



BOARD OF DIRECTORS : Uday Kotak (C), Dipak Gupta, Shivaji Dam, Gaurang Shah (ED), C. Jayaram, Narpal Ahluwalia, Michael Kozel (Alternate : Francis J. Brogan), Gregory Cohen (Alternate : Francis J. Brogan).

DIRECTORS' REPORT

The Members of Kotak Mahindra Primus Limited

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

I. FINANCIAL RESULTS

	(Rs. Lakhs)	
	<u>31st March 2002</u>	<u>31st March 2001</u>
Gross Income	19112.75	16001.86
Profit before Depreciation and Tax	830.15	379.09
Depreciation	88.47	95.29
Profit before Tax	714.42	283.80
Provision for Tax	268.97	198.76
Profit after Tax	445.45	85.04
Balance of Profit from previous years	—	9.06
Amount available for appropriation	445.45	94.10
Appropriations :		
Special Reserve u/s 45 IC of the RBI Act, 1934.	89.09	17.01
Debenture Redemption Reserve	(77.09)	77.09
Surplus carried forward to the Balance Sheet	433.45	—

II. DIVIDEND

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

III. EQUITY SHARE CAPITAL

On 20th December 2001, out of the 11,82,600 Fully Convertible Debentures of Rs.10 each issued for cash at par to Kotak Mahindra Finance Limited, 1,47,825 Debentures were converted into 1,47,825 equity shares of Rs. 10 each and 98,550 Zero Coupon Fully Convertible Debentures of Rs. 3,600 each were allotted to Ford Credit International Inc. These debentures were converted into 98,550 equity shares of Rs. 10 each at a premium of Rs.3,590 per share, immediately on allotment. The paid up equity share capital of the Company as on 31st March 2002 was Rs. 247.83 lakhs and the net worth as on that date was Rs. 36906.10 lakhs.

IV. OPERATIONS

During the year under review, the Company consolidated its position as a leading player in the auto-finance industry. The difficult phase that the economy is passing through due to several internal and external factors also had its effect on the auto industry. Although passenger car sales remained almost stagnant during the year, the Company, due to its dominant position and focussed approach, continued to grow its retail disbursement by about 14% compared to the previous year. During the year, the Company expanded its operations to cover Allahabad, Jodhpur, Udaipur, Bhatinda, Agra and Bareilly.

The competitive pressure continued throughout the year, with multi-national and private sector banks increasing their focus on auto-finance business, and margins continuing to be under pressure. However, the Company improved net margin by focussing on cost control, maintaining its loan-loss ratio and introducing products with better margins/returns.

On the marketing front, the higher focus on distribution channels and customer service saw the Company add about 32000 new customers, taking the total customer base to more than 100000. The Company is constantly improving its focus on customer service, as is also reflected in the upward change in its position to number three in customer satisfaction survey conducted by JD Power Asia-Pacific 2001 for Consumer Financing Satisfaction (CFS) from number five in the previous year.

V. PROSPECTS

The Company expects the passenger vehicle industry to grow by 6 to 8% during the current year after sluggish performance for the previous two years. The Company will continue to follow the strategy of gradually increasing its market share while balancing improvement in profitability and portfolio risk. The Company will continue to expand geographically, increasing its focus on high return products.

VI. INFORMATION TECHNOLOGY

Retail Receivable System (FOCUS) was launched in August 1999 from Ford Motor Company (Australia) utilising V-SAT technology. Since the system launch, processes and controls have been strengthened in line with Ford Global Standards and a strong platform for growth has been established. Of particular significance is the on-line Customer Follow Up module of FOCUS for following up delinquent customers which has resulted in record low delinquency and losses. System infrastructure has added significant capacity during a period of rapid growth. The scalable features of the system continue to permit the Company to add volume while minimising related costs.



VII. DIRECTORS

Mr. Mark Mueller, who had been a Director of the Company from 10th May 2001, resigned as Director effective 1st June 2002. At its Meeting held on 17th May 2002, the Board appointed Mr. Gregory Cohen as a Director in the casual vacancy caused by the resignation of Mr. Mueller. Mr. Francis Brogan was appointed as an Alternate Director to Mr. Cohen, effective 1st June 2002.

Mr. Raghunath Nadathur resigned as Director and Whole-time Director of the Company, effective 5th July 2002. Mr. Narpal Ahluwalia was appointed in the casual vacancy caused by the resignation of Mr. Nadathur as a Director and as a Wholetime-Director of the Company, designated "Director-Finance" with effect from 5th July 2002. The appointment and payment of remuneration to Mr. Ahluwalia as a Whole-time Director, designated Director-Finance, are subject to the approval of the Central Government and the Members at the ensuing Annual General Meeting.

The Directors place on record their appreciation of the contributions made by Mr. Mueller and Mr. Nadathur during their tenure as Directors of the Company.

Mr. Dipak Gupta, Mr. Shivaji Dam and Mr. Gregory Cohen retire by rotation at the Sixth Annual General Meeting and, being eligible, offer themselves for reappointment.

VIII. AUDIT COMMITTEE

The Company had constituted an Audit Committee of the Board of Directors on 19th August 1997. The Audit Committee, which currently consists of the following Directors, continues to meet at frequent intervals :

Mr. Dipak Gupta	Chairman
Mr. Gaurang Shah	Member
Mr. Shivaji Dam	Member
Mr. Gregory Cohen	Member
Mr. Narpal Ahluwalia	Member - Secretary

Mr. Francis Brogan to represent Mr. Gregory Cohen in his absence.

IX. AUDITORS

The Company's joint auditors, Messrs. Lovelock & Lewes, Chartered Accountants, Mumbai, and Messrs. C. C. Chokshi & Co., Chartered Accountants, Mumbai, retire at the Sixth Annual General Meeting but have intimated to the Company their unwillingness to act as auditors of the Company. Messrs. Price Waterhouse, Chartered Accountants, Mumbai, and Messrs. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, have consented to act as Joint Auditors of the Company. The appointment of Messrs. Price Waterhouse, Chartered Accountants, Mumbai, and Messrs. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, is for the approval of the Members of the Company.

X. STATUTORY INFORMATION

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

During the period under review, the Company did not accept any deposits from the public. There are no deposits due and outstanding as on 31st March 2002.

The Company's foreign exchange outgo was Rs.194.89 lakhs. It had no foreign exchange earnings. The other particulars prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable since the Company is not a manufacturing company.

