on 31st March 2002	As on 31st March 2002	As on 31st March 2001
Premises	7549.12	20.04	0.00	7569.16	1750.48	252.14	0.00	2002.62	5566.54	5798.64
Office Equipments	539.78	5.39	382.44	162.73	441.77	42.52	379.35	104.94	57.79	98.01
Computers	887.22	113.34	644.51	356.05	693.76	89.62	644.97	138.41	217.64	193.46
Furniture & Fixtures	1141.49	7.58	551.26	597.81	925.16	110.11	547.86	487.41	110.40	216.33
Vehicles	120.53	16.24	48.55	88.22	51.43	30.63	32.81	49.25	38.97	69.10
Total	10238.14	162.59	1626.76	8773.97	3862.60	525.02	1604.99	2782.63	5991.34	6375.54
			(*)				(*)			
Previous Year Total	10255.75	406.85	424.46	10238.14	3487.10	536.86	161.36	3862.60	6375.54	

(*) Deductions during the year (Gross Block: Rs. 1569.22 lakhs and Depreciation: Rs. 1564.75 lakhs) include effects of assets discarded/not in active use.

SCHEDULE 6 – INVESTMENTS (Non-trade , at cost)

I LONG TERM INVESTMENTS IN

	Face Value	Quantity		Amount (Rs. in lakhs)	
		As at 31st March 2002	As at 31st March 2001	As at 31st March 2002	As at 31st March 2001
A. GOVERNMENT SECURITIES					
i) Unquoted & fully paid up					
Indira Vikas Patra	5,000	—	120	—	5.65
Sub-total A (i)			—	—	5.65
ii) Quoted & fully paid up Securities					
		Face Value (Rs. in lakhs)			
11.55% GOI 2001	—	—	800	0.00	807.75
6% CAPITAL INDEX BONDS 2002	500	—	500	496.25	496.25
12.69 % GOI 2002	—	—	500	—	513.25
11.10 % GOI 2003	350	—	350	359.80	359.80
13.5% SIDBI 2003	5	—	5	4.93	4.93
13.5% TNSDL 2003	60	—	60	65.10	65.10
12.5 % GOI 2004	—	—	500	—	541.20
14% PSDL 2005	55	—	55	55.75	55.75
14% TNSDL 2005	—	—	71	0.00	71.35
13% IDBI 2007	5	—	5	5.00	5.00
13% KARS 2007	25	—	25	25.73	25.73
13% EXIM 2007	1	—	1	1.00	1.00
11.99% GOI 2009	60	—	60	61.71	61.71
91 DAYS T- BILL	1773	—	—	1764.06	—
364 DAYS T- BILL	500	—	—	494.35	—
Sub-total A (ii)				3333.68	3008.82
Sub-total A				3333.68	3014.47


SCHEDULES FORMING PART OF THE BALANCE SHEET

	Face Value	Quantity		Amount (Rs. in lakhs)	
		As at 31st March 2002	As at 31st March 2001	As at 31st March 2002	As at 31st March 2001
B. SUBSIDIARY COMPANIES					
i) <u>Unquoted & fully paid up Equity Shares in</u>					
Hamko Financial Services Limited	10	3050280	2500170	305.03	250.02
Kotak Mahindra Asset Management Co. Limited	10	24000000	19000000	2400.00	1,900.00
Kotak Mahindra Capital Company Limited	10	2970005	2970005	887.37	887.37
Kotak Mahindra Primus Limited	10	1486950	1339125	148.70	133.91
Kotak Mahindra Investments Limited	10	—	550110	—	55.01
Kotak Mahindra Trustee Co. Limited	10	50070	50070	5.01	5.01
Kotak Mahindra Private Equity Trustee Limited	10	70	70	0.01	0.01
Kotak Forex Brokerage Limited	10	750000	750000	102.93	102.93
Kotak Securities Limited	10	1199990	1199990	120.60	120.60
OM Kotak Mahindra Life Insurance Co. Limited	10	74740000	74740000	7474.00	7474.00
Sub-total B (i)				11443.65	10928.86
ii) <u>Unquoted & fully paid up fully convertible debentures in</u>					
Hamko Financial Services Limited	5000000	17	1300000	850.00	1300.00
Hamko Financial Services Limited - 3%	5000000	42	—	2100.00	—
Kotak Mahindra Primus Limited	10	295650	443475	29.57	44.35
Kotak Mahindra Investments Limited	5000000	—	45	—	2250.00
Kotak Forex Brokerage Limited	500000	92	105	460.00	525.00
Sub-total B (ii)				3439.57	4119.35
iii) <u>Unquoted & fully paid up non-convertible debentures in</u>					
Kotak Mahindra Primus Limited- DDB	100000	900	—	772.13	—
Sub-total B (iii)				772.13	—
iv) <u>Unquoted & fully paid up non-cumulative preference shares in</u>					
Hamko Financial Services Limited - 12%	10000	1000	1000	1000.00	1000.00
Sub-total B (iv)				1000.00	1000.00
Sub-total B				16655.35	16048.21
C. PREFERENCE SHARES -OTHERS					
<u>Unquoted & fully paid up Preference Shares in</u>					
Komaf Financial Services Limited	100	—	1,200	—	1.32
Sub-total C				—	1.32
D. EQUITY SHARES-OTHERS					
i) <u>Unquoted & fully paid up in</u>					
Credit Analysis & Research Agency Limited	10	130000	130000	13.00	13.00
Fascel Limited	10	34999400	34999400	7036.18	7036.18
Ford Credit Kotak Mahindra Limited	10	21000000	21000000	2100.00	2100.00
India Car. Com Limited	10	150000	150000	270.00	270.00
Komaf Financial Services Limited	10	—	31000	—	0.10
TAIB Capital Corporation Limited	10	245000	245000	24.50	24.50
Union Motors Limited	10	366667	366667	110.00	110.00
Less : Provision for diminution				(245.00)	—
Sub-total D (i)				9308.68	9553.78