XI. 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.

For and on behalf of the Board of Directors
UDAY KOTAK
Chairman

Mumbai, July 15, 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

Name, Designation, Gross Remuneration (Rupees), Qualifications, Experience in years, Date of Commencement of Employment, Age (Years), Last employment held

EMPLOYED THROUGHOUT THE YEAR

Gaurang Shah, Executive Director., 3,839,833, M.Com, ACA, ACS, AICWA, 19, 01.11.1996, 40, Vice President, Kotak Mahindra Finance Ltd.
Pankaj Desai, Chief Operating Officer, 2,588,323, B.Com, ACA, 19, 01.05.2000, 40, Vice President, Kotak Mahindra Finance Ltd. Raghunath Nadathur, Director- Finance, 8,353,129, B.Sc., B.Com, LLB, B. Juris, CIA, 17, 01.03.1999, 41, Ford Credit Asia Pacific, Merger & Acquisition Manager & Regional Treasury Specialist

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 Rules made thereunder.
- 2) Nature of employment in all cases in non-contractual and the terms and conditions are as per Company's Rules.
- 3) Mr. Gaurang Shah and Mr. Raghunath Nadathur are Directors of the Company. None of the other employees is related to any Director of the Company and holds 2% of the total share capital of the Company.

For and on behalf of the Board of Directors
Uday Kotak
Chairman

Mumbai, July 15, 2002

**AUDITORS' REPORT**

We have audited the attached Balance Sheet of Kotak Mahindra Primus Limited as at 31st March, 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, which, as stated in Note II (O) in Schedule 17 of the accounts, are the revised statements of the Balance Sheet and Profit and Loss Account approved by the Board of Directors on 17th May, 2002 and covered by our report of the same date.

- 1 These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet 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 dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of 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 said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - 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 Lovelock & Lewes
Chartered Accountants
THOMAS MATHEW
Partner

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

Mumbai, July 15, 2002

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF KOTAK MAHINDRA PRIMUS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of five years. Pursuant to the program, physical verification of furniture and fixtures and office equipment was carried out by the management during the year and no material discrepancies were noticed between book records and physical inventory.
2. The fixed assets of the Company have not been revalued during the year.
3. In our opinion, the rate of interest and other terms and conditions on which loans have been obtained from the companies listed in the register maintained under Section 301 of the Companies Act, 1956 and from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company
4. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under Section 301 of the Companies Act, 1956 and from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
5. The parties (excluding customers to whom finance has been provided in the normal course of business) including employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts and interest as stipulated/rescheduled.
6. 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 with regard to the purchase of equipment and other assets and for sale of goods.
7. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the services are of special nature and comparable alternative quotations are not available, the transactions of sale of services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, 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 services or the price at which transactions for similar services have been made with other parties.
8. The Company has not accepted any deposits from the public during the year.
9. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
10. The Company has been regular in depositing Provident Fund dues and Employees' State Insurance dues with the appropriate authorities during the year.
11. 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.
12. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses of employees or directors which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations and/or accepted business practice.
13. As per the information and explanations given to us and taking into consideration the nature of the business of the Company, clauses (iii), (iv), (v), (vi), (xii), (xiv), (xvi) and (xx) of paragraph 4(A), paragraph 4(B), paragraph 4(C) and paragraph 4(D) are not applicable to the Company for the year.

**For Lovelock & Lewes
Chartered Accountants
THOMAS MATHEW
Partner**

**For C.C. Chokshi & Co.
Chartered Accountants
R. LAXMINARAYAN
Partner**

Mumbai, July 15, 2002

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

	Schedule	Rupees	As at 31st March,2002 Rupees	Rupees	As at 31st March,2001 Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	24,782,500		22,318,750	
Reserves and Surplus	2	3,669,099,389		3,276,109,126	
			3,693,881,889		3,298,427,876
Loan Funds					
Unsecured Loans	3		9,701,028,879		7,294,197,527
Total			13,394,910,768		10,592,625,403
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	54,301,403		50,120,221	
Less: Depreciation		34,745,843		28,301,409	
Net Block			19,555,560		21,818,812
Receivables under Auto Finance	5		12,354,548,607		9,839,025,698
Current Assets, Loans and Advances					
Sundry Debtors	6	43,637,461		49,793,458	
Cash and Bank Balances		134,978,883		79,018,751	
Loans and Advances		2,087,931,815		1,751,114,635	
		2,266,548,159		1,879,926,844	
Less :					
Current Liabilities and Provisions					
Current Liabilities	7	1,216,346,350		1,142,265,929	
Provisions	8	11,347,911		12,546,689	
		1,227,694,261		1,154,812,618	
Net Current Assets			1,038,853,898		725,114,226
Deferred Tax Liability	9		(21,380,631)		—
Miscellaneous Expenditure (To the extent not written off or adjusted)	10		3,333,334		6,666,667
Total			13,394,910,768		10,592,625,403

Significant Accounting Policies and 17

Notes to the Accounts

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

As per our attached report of even date

For LOVELOCK & LEWES
Chartered AccountantsTHOMAS MATHEW
Partner

Mumbai, July 15, 2002

For C.C.CHOKSHI & CO
Chartered AccountantsR.LAXMINARAYAN
Partner

For and on behalf of the Board of Directors

UDAY KOTAK
ChairmanHARISH SHAH
Company SecretaryNARPAL AHLUWALIA
Director - FinanceGAURANG SHAH
Executive Director

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

	Schedule	Year ended 31st March, 2002 Rupees	Year ended 31st March, 2001 Rupees
INCOME			
Income from Operations	11	1,872,574,056	1,569,058,739
Other Income	12	38,700,795	31,127,521
Total		1,911,274,851	1,600,186,260
EXPENDITURE			
Payments to Employees	13	97,718,562	88,621,489
Interest and Finance charges	14	974,187,433	761,872,343
Administrative and other expenses	15	759,079,989	711,783,939
Depreciation		8,846,758	9,528,538
Total		1,839,832,742	1,571,806,309
Profit before tax		71,442,109	28,379,951
Provision for taxation	16	26,897,410	19,875,964
Profit after tax		44,544,699	8,503,987
Profit brought forward from previous year		—	906,118
		44,544,699	9,410,105
Appropriations			
Special Reserve u/s 45 IC of the RBI Act, 1934		8,909,000	1,700,800
Debenture Redemption Reserve		(7,709,305)	7,709,305
Surplus carried to Balance Sheet		43,345,004	—
Total		44,544,699	9,410,105
Earnings per share - (Refer Note No.II (H) in Schedule 17)			
Basic		19.36	4.15
Diluted		17.28	3.60
Significant Accounting Policies and Notes to the Accounts	17		

Schedules referred to above form an integral part of the Profit and Loss Account

As per our attached report of even date

For LOVELOCK & LEWES
Chartered Accountants

THOMAS MATHEW
Partner

Mumbai, July 15, 2002

For C.C.CHOKSHI & CO
Chartered Accountants

R.LAXMINARAYAN
Partner

For and on behalf of the Board of Directors

UDAY KOTAK
Chairman

HARISH SHAH
Company Secretary

NARPAL AHLUWALIA
Director - Finance

GAURANG SHAH
Executive Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET****SCHEDULE 1**

	Rupees	31st March,2002 Rupees	31st March,2001 Rupees
SHARE CAPITAL			
Authorised			
4,000,000 Equity Shares of Rs.10/- each		40,000,000	40,000,000
Issued, Subscribed and Paid-up 2,478,250 (Previous year 2,231,875) equity shares of Rs.10/- each fully paid		24,782,500	22,318,750
Total		24,782,500	22,318,750

Note :

Of the above :

- i) 1,486,950 (Previous year 1,339,125) shares are held by Kotak Mahindra Finance Limited, the holding company, and its nominees.
- ii) 1,478,250 (Previous year 1,231,875) shares are allotted as fully paid up pursuant to conversion of fully convertible debentures.