SCHEDULES FORMING PART OF THE BALANCE SHEET

	Face Value	Quantity		Amount (Rs. in lakhs)	
		As at 31st March 2002	As at 31st March 2001	As at 31st March 2002	As at 31st March 2001
ii) Quoted & fully paid up					
Bank of Madura Limited	10	—	988891	—	852.74
Competant Automobiles Limited	10	35600	35600	24.92	24.92
D S P Merrill Lynch Limited	10	100	100	0.23	0.23
Great Eastern Shipping Co. Limited	10	—	603776	—	204.42
Madras Cements Limited	100	—	8506	—	679.10
Mahindra & Mahindra Limited	10	—	288755	—	924.00
Parry Confectionery Limited	10	—	50	—	0.09
Pranavadiya Spinning & Weaving Mills Limited	10	3500000	3500000	393.75	393.75
Premier Auto Electric Limited	10	—	5	—	0.01
RPG Cables Limited	10	—	15	—	0.02
S K F Bearings Limited	10	—	5	—	0.13
State Bank of India	10	—	150	—	0.48
Sterling Holiday Resorts Limited	10	—	50	—	0.03
Tamarai Mills Limited	10	—	200,000	—	150.00
Titan Industries Limited	10	—	200	—	0.29
Television Eighteen India Limited	10	—	50	—	0.09
Less : Provision for diminution				(304.92)	(75.00)
Sub-total D (ii)				113.98	3155.30
Sub-total D				9422.66	12709.08
E. DEBENTURES / UNITS- OTHERS					
i) Unquoted & fully paid up					
ICICI-Safety Bonds	5000	5600	5600	280.00	280.00
Kotak Mahindra Venture Capital Fund-Class A Units	—	—	—	550.00	300.00
Kotak Mahindra Venture Capital Fund-Class B Units	—	—	—	0.02	—
K-Tech - units of Kotak Mahindra Mutual Fund	10	—	2500000	—	250.00
K-MNC - units of Kotak Mahindra Mutual Fund	10	—	500000	—	50.00
NABARD- Capital Gains Bonds	10000	3550	3550	355.00	355.00
Sub-total E (i)				1185.02	1235.00
ii) Quoted & fully paid up non convertible debentures					
Centak Chemicals Limited	40	—	200	—	0.08
Recron Synthetics Limited	100	32804	281177	32.80	65.61
(Face Value Previous Year: Rs. 23)					
Less : Provision for diminution				(32.80)	—
Sub-total E (ii)				0.00	65.69
Sub-total E				1185.02	1300.69
Total (I)				30596.71	33073.77


SCHEDULES FORMING PART OF THE BALANCE SHEET

	Face Value	Quantity		Amount (Rs. in lakhs)	
		As at 31st March 2002	As at 31st March 2001	As at 31st March 2002	As at 31st March 2001
II CURRENT INVESTMENTS					
(at cost or market value, whichever is lower)					
K - Liquid Growth Option units of Kotak Mahindra Mutual Fund	10	17843854	17731309	2018.15	1851.90
Total (II)				2018.15	1851.90
Grand Total (I+ II)				32614.86	34925.67
I. Aggregate of quoted investments			— At Cost	3447.66	6229.81
			— Market Value	3595.48	6793.67
II. Aggregate of unquoted investments			— At Cost	29167.20	28695.86
				32614.86	34925.67

SCHEDULE 7 – STOCK IN TRADE (at cost or fair / market value whichever is lower)