(Refer Note No.II (C) in Schedule 17)

SCHEDULE 2**RESERVES & SURPLUS**

Share Premium Account

As per last Balance Sheet	3,204,084,500		2,850,290,000
Add : Amount received during the year	353,794,500		353,794,500
		3,557,879,000	3,204,084,500

Contingency Reserve

As per last Balance Sheet	31,162,000		31,162,000
Less : Transferred to General Reserve	31,162,000		—
			31,162,000

Special Reserve u/s 45 IC of the RBI Act, 1934

As per last Balance Sheet	29,457,150		27,756,350
Add : Transferred from Profit and Loss Account	8,909,000		1,700,800
		38,366,150	29,457,150

Debenture Redemption Reserve

As per last Balance Sheet	7,709,305		—
Add : Transferred (to)/from Profit and Loss Account	(7,709,305)		7,709,305
			7,709,305

General Reserve

As per last Balance Sheet	3,696,171		3,696,171
Add: Transferred from Contingency Reserve	31,162,000		—
(Less) : Deferred Tax Liability as on 1-4-01 adjusted*	(5,348,936)		—
		29,509,235	3,696,171

*(Refer Note.II (G) in Schedule 17)

Surplus in Profit and Loss Account		43,345,004	—
Total		3,669,099,389	3,276,109,126



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 3			31st March,2002	31st March,2001
	Notes	Rupees	Rupees	Rupees
UNSECURED LOANS				
295,650 (Previous year 443,475) 16.5% Unsecured Fully Convertible Debentures of Rs. 10 each	1		2,956,500	4,434,750
Unsecured Non-Convertible Debentures	2		6,195,000,000	4,015,000,000
Deep Discount Debentures	3	90,000,000		—
Less : Discount not written off		7,366,164		—
			82,633,836	—
Short Term Loans :				
From Banks	4		1,402,502,991	1,999,623,382
From Others - Inter Corporate Deposits			50,000,000	325,000,000
Commercial Paper		558,000,000		—
Less : Discount not written off		11,908,606		—
(Maximum amount outstanding during the year Rs.558,000,000, Previous year Rs. 150,000,000)			546,091,394	—
Other Loans and Advances:				
From Banks	4		760,000,000	292,640,084
From Financial Institution	4		400,000,000	400,000,000
Hire Purchase / Loan / Lease deposits (Including matured and unclaimed Rs.5,906,708, Previous year Rs.5,200,732)			261,844,158	257,499,311
Total			9,701,028,879	7,294,197,527

Notes:

- 1) The 16.5% Unsecured Fully Convertible Debentures of Rs.10 each are convertible into equity shares of Rs.10/- each at par as mentioned below

Debtenture Series	31-03-02 Rupees	31-03-01 Rupees	Conversion
VI	—	1478250	Conversion after 01-01-2001 but before 31-12-2001
VII	1478250	1478250	Conversion after 01-01-2002 but before 31-12-2002
VIII	1478250	1478250	Conversion after 01-01-2003 but before 31-12-2003
	2,956,500	4,434,750	

- 2) The Debentures are redeemable at par. The Debentures are secured by way of a pari passu mortgage and charge in favour of the Debenture Trustees on the Company's immovable property amounting to Rs.1,807,472 and further covered by a negative lien on specified receivables under auto finance of the Company. The details of Unsecured Non convertible Debentures are as under :

Description	As at 31st March 2002 Rupees	As at 31st March 2001 Rupees	Earliest Put / Call Option Date	Redemption Date
10.70% 1,000 debentures of Rs.100,000 each	—	100,000,000	—	04-04-2001
10.70% 500 debentures of Rs.100,000 each	—	50,000,000	—	04-04-2001
12.30% 1 debenture of Rs.100,000,000 each	—	100,000,000	—	19-04-2001
MIBOR + 65bps 8 debentures of Rs.10,000,000 each	—	80,000,000	—	20-04-2001
11.10% 20 debentures of Rs.10,000,000 each	—	200,000,000	—	30-04-2001
10.30% 1,000 debentures of Rs.100,000 each	—	100,000,000	—	16-05-2001
11.10% 10 debentures of Rs.10,000,000 each	—	100,000,000	—	25-05-2001
11.10% 15 debentures of Rs.10,000,000 each	—	150,000,000	—	29-05-2001
11.10% 10 debentures of Rs.10,000,000 each	—	100,000,000	—	30-05-2001
15.30% 200 debentures of Rs.1,000,000 each (Net of redemption of Rs.165,000,000)	—	35,000,000	—	01-06-2001
15.30% 200 debentures of Rs.1,000,000 each (Net of redemption of Rs.165,000,000)	—	35,000,000	—	02-06-2001
10.75% 5 debentures of Rs.10,000,000 each	—	50,000,000	—	18-06-2001
10.90% 2 debentures of Rs.10,000,000 each	—	20,000,000	—	22-06-2001
10.90% 3 debentures of Rs.10,000,000 each	—	30,000,000	—	22-06-2001



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 3

UNSECURED LOANS (Cond.)