	Face Value	Quantity		Amount (Rs. in lakhs)	
		As at 31st March 2002	As at 31st March 2001	As at 31st March 2002	As at 31st March 2001
Quoted & fully paid up					
Cipla Limited	10	2100	—	21.31	—
Corporation Bank Limited	10	18064	—	24.21	—
Container Corporation of India Limited	10	5891	—	14.69	—
Glenmark Pharmaceuticals Limited	10	—	500	—	0.60
Hindustan Petroleum Corporation Limited	10	7000	30000	20.25	48.18
ITC Limited	10	6000	—	41.80	—
Larsen & Toubro Limited	10	5000	—	9.04	—
Mahindra & Mahindra Limited	10	697680	—	792.56	—
Mukta Arts Limited	5	—	13,130	—	17.97
Reliance Industries Limited	10	4955	—	14.83	—
Reliance Petroleum Limited	10	—	50000	—	24.28
Saregama India Limited	10	—	7750	—	15.61
Shipping Corporation of India Limited	10	—	125000	—	38.13
Smithkline Beecham Pharmaceuticals India Limited	10	—	6000	—	12.70
Sun Pharmaceuticals Industries Limited	10	—	9971	—	53.96
TELCO	10	15000	—	18.55	—
TISCO	10	—	20000	—	24.47
Tata Power Limited	10	14000	—	15.89	—
Television Eighteen India Limited	10	—	100	—	0.13
Zee Telefilms Limited	1	5000	—	7.97	—
Total				981.10	236.03



SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rs. in lakhs	
	As at 31st March 2002	As at 31st March 2001
SCHEDULE 8 – RECEIVABLES UNDER LEASE AND HIRE PURCHASE		
Hire Purchase	13419.34	21637.52
Lease	6609.78	12052.26
Less : Provisions	233.54	1502.79
Total	19795.58	32186.99
SCHEDULE 9 – SUNDRY DEBTORS		
Sundry Debtors		
a) Debts outstanding for a period exceeding six months	514.36	750.36
Less : Provision for doubtful debts	468.78	582.29
	45.58	168.07
b) Other Debts	684.88	826.25
Less : Provision for doubtful debts	37.14	—
	647.74	826.25
Total	693.32	994.32
Note:		
Sundry Debtors include:		
Secured Considered Good	608.94	873.92
Secured Considered Doubtful	429.81	527.09
Less : Provision for doubtful debts	429.81	527.09
	608.94	873.92
Unsecured Considered Good	84.38	120.40
Unsecured Considered Doubtful	76.11	55.20
Less : Provision for doubtful debts	76.11	55.20
	84.38	120.40
	693.32	994.32
SCHEDULE 10 – CASH AND BANK BALANCES		
Cash On Hand	53.98	37.37
Bank Balances with Scheduled Banks in :		
i) Current accounts (including cheques on hand Rs. 31.23 lakhs; previous year Rs. NIL)	1786.05	1195.17
ii) Fixed Deposit Accounts	9.46	32.44
	1795.51	1227.61
Total	1849.49	1264.98
SCHEDULE 11 – LOANS AND ADVANCES		
Advances and Loans to Subsidiaries - Unsecured considered good	998.77	2671.14
Bills of Exchange		
Unsecured Considered Good	2077.67	1707.51
Unsecured Considered Doubtful	14.78	25.96
Less : Provision	14.78	25.96
	2077.67	1707.51



SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rs. in lakhs	
	As at 31st March 2002	As at 31st March 2001
SCHEDULE 11 – LOANS AND ADVANCES (Contd.)		
Advances Recoverable in Cash or in kind or for value to be received		
Secured Considered Good	65797.22	19056.70
Secured Considered Doubtful	24.51	302.46
Less : Provisions	24.51	302.46
	<u>65797.22</u>	<u>19056.70</u>
Unsecured Considered Good	12410.41	7835.93
Unsecured Considered Doubtful	222.30	645.15
Less : Provisions	222.30	645.15
	<u>12410.41</u>	<u>7835.93</u>
Dividend and other income receivable from subsidiaries	1433.75	2311.53
Advance payment of Income tax and tax deducted at source (net of provision Rs. 9003.78 lakhs ; Previous Year Rs. 10928.90 lakhs)	1003.53	771.46
Total	<u><u>83721.35</u></u>	<u><u>34354.27</u></u>
SCHEDULE 12 – CURRENT LIABILITIES		
Sundry creditors:		
Other than Small Scale Industries	681.37	1158.18
Advances received against Hire Purchase and Lease Agreements	492.96	576.40
Unclaimed Dividend	81.88	64.79
Other liabilities	5200.46	2361.53
Interest accrued but not due on Loans	2872.94	2833.58
Book Overdraft with Banks	90.68	151.25
Total	<u><u>9420.29</u></u>	<u><u>7145.73</u></u>
SCHEDULE 13 – PROVISIONS		
Proposed Dividend	1243.47	1065.83
Provision for Gratuity and Leave Encashment	75.71	86.08
Provision for Corporate Dividend Tax	—	108.72
Total	<u><u>1319.18</u></u>	<u><u>1260.63</u></u>
SCHEDULE 14 – MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Brokerage on fixed deposits	75.65	91.39
Advertisement	—	36.84
Total	<u><u>75.65</u></u>	<u><u>128.23</u></u>


SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rs. in lakhs	
	Year ended 31st March 2002	Year ended 31st March 2001
SCHEDULE 15 – INCOME FROM LEASE AND HIRE PURCHASE		
Lease Rentals	4480.53	5030.72
Less:Capital recovery	(3250.10)	(3722.73)
	<u>1230.43</u>	<u>1307.99</u>
Hire Purchase	3201.25	5735.85
Total	<u><u>4431.68</u></u>	<u><u>7043.84</u></u>
SCHEDULE 16 – INCOME FROM FINANCING/INVESTMENT ACTIVITY		
Interest (Gross) on :-		
Deposits and Loans (TDS Rs. 249.10 lakhs;previous year Rs.414.21 lakhs)	6934.59	4701.65
Others	23.49	68.17
Income on Long Term Investments (Gross) :-		
Dividend (includes from subsidiaries Rs. 371.25 lakhs;Previous Year Rs.1722.62 lakhs)	411.09	2346.64
Interest (TDS Rs. 6.15 lakhs;previous year Rs.24.63 lakhs)	572.97	388.87
Profit on sale of Long Term Investments (net)	796.92	—
Income on Current Investments		
Profit on sale of Current Investments (net)	92.93	—
Income from bill discounting	309.88	290.58
Total	<u><u>9141.87</u></u>	<u><u>7795.91</u></u>
SCHEDULE 17 – OTHER INCOME		
Fee Based Income	233.16	1421.96
Royalty Income	3987.50	3897.23
Shared Services Income	795.96	916.46
Other Miscellaneous Income	236.31	1413.83
Total	<u><u>5252.93</u></u>	<u><u>7649.48</u></u>
SCHEDULE 18 – PERSONNEL		
Salaries, Allowances & Bonus	1195.27	1203.32
Contribution to Provident & Other Funds	70.29	106.04
Staff Welfare Expenses	92.44	91.83
Total	<u><u>1358.00</u></u>	<u><u>1401.19</u></u>
SCHEDULE 19 – LOSS ON TRADING IN SHARES (NET)		
Opening Stock	236.03	—
Add: Purchases	7388.08	7618.57
	<u>7624.11</u>	<u>7618.57</u>
Less: Sales	6641.06	7027.53
Less: Closing stock	981.10	236.03
Total	<u><u>1.95</u></u>	<u><u>355.01</u></u>


SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rs. in lakhs	
	Year ended 31st March 2002	Year ended 31st March 2001
SCHEDULE 20 – INTEREST AND BANK CHARGES		
a) Interest on:		
Fixed Period Loans and Debentures (including Foreign exchange fluctuation of Rs. 3.01 lakhs; previous year Rs. 16.87 lakhs)	2150.33	3021.19
Bank Borrowings (including Foreign exchange fluctuation of Rs. 309.57 lakhs; previous year Rs. 105.59 lakhs)	1059.11	1034.70
Fixed Deposits	2006.13	2064.94
Other Borrowings	167.40	480.84
b) Bank & Other Finance Charges	141.22	96.33
Total	5524.19	6698.00
SCHEDULE 21 – PROVISIONS/ WRITE OFFS FOR NON PERFORMING ASSETS		
a. Provision for Diminution in value of Long Term Investments	507.72	77.27
b. Bad Debts Written off	2641.94	1213.34
c. Provisions for Non Performing Assets\ (provisions for Non performing Assets written back) (Net)	(2057.60)	(519.09)
d. Bad Debts Recovered	(57.36)	0.00
Total	1034.70	771.52
SCHEDULE 22 – ESTABLISHMENT & OTHER EXPENSES		
Travelling & Conveyance	179.74	223.76
Professional Expenses	413.13	495.83
Auditors' Remuneration:		
Audit Fees	6.00	6.00
Tax Audit Fees	1.00	1.00
In Other Capacity – Management services	2.63	1.75
– Taxation matter	11.80	3.27
– Certification work etc.	8.05	14.30
Reimbursement of expenses	0.38	1.25
	29.86	27.57
Office Expenses	434.32	530.77
Telephone and Postage	184.69	227.32
Rent	114.40	162.55
Rates and Taxes	32.84	56.81
Brokerage on FD (including Deferred expenses Rs. 64.63 lakhs; previous year Rs. 53.66 lakhs)	99.50	113.38
Loss on sale of assets (net)	2.09	35.00
Loss on sale of Long term Investments (net)	—	1,049.61
Advertising Expenses (including Deferred expenses Rs. 36.84 lakhs; previous year Rs. 60.04 lakhs)	325.33	441.76
Insurance Expenses	10.48	7.70
Debenture Issue Expenses	—	57.95
Outsourcing Costs	85.76	95.27
Prompt Payment Rebate	5.53	36.76
Donations	60.17	11.19
Brokerage - Others	254.64	73.06
Commission to Non-Wholetime Directors	52.00	64.00
Miscellaneous Expenses	84.25	119.01
Loss on sale of repossessed assets/termination	424.04	475.78
Directors' Fees	3.25	2.80
Software Expenses	85.23	109.04
Total	2881.25	4416.92



SCHEDULE 23 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. 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. Finance charges income in respect of Lease / Hire Purchase / Loan transactions (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.
- b. 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, evaluation of security and other related factors.
- c. Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

C. DEFERRED EXPENDITURE

- a. Brokerage expenditure on fixed deposits accepted is amortised over the period of the deposit.
- b. Discount on Debentures is amortised over the tenure of the instrument.