Description	As at 31st March 2002 Rupees	As at 31st March 2001 Rupees	Earliest Put / Call Option Date	Redemption Date
11.35% 5 debentures of Rs.10,00,000 each	-	50,000,000	-	28-06-2001
11.65% 10 debentures of Rs.10,00,000 each	-	100,000,000	-	03-07-2001
10.75% 5 debentures of Rs.10,00,000 each	-	50,000,000	Daily From 20th June '01	20-07-2001
12.85% 1,000,000 debentures of Rs.100 each	-	100,000,000	-	29-09-2001
12.20% 500,000 debentures of Rs.100 each	-	50,000,000	-	12-10-2001
11.40% 8 debenture of Rs.10,000,000 each	-	80,000,000	-	29-10-2001
13.25% 500,000 debentures of Rs.100 each	-	50,000,000	-	30-11-2001
12.50% 5 debentures of Rs.10,00,000 each	-	50,000,000	-	08-12-2001
12.00% 5 debentures of Rs.10,00,000 each	-	50,000,000	20-07-2001	15-12-2001
12.00% 5 debentures of Rs.10,00,000 each	-	50,000,000	16-08-2001	15-12-2001
12.00% 6 debentures of Rs.10,00,000 each	-	60,000,000	27-08-2001	15-12-2001
11.15% 3 debentures of Rs.10,00,000 each	-	30,000,000	-	22-01-2002
11.15% 5 debentures of Rs.10,00,000 each	-	50,000,000	-	29-01-2002
13.25% 500,000 debentures of Rs.100 each	-	50,000,000	-	11-02-2002
12.95% 1,500,000 debentures of Rs.100 each	-	150,000,000	-	15-02-2002
11.60% 500 debentures of Rs.1,00,000 each	-	50,000,000	-	28-03-2002
11.90% 300 debentures of Rs.1,00,000 each	30,000,000	30,000,000	-	05-04-2002
14.00% 300,000 debentures of Rs.100 each	30,000,000	30,000,000	-	07-04-2002
9.30% 1500 debentures of Rs.1,00,000 each	150,000,000	-	-	08-04-2002
8.95% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	19-04-2002
13.10% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	19-04-2002
13.10% 700 debentures of Rs.1,00,000 each	70,000,000	70,000,000	-	30-04-2002
11.00% 1500 debentures of Rs.1,00,000 each	150,000,000	-	-	04-05-2002
12.39% 5 debentures of Rs.10,00,000 each	50,000,000	50,000,000	-	13-05-2002
12.62% 4 debentures of Rs.10,00,000 each	40,000,000	40,000,000	-	14-05-2002
11.90% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	20-05-2002
8.50% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	27-05-2002
MIBOR + 70bps 500 debentures of Rs.1,00,000 each	50,000,000	-	Daily Put/Call Option	04-06-2002
9.15% 500 debentures of Rs.1,00,000 each	50,000,000	-	-	11-06-2002
MIBOR + 65bps 1000 debentures of Rs.1,00,000 each	100,000,000	-	Daily Put/Call Option	12-06-2002
MIBOR + 70bps 1000 debentures of Rs.1,00,000 each	100,000,000	-	Daily Put/Call Option	12-06-2002
9.50% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	14-06-2002
9.50% 500 debentures of Rs.1,00,000 each	50,000,000	-	-	18-06-2002
9.25% 500 debentures of Rs.1,00,000 each	50,000,000	-	-	22-06-2002
9.45% 500 debentures of Rs.1,00,000 each	50,000,000	-	-	22-06-2002
9.80% 700 debentures of Rs.1,00,000 each	70,000,000	-	-	24-06-2002
9.80% 550 debentures of Rs.1,00,000 each	55,000,000	-	-	27-06-2002
10.00% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	02-07-2002
13.00% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	13-07-2002
9.80% 500 debentures of Rs.1,00,000 each	50,000,000	-	15-02-2002	16-07-2002
8.90% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	16-07-2002
13.00% 1500 debentures of Rs.1,00,000 each	150,000,000	150,000,000	-	31-07-2002
8.75% 1000 debentures of Rs.1,00,000 each	100,000,000	-	7/5/2002 and the rate 8.60%	07-08-2002
8.75% 500 debentures of Rs.1,00,000 each	50,000,000	-	8/5/2002 and the rate 8.60%	05-08-2002
10.00% 500 debentures of Rs.1,00,000 each	50,000,000	-	-	06-08-2002
10.00% 1000 debentures of Rs.1,00,000 each	100,000,000	-	-	09-08-2002
10.00% 1500 debentures of Rs.1,00,000 each	150,000,000	-	-	12-08-2002
12.95% 1500 debentures of Rs.1,00,000 each	150,000,000	150,000,000	-	27-08-2002
13.10% 500,000 debentures of Rs.100 each	50,000,000	50,000,000	-	27-08-2002
9.25% 500 debentures of Rs.1,00,000 each	50,000,000	-	-29-05-2002 and the rate 9.15%	29-08-2002
13.10% 500 debentures of Rs.1,00,000 each	-	50,000,000	-	10-09-2002
13.10% 5 debentures of Rs.10,00,000 each	50,000,000	50,000,000	-	14-09-2002
13.10% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	23-09-2002
13.10% 5 debentures of Rs.10,00,000 each	50,000,000	50,000,000	-	27-09-2002
13.10% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	29-09-2002
13.10% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	04-10-2002
13.10% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000	-	04-10-2002
13.10% 5 debentures of Rs.10,00,000 each	50,000,000	50,000,000	-	15-10-2002



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 3

UNSECURED LOANS (Cond.)

Description	As at 31st March 2002 Rupees	As at 31st March 2001 Rupees	Earliest Put / Call Option Date	Redemption Date
9.05% 150 debentures of Rs.1,00,000 each	15,000,000	-		24-10-2002
13.10% 10 debentures of Rs.10,00,000 each	100,000,000	100,000,000		29-10-2002
12.70% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000		03-11-2002
9.15% 1000 debentures of Rs.1,00,000 each	100,000,000	-		03-11-2002
9.25% 500 debentures of Rs.1,00,000 each	50,000,000	-		05-11-2002
13.00% 250,000 debentures of Rs.100 each	-	25,000,000		05-11-2002
9.05% 550 debentures of Rs.1,00,000 each	55,000,000	-	24-10-2002	07-11-2002
12.50% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000		24-11-2002
12.50% 10 debentures of Rs.10,00,000 each	100,000,000	100,000,000		24-11-2002
9.15% 500 debentures of Rs.1,00,000 each	50,000,000	-		13-12-2002
11.00% 500 debentures of Rs.1,00,000 each	50,000,000	-		30-12-2002
11.00% 500 debentures of Rs.1,00,000 each	50,000,000	-		30-12-2002
11.00% 500 debentures of Rs.1,00,000 each	50,000,000	-		30-12-2002
11.00% 1000 debentures of Rs.1,00,000 each	100,000,000	-		30-12-2002
11.00% 500 debentures of Rs.1,00,000 each	50,000,000	-		30-12-2002
11.00% 500 debentures of Rs.1,00,000 each	50,000,000	-		30-12-2002
8.75% 500 debentures of Rs.1,00,000 each	50,000,000	-		12-02-2003
12.95% 1500 debentures of Rs.1,00,000 each	150,000,000	150,000,000		15-02-2003
10.20% 900 debentures of Rs.1,00,000 each	90,000,000	-		06-03-2003
10.20% 900 debentures of Rs.1,00,000 each	90,000,000	-		06-03-2003
10.20% 200 debentures of Rs.1,00,000 each	20,000,000	-		06-03-2003
10.20% 500 debentures of Rs.1,00,000 each	50,000,000	-		06-03-2003
11.85% 1000 debentures of Rs.1,00,000 each	100,000,000	-		16-04-2003
10.20% 500 debentures of Rs.1,00,000 each	50,000,000	-		16-04-2003
11.85% 1000 debentures of Rs.1,00,000 each	100,000,000	-		22-04-2003
11.85% 1000 debentures of Rs.1,00,000 each	100,000,000	-		08-05-2003
10.90% 2000 debentures of Rs.1,00,000 each	200,000,000	-		28-05-2002
11.55% 2000 debentures of Rs.1,00,000 each	200,000,000	-		30-05-2003
11.20% 10 debentures of Rs.10,00,000 each	100,000,000	-		30-06-2003
10.95% 1000 debentures of Rs.1,00,000 each	100,000,000	-		16-07-2003
12.60% 500 debentures of Rs.100,000 each	50,000,000	50,000,000		24-07-2003
13.00% 1000 debentures of Rs.1,00,000 each	100,000,000	100,000,000		28-08-2003
13.00% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000		13-09-2003
12.50% 500 debentures of Rs.1,00,000 each	50,000,000	50,000,000		01-12-2003
11.20% 700 debentures of Rs.1,00,000 each	70,000,000	-		21-07-2004
10.45% 1500 debentures of Rs.1,00,000 each	150,000,000	-		02-08-2004
10.30% 800 debentures of Rs.1,00,000 each	80,000,000	-		16-08-2004
10.85% 1300 debentures of Rs.1,00,000 each	130,000,000	-		30-08-2004
10.30% 500 debentures of Rs.1,00,000 each	50,000,000	-		26-11-2004
9.45% 500 debentures of Rs.1,00,000 each	50,000,000	-		27-06-2002
MIBOR + 70bps 500 debentures of Rs.1,00,000 each	50,000,000	-	Daily Put/Call Option	24-06-2002
9.27% 500 debentures of Rs.1,00,000 each	50,000,000	-		27-03-2003
	6,195,000,000	4,015,000,000		

3) The details of Deep Discount

Debentures are as under :

1 Unsecured, Redeemable

Non Convertible Debenture of the face value of Rs.90,000,000/- issued at Rs.77,213,452/-

82,633,836

-

13-02-2003

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



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 4

FIXED ASSETS

Rupees

Description	Gross Block				Depreciation				Net Block	
	01-04-2001	Additions	Deductions	31-03-2002	01-04-2001	For the year	Withdrawn	31-03-2002	31-03-2002	31-03-2001
Buildings	1,807,472	—	—	1,807,472	127,557	36,407	—	163,964	1,643,508	1,679,915
Office Equipments	35,578,895	5,204,406	2,097,264	38,686,037	22,185,904	5,494,760	1,530,480	26,150,184	12,535,853	13,392,991
Furniture & Fixtures	4,171,391	91,160	147,000	4,115,551	1,771,700	725,390	139,128	2,357,962	1,757,589	2,399,691
Vehicles	8,562,463	1,994,803	864,923	9,692,343	4,216,248	2,590,201	732,716	6,073,733	3,618,610	4,346,215
Total	50,120,221	7,290,369	3,109,187	54,301,403	28,301,409	8,846,758	2,402,324	34,745,843	19,555,560	21,818,812
Previous year	46,539,037	11,807,986	8,226,802	50,120,221	23,357,455	9,528,538	4,584,584	28,301,409	21,818,812	—

(Refer Note No.II (I) in Schedule 17)

SCHEDULE 5

RECEIVABLES UNDER AUTO FINANCE

(Secured by vehicles under Hire Purchase / Loan / Lease agreements)

	Rupees	31st March,2002 Rupees	31st March,2001 Rupees
Hire Purchase	3,829,022,833		7,442,141,346
Loans	8,035,140,131		1,983,945,724
Lease	508,940,708		423,175,439
		12,373,103,672	9,849,262,509
Less : Provision for doubtful receivables		18,555,065	10,236,811
Total		12,354,548,607	9,839,025,698

Notes :

- The above includes Rs. 10,363,841/- (Previous year Rs.5,745,277/-) being receivables on vehicles repossessed, necessary provision for which is made.
- Details of Gross Investment, unearned finance income and present value of rentals under Hire Purchase and Lease

Gross Investment

- not later than 1 year
- between 1 and 5 years
- later than 5 years

Unearned Finance Income

- not later than 1 year
- between 1 and 5 years
- later than 5 years

Present value of rentals

- not later than 1 year
- between 1 and 5 years
- later than 5 years

31st March,2002
2,845,880,248
2,140,951,535
—
4,986,831,783
442,882,107
205,986,135
—
648,868,242
2,402,998,141
1,934,965,400
—
4,337,963,541


SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees	31st March,2002 Rupees	31st March,2001 Rupees
SCHEDULE 6			
CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors (secured)			
Debits outstanding for the period exceeding six months -			
- Considered Good	2,737,694		15,895,575
- Considered Doubtful	24,001,641		29,542,362
	<u>26,739,335</u>		<u>45,437,937</u>
Less : Provision for doubtful debts	24,001,641		29,542,362
	<u>2,737,694</u>		<u>15,895,575</u>
Other Debts			
- Considered Good	40,899,767		33,897,883
- Considered Doubtful	1,222,201		180,997
	<u>42,121,968</u>		<u>34,078,880</u>
Less : Provision for doubtful debts	1,222,201		180,997
	<u>40,899,767</u>		<u>33,897,883</u>
		43,637,461	49,793,458
b) Cash and Bank Balances			
Cash on hand	165,463		5,987
Bank balances (with scheduled banks)			
i) Current accounts	134,240,082		78,654,764
ii) Fixed deposit (lodged with government department)	573,338		358,000
		134,978,883	79,018,751
c) Loans and Advances			
(Unsecured , considered good unless otherwise specified)			
Advances recoverable in cash or in kind or for value to be received			
Secured - Considered Good	1,159,296,339		984,359,128
Unsecured - Considered Good	124,551,921		265,697,685
Unsecured - Considered Doubtful	23,855,651		2,602,294
	<u>1,307,703,911</u>		<u>1,252,659,107</u>
Less : Provision for doubtful advances	23,855,651		2,602,294
	<u>1,283,848,260</u>		<u>1,250,056,813</u>
Advance payment of taxes and tax deducted at source (net of tax provision)	42,198,624		37,154,408
Inter Corporate Deposits (ICD)	300,000,000		—
Security deposit for premises	461,884,931		463,903,414
		2,087,931,815	1,751,114,635
Total		2,266,548,159	1,879,926,844