D. FIXED ASSETS

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

Asset Type	Useful Life in years
Premises	30
Office equipments	5
Computers	3
Furniture & Fixtures	6
Vehicles	3

E. INVESTMENTS

- a. Government Securities, Bonds, Treasury Bills, etc. invested for meeting the Statutory Liquidity Ratio prescribed by Reserve Bank of India for Non Banking Financial Companies are treated as long term and stated at cost. Market value of these securities is determined by taking the market quotes available on the Balance Sheet date. In the absence of market quotes, prices based on yield to maturity basis as indicated by Fixed Income Money Market and Derivatives Association of India (FIMMDA) as on 31st March are considered. Any diminution other than temporary in the value of these securities is provided for in the Profit & Loss Account.
- b. Other 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.
- c. Current investments are valued at cost or fair/market value, whichever is lower.

F. CURRENT ASSETS

- a. Stock in trade of investments is valued at cost or market value / fair value whichever is lower.
- b. Receivables under Lease and Hire Purchase are stated at cost less capital recovery.

G. RETIREMENT BENEFITS

- a. Contribution as required by statute made to Government Provident Fund is debited to the Profit & Loss Account.
- b. Provision for Gratuity and Leave encashment liability to employees is made on the basis of actuarial valuation.

H. FOREIGN CURRENCY TRANSACTIONS

- a. Transactions in foreign currencies are translated to Indian Rupees at the rate of exchange ruling on the date of the transaction.
- b. Assets and liabilities contracted in foreign currencies are translated into Indian Rupees at the rate of exchange ruling at the Balance Sheet date.
- c. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Profit and Loss Account

**I. 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.

J. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized 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.

K. SEGMENTAL ACCOUNTINGSegment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment. Segment assets include all operating assets used by the segment and consist principally of Leased assets, Hire purchase receivables, Loans and Investments. Segment assets and liabilities do not include Fixed assets (other than Premises) and income tax (both current and deferred).

Segment revenue and expenses:

Segment revenue and expenses are directly attributable to segment. It does not include depreciation and income tax.

2. CONTINGENT LIABILITIES

- Guarantees given: Rs.12.81 lakhs (Previous Year Rs.570.91 lakhs)
 - Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.4.51 lakhs (Previous Year Rs.3.66 lakhs)
 - In respect of Sales Tax and Lease Tax, demands amounting to Rs.134.29 lakhs (Previous Year Rs.197.60 lakhs) are raised on completion of assessments. These have been disputed by the Company and hence have not been provided for in the Accounts.
 - Income and Interest tax demands amounting to Rs.721.80 lakhs (Previous Year Rs.239.27 lakhs) have been raised on completion of assessments. These have been disputed by the Company and hence have not been provided for in the Accounts.
 - The maximum amount of recourse to the Company as per the terms of the agreement to sell some of its receivables under Hire Purchase agreements is limited to Rs.82.58 lakhs. (Previous Year Rs.529.40 lakhs)
3. The Company has been legally advised that as the principal object of the Company as laid down in the Memorandum of Association encompasses the business of financing industrial enterprises, the provisions of Section 372A of the Companies Act, 1956 are not applicable to it.
4. Managerial Remuneration under Section 198 of the Companies Act, 1956, paid / payable to: -
Whole Time Directors for the year:

	Rs. in lakhs	
	31st March 2002	31st March 2001
Salary & other allowances	135.72	169.64
Commission	—	18.00
Contribution to Provident Fund	4.18	6.82
Perquisites in cash or in kind	0.40	3.06
Total - I	140.30	197.52

Provision for gratuity benefit, which is based on actuarial valuation done on an overall basis for the Company is excluded from the remuneration shown above.

Non-Wholetime Directors:

Commission	52.00	64.00
Total - II	52.00	64.00

5. Computation of Net Profit as per Section 349 read with Section 309(5) and Section 198 of the Companies Act, 1956:

	Rs. in lakhs	
	31.03.02	31.03.01
Net Profit before Taxation as per Profit & Loss Account	7501.37	8309.73
Add: Directors' Fees	3.25	2.80
Commission to Non-Wholetime Directors	52.00	64.00
Wholetime Directors' Remuneration	140.30	197.52
Provision for diminution on investments	507.72	75.00
Loss on sale of Investments as per books (net)	0.00	1049.61
Depreciation as per books	525.02	2460.16
Loss on sale of Fixed Assets as per books (net)	2.09	61.48
	8731.75	12220.30



	Rs. in lakhs	
	Year Ended	
	31.03.02	31.03.01
Less: Provision for Doubtful Debts of earlier years written back (net)	2057.60	720.55
Profit on sale of long term investments (net)	796.92	0.00
Loss on sale of Fixed Assets as per Section 349 (net)	2.09	61.48
Depreciation as per Section 350	525.02	2460.16
Net Profit as per Section 349	5350.12	8978.11

In the computation of Net Profit as given above, no adjustments on account of depreciation on assets as shown by the books of the Company are required to be made, in view of the amendments to Section 350 of the Companies Act, 1956 brought about by the Companies (Amendment) Act, 2000. The Company is charging depreciation on its assets under straight line method at the rates which are higher than the rates specified in Schedule XIV to the Companies Act, 1956.

Commission:

To a Wholetime Director	Nil	18.00
As determined by the Board of Directors	Nil	18.00
To Non-Wholetime Directors		
1% of Net Profit as above in terms of Special Resolution of the Members dated 28th July 2000.	53.50	89.78
Restricted by the Board of Directors to	52.00	64.00

6. Earnings in Foreign Currency:

Fee based income Rs. Nil (Previous Year Rs.1044.13 lakhs)
Miscellaneous income Rs.Nil (Previous Year Rs.1353.72 lakhs)

7. Expenditure in Foreign Currency:

Travelling Rs. 2.02 lakhs (Previous Year Rs.22.82 lakhs).Professional expenses Rs.10.02 lakhs (Previous Year Rs.Nil)

8. The amount of exchange difference in respect of forward exchange contracts to be recognised in the Profit and Loss Account in the future periods amounts to Rs.264.46 lakhs (Previous Year Rs.90.16 lakhs)
9. The Company has purchased and sold during the year investments in equity shares as under:

Particulars	Qty	Rs. in lakhs		
		31.03.02	Qty	31.03.01
Opening Stock	262451	236.03	Nil	Nil
Purchases	3514987	7388.08	2412046	7618.57
Sales	2996748	6641.06	2149595	7027.53
Closing Stock	780690	981.10	262451	236.03

10. Securities received from clients as collateral against loans advanced by the Company, are held by the Company in its own name in fiduciary capacity.
11. Consequent to the Accounting Standard 22 on Accounting for Taxes on Income becoming mandatory, the Company recorded the cumulative net deferred tax liability of Rs. 2169.52 lakhs against the General Reserve, in respect of timing differences, as at 1st April 2001. The deferred tax credit of Rs. 470.49 lakhs for the year is included in provision for taxation in the Profit and Loss Account.

Components of net deferred tax liabilities as at 31st March 2002:

	Rs. in lakhs
Deferred tax assets	
Expenditure allowed on payment basis	25.88
Unabsorbed capital losses/ provision for investments	383.68
Others	6.41
Total Deferred Tax Assets	415.97
Deferred tax liabilities	
Deferred expenses	129.19
Interest accrued but not due	79.76
Provision for non – performing assets (#)	340.82
Depreciation on fixed assets	1565.23
Total Deferred Tax Liabilities	2115.00
Net deferred tax liabilities	1699.03

The amount is on account of retrospective amendment made to Section 36 (i) (vii) to the Income Tax Act, 1961, by the Finance Act, 2001, effect of which has not been given in the tax assessments completed.



12. Earnings Per Share (EPS)

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	Ref	Rs. in lakhs (except per share amounts)	
		31.03.2002	31.03.2001
Profit attributable to the Equity Shareholders	A	5452.11	4913.95
Weighted average number of Equity Shares outstanding during the year	B	59212750	48754692
Nominal value of Equity Shares (Rs.)	C	10.00	10.00
Basic and diluted Earnings per share (Rs.)	D = (A) / (B)	9.21 *	10.08

* The Company has granted 835,000 stock options to its employees and employees of its subsidiaries, to be converted into equity shares at prices higher than the market value on the date of the grant. Consequently, the potential equity shares have an anti-dilutive effect and hence have been ignored for the purpose of calculation of diluted EPS.

13. Consequent to the Accounting Standard 19 on Leases becoming mandatory, lease receivables classified as Leased Assets in the Previous Year have been reclassified under the head Lease & Hire Purchase.
14. As a part of its financing activity, the Company finances vehicles. The estimated fair value of the assets given on lease at the end of lease term is Rs.187.99 lakhs.
15. The Company has taken various office premises under operating lease. The lease payments recognised in the Profit and Loss Account is Rs. 114.40 lakhs. The sub-lease income recognised in the Profit and Loss Account is Rs. 61.51 lakhs.
16. Details of gross investments, unearned finance income in respect of assets given on lease are as under:

Particulars	Rs. in lakhs 31 st March 2002
Gross Investments:	
(i) Not later than 1 year	2622.05
(ii) Between 1- 5 years	3987.73
Total	6609.78
Unearned Finance Income:	
(i) Not later than 1 year	628.95
(ii) Between 1- 5 years	556.60
Total	1185.55