Note :

Unsecured - Considered Good Loans and advances include

	31-03-2002 Rupees Maximum Outstanding	31-03-2002 Rupees Outstanding	31-03-2001 Rupees Maximum Outstanding	31-03-2001 Rupees Outstanding
Due from officer of the Company	1,899	—	1,321,800	1,899
Due from companies under same management				
Ford Credit Kotak Mahindra Limited				
-on current account	3,923,918	1,673,066	7,839,919	3,923,918
- on ICD	200,000,000	200,000,000	60,000,000	—
Kotak Securities Limited-on current account	30,907	9,048	24,106	24,106
- on ICD	100,000,000	100,000,000	50,000,000	—
Kotak Mahindra Capital Company Limited-ICD	69,000,000	—	354,700,000	—
Kotak Mahindra Asset Management Company Limited	133,906	13,564	78,135	19,825
OM Kotak Mahindra Life Insurance Company Limited	31,640	505	—	—

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	31st March,2002	31st March,2001
	Rupees	Rupees
SCHEDULE 7		
CURRENT LIABILITIES		
Sundry creditors :		
Other than small scale industrial undertakings	582,453,014	630,506,316
Interest accrued but not due on loans	464,320,640	316,962,567
Advances received against hire purchase / loan / lease agreements	33,581,548	12,222,658
Book overdraft with banks	127,174,166	177,333,072
Other liabilities	8,816,982	5,241,316
Total	1,216,346,350	1,142,265,929
SCHEDULE 8		
PROVISIONS		
Provision for gratuity and leave encashment	6,428,000	4,040,000
Provision for taxation (net of advance tax and tax deducted at source)	4,919,911	8,506,689
Total	11,347,911	12,546,689
SCHEDULE 9		
DEFERRED TAX LIABILITY		
Deferred tax liability		
At April 1,2001	(5,348,936)	—
For the year	(16,031,695)	—
Total	(21,380,631)	—
(Refer Note No.II (G) in Schedule 17)		
SCHEDULE 10		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Advertisement Expenses	3,333,334	6,666,667
Total	3,333,334	6,666,667



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

SCHEDULE 11

	Rupees	Year ended 31st March, 2002 Rupees	Year ended 31st March, 2001 Rupees
INCOME FROM OPERATIONS			
Lease rentals	197,538,528		155,966,946
Less : Capital Recovery	133,691,390		102,505,858
		63,847,138	53,461,088
Income from Hire Purchase / Loans etc. (Tax deducted at source Rs.784,676 Previous year Rs.846,275)		1,650,857,311	1,422,459,470
Interest from Wholesale Trade Advances (Tax deducted at source Rs.11,973,505 Previous year Rs.20,362,165)		157,869,607	92,893,611
Option fees on bookings		—	244,570
Total		1,872,574,056	1,569,058,739

SCHEDULE 12

OTHER INCOME

Shared Services Income (Gross) : (Tax deducted at source Rs.892,935 Previous year Rs.890,770)		17,602,264	16,376,453
Income from long term investments (Gross) :			
Interest on Government securities		—	1,219,891
Profit on sale of long term investments (Net)		—	116,130
Profit on sale of current investments		1,812,843	—
Interest (Gross) :			
On deposits/advances etc. (Tax deducted at source Rs.78,706 Previous year Rs.306,433)		2,657,383	1,913,282
Profit on sale of assets (Net)		806,436	1,670,755
Other Miscellaneous Income (Tax deducted at source Rs.1,145,110 Previous year Rs.962,060)		15,821,869	9,831,010
Total		38,700,795	31,127,521

SCHEDULE 13

PAYMENTS TO EMPLOYEES

Salaries, Allowances and Bonus		87,965,549	77,370,686
Contribution to Employees' Provident Fund and Provision for gratuity to staff		5,648,684	5,941,016
Staff Welfare expenses		4,104,329	5,309,787
Total		97,718,562	88,621,489

SCHEDULE 14

INTEREST AND FINANCE CHARGES

a) Interest On			
Debentures		630,518,523	487,689,499
Term borrowings		214,466,013	182,997,046
Others		55,678,253	40,185,397
b) Bank and other finance charges		23,985,726	12,235,043
c) Premium on Forward Exchange Contract		49,538,918	38,765,358
Total		974,187,433	761,872,343



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

SCHEDULE 15

	Rupees	Year ended 31st March, 2002 Rupees	Year ended 31st March, 2001 Rupees
ADMINISTRATIVE AND OTHER EXPENSES			
Travelling and Conveyance		12,275,580	15,521,553
Professional fees		28,075,601	21,086,971
Auditors' Remuneration			
Audit Fees	1,200,000		1,200,000
Others :			
Certification Work	198,000		148,000
Tax audit fees	100,000		100,000
Out of pocket expenses	20,942		12,704
Service tax on above services	74,900		72,400
		1,593,842	1,533,104
Brokerage and Commission		120,209,523	106,016,799
Premium paid on vehicles		482,751	1,174,650
Office Expenses		14,039,578	14,519,069
Shared Service Expenses		4,115,009	8,984,599
Telephone, Telex and Postage		15,125,427	15,277,570
Data Processing & Communication Expenses		24,170,351	23,039,605
Loss on Foreign Exchange Transactions		35,053	—
Rent and licence fees for premises		17,844,737	25,996,079
Royalty		398,750,000	389,722,499
Advertising		22,401,465	15,916,386
Miscellaneous Expenses		18,091,859	18,188,501
Maintenance Expenses		5,900,708	14,411,226
Insurance Expenses		186,137	133,651
Printing and Stationery		7,094,014	8,000,664
Rates and Taxes		2,813,491	3,216,183
Loss on sale of repossessed vehicles/termination		35,766,268	13,381,386
Bad Debts written off		—	4,286,246
Provision for doubtful debts, advances and receivables under auto finance (Including provision on Non Performing Assets)		25,072,094	7,071,630
Business Promotion expenses		4,997,240	4,216,868
Wealth Tax		39,261	88,700
Total		759,079,989	711,783,939
SCHEDULE 16			
PROVISION FOR TAXATION			
Current Year tax charge		10,500,000	5,000,000
Deferred Tax		16,031,695	—
Taxation adjustment of previous years		365,715	14,875,964
Total		26,897,410	19,875,964



SCHEDULES FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

SCHEDULE 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF ACCOUNTING

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

B. REVENUE RECOGNITION

- i. Auto Finance Income (including service charges, incentives) is accounted for by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. In the case of volume based incentives and brokerage, income is accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.
- ii. The Company complies with prudential norms for income recognition and provisioning for non performing assets as prescribed by the Reserve Bank of India for Non Banking Financial Companies. In addition, the Company adopts an approach to provisioning that is based on the past experience, realisation of security, erosion over time in value of security and other related factors.

C. FIXED ASSETS

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

Computers	3 years
Office Equipment	5 years
Furniture & Fixtures	6 years
Vehicles	3 years
Buildings	30 years

D. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year, are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary is provided for. Current investments are valued at cost or market / fair value whichever is lower.

E. RETIREMENT BENEFITS

Provision for Gratuity and Leave encashment liability to employees is made on the basis of actuarial valuations.

F. FOREIGN CURRENCY TRANSACTIONS

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

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

G. DEFERRED REVENUE EXPENSES

Advertisement expenses for creating corporate image are amortised in equal instalments over a period of 36 months, based on the period of expected benefit.

H. ZERO COUPON INSTRUMENTS

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

I. 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.

J. 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.



II. NOTES TO THE ACCOUNTS

A. CONTINGENT LIABILITIES

- Claims against the Company not acknowledged as debts against which a bank guarantee of like amount has been furnished – Rs.215,338/- (Previous year Rs. 215,338/-).
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.420,955/- (Previous year Rs.NIL)
- In terms of the agreement with Ford Credit International Inc. U.S.A., the Company has agreed to issue and allot after 31st December 2001 to Ford Credit International Inc. 197,100 (Previous year 295,650) fully convertible debentures on such terms and conditions and at such price, as mentioned in the said agreement.
- Managerial remuneration under Section 198 of the Companies Act, 1956 to an Executive Director for the year and Director – Finance for the period 1st June 2001 to 31st March 2002 (Previous year to an Executive Director).

	31-03-2002	<u>31-03-2001</u>
	Rupees	Rupees
Salary	3,074,923	3,001,526
Contribution to Provident Fund	144,000	132,000
Perquisites in cash or in kind	7,700,696	130,826
Total	10,919,619	<u>3,264,352</u>

Note

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

- E. Expenditure in foreign currency on traveling and communication Rs.19,489,069/- (Previous year Rs.17,983,740/-).
- F. The amount of premium on forward exchange contract to be recognised in the profit and loss account in the next financial year is Rs.17,462,293/- (Previous year Rs.35,759,835/-)
- G. 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. 5,348,936/- against the General Reserve, in respect of timing differences, as at 1st April, 2001. The deferred tax charge of Rs. 16,031,695/- 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 :

	Amount (Rs.)
Deferred tax assets	
Provision for Doubtful Debts	24,855,700
Provision for gratuity	1,181,145
Others	1,034,325
Total	<u>27,071,170</u>
Deferred tax liabilities	
Deferred expenses	(33,583,675)
Depreciation on fixed assets	(14,868,126)
Total	<u>(48,451,801)</u>
Net deferred tax liabilities	<u>(21,380,631)</u>

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

	31-03-2002	<u>31-03-2001</u>
Profit attributable to the Equity Shareholders (Rs).-(A)	44,544,699	8,503,987
Add: Interest net of tax on fully convertible debentures	313,670	470,505
Diluted profit attributable to the Equity Shareholders (Rs.) – (B)	44,858,369	8,974,492
Basic / Weighted average number of Equity Shares outstanding during the year – (C)	2,300,725	2,048,950
Add: Conversion of fully convertible debentures into shares	295,650	443,475
Diluted number of Equity Shares outstanding during the year – (D)	2,596,375	2,492,425
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per share (Rs.) – (A) / (C)	19.36	4.15
Diluted Earnings per share (Rs.) – (B) / (D)	17.28	3.60

- I. Consequent to the Accounting Standard 19 on Leases becoming mandatory, lease receivables classified as Leased Assets in the previous year have been classified under the head Receivables under Auto Finance.
- J. Investments:
The Company had purchased and sold during the year 170,651,147 units of Rs.10/ each of K Liquid – Growth Scheme of Kotak Mahindra Mutual Fund.
- K. The Company is in the business of vehicle financing. The estimated fair value of the assets given on lease finance at the end of lease term is Rs.96,163,647/-
- L. The Company has taken various office premises under operating lease. The lease payments recognised in the profit and loss account is Rs.17,616,306/-. The sub-lease income recognised in the profit and loss account is Rs.5,009,602/-



M. Segmental Reporting :
In accordance with Accounting Standard 17 on Segment Reporting issued by The Institute of Chartered Accountants of India, the Company has determined one business segment, i.e. vehicle financing, and one geographical segment, i.e. India.

N. Related Party Disclosures :

Parties where control exists:

Holding Company

Kotak Mahindra Finance Limited
(holds 60 % of the share capital)

Mr. Uday Kotak along with relatives and companies controlled by him holds 56.62% of the equity share capital of Kotak Mahindra Finance Limited

Other related parties:

Fellow Subsidiaries

Kotak Mahindra Capital Company Limited
Kotak Securities Limited
Kotak Mahindra Asset Management Company Limited
Business Standard Limited
OM Kotak Mahindra Life Insurance Company Limited

Others:

Enterprises in which a Director has significant influence

Aero Agencies Private Limited – Mr. Uday Kotak
Ford Credit Kotak Mahindra Limited – Mr. Raghunath Nadathur

Key Management Personnel

Mr. Gaurang Shah, Executive Director and Chief Executive Officer
Mr. Raghunath Nadathur, Director – Finance
Mr. Pankaj Desai, Chief Operating Officer

Mutual Fund managed by fellow subsidiary

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

Nature of transaction	Holding Company	Fellow Subsidiaries	Others
Inter Corporate Deposits taken	466,300,000	1,947,500,000	1,079,000,000
Inter Corporate Deposits given	430,000,000	1,141,000,000	377,500,000
Interest paid	7,649,211	2,736,154	5,298,457
Interest received	237,702	1,510,605	502,255
Debentures issued	90,000,000		
Debenture interest paid	6,083,957		
Shares issued	1,478,250		
Outstandings			
Inter Corporate Deposits taken	50,000,000		
Inter Corporate Deposits given		100,000,000	200,000,000
Debentures	92,956,500		
Security Deposit for premises	450,000,000		
Investments			
Purchases			1,914,780,000
Sales			1,916,592,843
Income from vehicle financing		3,182,973	
Receivables under Auto Finance		15,151,982	
Other Receipts and Payments			
Shared Service income	260,802		17,198,696
Shared Service expenses	4,115,009		
Royalty paid	398,750,000		
Service Charges received	244,659		338,378
License fees received	585,013	268,309	3,304,738
License fees paid	3,249,485		
Travel expenses paid			1,207,933
Expense reimbursement by other company	547,804	122,003	1,123,056
Expense reimbursement to other company	6,557,005		4,757,306
Outstandings – Receivables		23,117	1,490,326
Outstandings – Payables	1,605,257		
Remuneration-Key Management Personnel			13,548,975

O. The Board of Directors of the Company had approved the financial statements for the year ended 31st March, 2002 on 17th May 2002, which was reported upon by the auditors. Subsequently, at its meeting on 4th July, 2002, the Board of Directors revoked the proposed dividend of Rs. 30,978,125/-. Accordingly, the financial statements are now revised and are being reported upon by the auditors in the attached report.