17. Related Party Disclosures:

- A. Parties where control exists:

Nature of relationship	Related Party
Individual having control over the enterprise	Mr. Uday Kotak along with relatives and companies controlled by him holds 56.62% of the equity share capital of Kotak Mahindra Finance Limited
Subsidiary Companies	Kotak Mahindra Primus Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Securities Limited Kotak Mahindra International Limited Kotak Mahindra (UK) Limited Kotak Mahindra Inc. Kotak Mahindra Investment Company Limited, PCC OM Kotak Mahindra Life Insurance Company Limited Kotak Mahindra Asset Management Company Limited Kotak Mahindra Trustee Company Limited Kotak Mahindra Private Equity Trustee Limited Kotak Forex Brokerage Limited Hamko Financial Services Limited Business Standard Limited Business Standard Digital Limited



B. Other Related Parties

Nature of relationship	Related Party
Associates / Enterprises managed by the Company	Ford Credit Kotak Mahindra Limited India Car.Com Limited Pranavaditya Spinning & Weaving Mills Limited Kotak Mahindra Mutual Fund
Enterprises over which major shareholder exercises significant influence	Goldman Sachs (India) Pvt. Limited Aero Agencies Pvt. Ltd. Kotak & Co. Limited
Key Management Personnel	Mr. Dipak Gupta, Executive Director Mr. C Jayaram, Executive Director Mr. K V S Manian, Chief Operating Officer
Relatives of key management personnel	Ms. Anita Gupta Prabhat Gupta Urmila Gupta Usha Jayaram – relative of Mr. C Jayaram

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

Nature of transaction	Individuals having control over the enterprise	Subsidiaries	Associates/ Enterprises managed by the company	Enterprises over which major share holder exercises significant influence	Amount (Rs. in lakhs)	
					Key Management Personnel	Relatives of key management personnel
A. LIABILITY AS ON 31.03.2002						
Interest payable on FD					0.06	0.05
Fixed deposits					1.13	0.61
Other liabilities		705.16				
Deposit for premises		4500.00				
Commission payable	44.00					
Unsecured Loans			175.17			
B. ASSET AS ON 31.03.2002						
Dividend and income receivable		1433.75				
Interest accrued/ receivable on investments		120.59				
Interest accrued/ receivable		37.07	0.03			
Shared services receivable		144.04	30.09			
Other assets		0.82				
Secured loans		804.12				
C. EXPENSES FOR THE YEAR						
Interest		21.65	4.58		0.20	0.05
Other expense		43.86				
Rent				6.00		
Travel				43.39		
Salary					189.14	
Directors' Fees	0.40					
Commission	44.00					



Nature of transaction	Amount (Rs. in lakhs)					
	Individuals having control over the enterprise	Subsidiaries	Associates/Enterprises managed by the company	Enterprises over which major share holder exercises significant influence	Key Management Personnel	Relatives of key management personnel
D. INCOME FOR THE YEAR						
Interest income		340.42	33.43			
Shared services		739.94	9.16	46.86		
Reimbursement of expenses		322.05	140.68			
Dividend		371.25				
Royalty		3987.50				
E. OTHER TRANSACTIONS						
Inter Corporate Deposit borrowings		10252.66	7170.00			
Inter Corporate Deposit lent		9947.45	650.00			
Fixed deposits accepted					1.00	0.23
Volume of investments purchased and sold through		18736.00				
Volume of government securities purchased		4710.75				
Volume of government securities sold		1226.74				
Interim dividend paid	667.43				0.24	0.05
Final dividend of FY Mar 01 paid	594.54				0.21	0.05
F. INVESTMENTS						
Increase in investments		2222.13				
Reduction in investments		1615.00				
Mutual fund volume purchased and sold			86339.41			

18. Segmental reporting

In accordance with Accounting Standard 17 on Segment Reporting issued by The Institute of Chartered Accountants of India, the Company has determined two business segments, viz. "Lending Activities" and "Group Services".

The "Lending Activities" segment comprises business operations in the related areas of lending. This segment comprises commercial vehicle finance, consumer finance, loans against shares, structured products and similar lending products.

The "Group Services" segment comprises strategic investments and includes services to subsidiaries.

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

PARTICULARS	(Rs. in lakhs)			
	LENDING ACTIVITIES	INVESTMENT AND GROUP SERVICES	UNALLOCABLE	TOTAL
Segment Revenue	12602.93	6223.55	—	18826.48
Segment Expenses	8634.84	2417.40	—	11052.24
Segment Results	3968.09	3806.15	—	7774.24
Less: Other unallocable expenditure net of unallocable income			(272.87)	(272.87)
Total Profit Before Tax	3968.09	3806.15	(272.87)	7501.37
Segment Assets	89594.19	54939.50	—	144533.69
Segment Liabilities	85985.98	6072.29	—	92058.27
Unallocable Assets net of Liabilities	—	—	(1502.99)	(1502.99)
Cost of tangible assets acquired	—	20.04	142.55	162.59
Depreciation and amortisation	—	252.14	272.88	525.02