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



- Q. The Profit & Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- R. Balance Sheet Abstract and Company's General Business Profile as per Part IV, Schedule VI of the Companies Act, 1956.

I Registration details
 Registration Number

1	1	-	9	7	7	3	0
---	---	---	---	---	---	---	---

 State code

1	1
---	---

 Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	2
---	---	---	---

 Date Month Year

II Capital raised during the year (Amount in Rs. Thousands)

Public Issue

	N	I	L
--	---	---	---

 Rights Issue

	N	I	L
--	---	---	---

 Bonus Issue

	N	I	L
--	---	---	---

 Private placement

		2	4	6	4
--	--	---	---	---	---

III Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities

1	4	6	4	3	9	8	6
---	---	---	---	---	---	---	---

 Total Assets

1	4	6	4	3	9	8	6
---	---	---	---	---	---	---	---

Sources of Funds

Paid up Capital

		2	4	7	8	3
--	--	---	---	---	---	---

 Reserves and Surplus

	3	6	6	9	0	9	9
--	---	---	---	---	---	---	---

 Secured Loans

					N	I	L
--	--	--	--	--	---	---	---

 Unsecured Loans

	9	7	0	1	0	2	9
--	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

			1	9	5	5	6
--	--	--	---	---	---	---	---

 Investments

						N	I	L
--	--	--	--	--	--	---	---	---

 Net Current Assets

1	3	3	7	2	0	2	2
---	---	---	---	---	---	---	---

 Misc Expenditure

				3	3	3	3
--	--	--	--	---	---	---	---

 Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

IV Performance of Company(Amount in Rs. Thousands)

Turnover

	1	9	1	1	2	7	5
--	---	---	---	---	---	---	---

 Total Expenditure

	1	8	3	9	8	3	3
--	---	---	---	---	---	---	---

 Profit before tax

7	1	4	4	2
---	---	---	---	---

 Profit after Tax

4	4	5	4	5
---	---	---	---	---

 Earnings per share in Rs. (pro-rata)

1	9	.	3	6
---	---	---	---	---

 Dividend Rate(%)

	N	I	L
--	---	---	---

V Generic Names of three Principal Products/Services of the Company (as per monetary terms)

Item Code No (ITC Code)

N	A
---	---

 Product Description

V	E	H	I	C	L	E	F	I	N	A	N	C	E
---	---	---	---	---	---	---	---	---	---	---	---	---	---

For and on behalf of the Board of Directors
 UDAY KOTAK Chairman
 NARPAL AHLUWALIA Director - Finance

HARISH SHAH
 Company Secretary

GAURANG SHAH
 Executive Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002

	<u>2001-02</u> Rupees	<u>2000-01</u> Rupees
Cash flows from operating activities		
Net profit before taxation and extraordinary items	71,442,109	28,379,951
Add/(Less) : Adjustment for		
Depreciation	8,846,758	9,528,538
Profit on sale of Investments	(1,812,843)	(116,130)
Interest on Government securities	—	(1,219,891)
Profit on sale of assets	(806,436)	(1,670,755)
Provision for Gratuity and Leave Encashment	2,388,000	1,996,045
Misc Expenses to the extent not written off	3,333,333	(6,666,667)
Provision for doubtful debts, receivables and advances	25,072,094	7,071,630
Operating profits before working capital changes	108,463,015	37,302,721
Increase in net Receivable under Auto Finance	(2,523,841,163)	(2,611,427,887)
Increase in Loans and advances	(53,026,321)	(622,257,939)
Decrease in Sundry Debtors	10,655,514	27,092,482
Increase in Current Liabilities	74,080,421	521,550,896
Cash used in operations	(2,383,668,534)	(2,647,739,727)
Income Tax Paid	(19,496,709)	(17,641,382)
Net cash used in operating activities	A (2,403,165,243)	(2,665,381,109)
Cash flows from investing activities		
Increase in Fixed deposits with government departments	(215,338)	(23,000)
Increase in ICD	(300,000,000)	—
Purchase of Fixed assets	(7,290,369)	(11,807,986)
Sale of Fixed assets	1,513,299	5,312,973
Purchase of Investments	(1,914,780,000)	—
Sale of Investments	1,916,592,843	62,161,990
Interest received	—	4,440,229
Net cash from investing activities	B (304,179,565)	60,084,206
Cash flows from financing activities		
Increase / (Decrease) in deep discount debentures	82,633,836	(13,292,025)
Increase in Unsecured NCD	2,180,000,000	1,187,134,960
(Decrease) / Increase in Short Term Borrowings	(326,028,997)	1,235,176,710
Increase / (Decrease) in other loans and Advances	471,704,763	(5,682,681)
Issue of Shares	354,780,000	354,780,000
Dividends paid	—	(78,739,310)
Net cash from financing activities	C 2,763,089,602	2,679,377,654
Net increase in cash and cash equivalents	A + B + C 55,744,794	74,080,751
Cash and cash equivalents at the beginning of the year	78,660,751	4,580,000
Cash and cash equivalents at the end of the year	134,405,545	78,660,751
Notes to the Cash Flow statement		
Cash & Cash Equivalents		
Cash on Hand	165,463	5,987
Bank balances	134,240,082	78,654,764
	134,405,545	78,660,751

For and on behalf of the Board of Directors

UDAY KOTAK
ChairmanNARPAL AHLUWALIA
Director - FinanceHARISH SHAH
Company SecretaryGAURANG SHAH
Executive Director

Mumbai, July 15, 2002

AUDITORS' REPORT

We have examined the above revised Cash Flow Statement of Kotak Mahindra Primus Limited for the year ended 31st March, 2002. The statement has been prepared by the Company in accordance with the requirements of Accounting Standard (AS 3) Revised 'Cash Flow Statements' issued by The Institute of Chartered Accountants of India and is based on and in agreement with the corresponding Profit and Loss Account and revised Balance Sheet of the Company covered by our report to the members of the Company.

For LOVELOCK & LEWES
Chartered Accountants
THOMAS MATHEW
Partner

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

Mumbai, July 15, 2002