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


20. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

a) Registration Details

Registration Number	38137 TA
State Code	11
Balance Sheet Date	31st March 2002

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

Public Issue	NIL
Rights Issue (Including Share Premium)	NIL
Bonus Issue	NIL
Private Placement	NIL

c) Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	14434786
Deferred Tax Liability	169903
Total Assets	14604689

Source of Funds

Paid up Capital	592128
Reserves & Surplus	4512680
Secured Loans	4799806
Unsecured Loans	3456225
Deferred Tax Liability	169903

Application of Funds

Net Fixed Assets	599134
Investments	3261486
Net Current Assets	9662557
Miscellaneous Expenditure	7565
Accumulated losses	Nil

d) Performance of Company (Amount in Rs. '000)

Turnover	1882648
Total Expenditure	1132511
Profit before tax	750137
Profit after tax	545211
Earnings per share in Rs.	9.21
Dividend rate (%) (interim and final)	41%

e) Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC)	NA
Product description	Asset Finance / Consumer Finance

As per our attached report of even date

For C.C. CHOKSHI & Co.
 Chartered Accountants

R. LAXMINARAYAN
 Partner

For V.C. SHAH & Co.
 Chartered Accountants

V.C. SHAH
 Partner

N.J.N.VAZIFDAR
 Company Secretary

For and on behalf of the Board of Directors
ANAND MAHINDRA
 Chairman

UDAY KOTAK
 Vice Chairman

DIPAK GUPTA
 Executive Director

Mumbai, July 30, 2002


CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002

	Rs.in lakhs 2001-02	Rs.in lakhs 2000-01
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	5452.11	4959.73
Add : Financial Expenses (including Foreign Exchange fluctuation of Rs.312.58 lakhs; P.Y. Rs. 122.46 lakhs)	5524.19	6698.00
	10976.30	11657.73
Depreciation	525.02	536.86
Diminution in the value of investments	507.72	77.27
Deferred Taxation	(470.49)	—
Provision for gratuity and Leave Encashment	(13.93)	35.51
Misc Expenses Written off	52.58	84.77
(Profit)/Loss on sale of investments	(889.85)	1049.61
Provision against non performing assets	584.34	694.25
Interest / Dividend received	(924.34)	(2735.51)
Provision For Tax	2519.75	3350.00
Asset write off	4.46	—
(Profit) / Loss on sale of own assets	2.09	61.48
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12873.65	14811.97
(Increase) / Decrease in stock in trade	(745.07)	(236.03)
(Increase) / Decrease in net stock on hire	11396.97	3709.50
(Increase) / Decrease in trade bills advanced	(523.07)	(104.81)
(Increase) / Decrease in loans and advances	(49861.34)	(2660.99)
(Increase) / Decrease in Sundry Debtors	468.41	1171.24
Increase / (Decrease) in Current liabilities and provisions	2338.69	(2263.26)
	(36925.41)	(384.35)
CASH GENERATED FROM OPERATIONS	(24051.76)	14427.62
Financial Expenses	(5524.19)	(6698.00)
Payment of Taxes	(2225.00)	(2600.00)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(31800.95)	5129.62
CASH FLOW FROM INVESTING ACTIVITIES		
Bank Deposits	22.98	(2.60)
Purchase of Fixed assets (owned)	(162.59)	(424.79)
Sale of Fixed assets (owned)	15.21	267.41
(Increase) / Decrease in Investments in Subsidiary Companies	(607.13)	(7549.84)
(Increase) / Decrease in Other Investments	3300.08	5915.62
Interest received	399.10	385.55
Dividend received	1376.36	2699.01
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)	4344.01	1290.36
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in bank borrowings	15370.82	(7943.20)
Increase / (Decrease) in long term borrowings	13286.61	(3797.30)
Increase / (Decrease) in fixed deposits	306.78	3081.55
Increase / (Decrease) in short term loans and advances	1640.38	428.24
Dividends paid	(2479.59)	(733.87)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	28125.00	(8964.58)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A + B + C)	668.06	(2544.60)
Add: Transferred from erstwhile Pannier Trading Co. Pvt. Ltd.	—	4.52
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1081.29	3621.37
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	1749.35	1081.29

For and on behalf of the Board of Directors

ANAND MAHINDRA
ChairmanUDAY KOTAK
Vice Chairman

Mumbai, July 30, 2002

N.J.N.VAZIFDAR
Company SecretaryDIPAK GUPTA
Executive Director
AUDITORS' CERTIFICATE

We have examined the above Cash Flow Statement of Kotak Mahindra Finance Limited for the year ended 31st March 2002. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report to the members of the Company.

For C.C. CHOKSHI & CO.
Chartered Accountants
R.LAXMINARAYAN
Partner

For V. C. SHAH & CO.
Chartered Accountants
V. C. SHAH
Partner

Mumbai, July 30, 2002