



**BOARD OF DIRECTORS** : Uday Kotak (C), C. Jayaram, Narayan S.A. (ED), Ajay Sondhi, Falguni Nayar (ED), I. Mukherjee, Thomas Morrow (Alt. Allan Finnerty)

**DIRECTORS' REPORT**

To the Members of

**KOTAK SECURITIES LIMITED**

Your Directors are pleased to present the 8<sup>th</sup> Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March 2002.

**I. FINANCIAL RESULTS**

(Rs. in lakhs except per share data)

	For the year ended 31 <sup>st</sup> March 2002	For the year ended 31 <sup>st</sup> March 2001
Gross Income	7609.97	9920.95 *
Profit / ( Loss ) before Depreciation and Tax	2817.95	4428.05
Depreciation	318.62	217.90
Profit / ( Loss ) before Tax	2499.33	4210.15
Provision for Tax	916.47	1625.00
Profit / ( Loss ) After Tax	1582.86	2585.15
Balance brought forward from previous year	3943.97	2105.34
Amount available for appropriation	5526.83	4690.49
1 <sup>st</sup> Interim Dividend @ Rs. 25 per share – declared on 21 <sup>st</sup> November 2000	—	400.00
Tax on distributed Profits	—	88.00
Transfer to General Reserve	—	258.52
Transfer to Debenture Redemption Reserve	827.51	
Profit / ( Loss ) carried forward to the Balance Sheet	4699.32	3943.97
Earnings per share on equity shares of Rs. 10 each		
Basic and Diluted	98.93	161.57

\* Gross Income figures have been regrouped ( Actual figure as appeared last year was 9882.21)

**II. DIVIDEND**

No dividend has been recommended for the year under review.

**III. OPERATIONS AND FUTURE OUTLOOK**

It has been one of the most challenging years for the stock broking industry. The markets remained in a narrow range throughout the year under review. Despite the subdued trend in the secondary markets, the company was able to post satisfactory results as its persistent efforts to increase its market presence in the retail and the Institutional segments yielded the desired results.

The Company achieved a more than modest penetration in the retail markets through the establishment of several new offices across 23 cities in the country. Additional locations are planned to be opened in the current year to further expand the Company's retail reach.

Several key customers of the Company are actively trading in the derivative products introduced by the exchanges, contributing to a good build up of volumes in derivatives trading.

The online trading division, www.kotakstreet.com too significantly added to its customer base in the current year. New features and functionalities were introduced in the online trading module to enhance user friendliness and customer satisfaction.

With increasing number of clients registering with the Company for availing the depository participant services, the total assets under custody has crossed Rs 1960 crores.

The Company strives to provide cutting edge research support to its institutional clients and has made satisfactory progress in adding to its customer base in the Institutional segment of the broking business.

The Portfolio management business of the Company was the focussed area for the management during the year. This division has been fully geared up to manage the higher volumes of clients and portfolios with key focus being on high networth individuals in India and abroad.

During the year SEBI has granted approval to the Company for acting as an Approved Intermediary under the Securities Lending Scheme 1997. By actively facilitating lending and borrowing needs of clients the Company is able to offer them higher flexibility in their secondary market operations.

The Company registered a gross income of Rs. 7609.97 lakhs (Previous year Rs. 9,920.95 lakhs) and a pretax profit of Rs. 2,499.33 lakhs (previous year Rs. 4,210.15 lakhs)

The Company shall continue to grow its client base in all the segments and is sparing no efforts to ensure that its growth is amply supported by enhanced processes, systems, facilities and skill sets to enable it to deliver the highest standards of services to its customers.



#### IV. DIRECTORS

Mr. James Birch, upon withdrawal of his nomination, ceased to be a Director of the Company and Mr. Thomas Morrow was appointed in the resultant casual vacancy with effect from 28<sup>th</sup> June 2001. Upon withdrawal of the nomination of Mr. James Birch, Mr. Ravi Krishnan also ceased to be an Alternate Director for Mr. James Birch. However, he was appointed as an Alternate Director to Mr. Thomas Morrow on the same date. The Board places on record its sincere appreciation of the services rendered by Mr. James Birch, during the tenure of his appointment.

The term of appointment of Mr. Narayan S.A. expired on 31<sup>st</sup> March 2002. Considering his dedication and contribution to the growth of the Company, the Board of Directors at their meeting held on 22<sup>nd</sup> March 2002, have proposed to re-appoint Mr. Narayan S.A. Executive Director of the Company for a fresh term of 2 years, subject to the approval of members at the ensuing Annual General Meeting.

During the year, Mr. Ashwini Agarwal resigned as Executive Director and your Directors inducted Ms. Falguni Nayar as an Additional Director in his place. Further, Ms. Falguni Nayar was also appointed as Executive Director in charge of Institutional Equities subject to the approval of the members at the ensuing Annual General Meeting.

Mr. S.A.A. Pinto resigned as a Director of the Company with effect from 6<sup>th</sup> July 2002. The Board while accepting the resignation placed on record their deep appreciation of the valuable contribution to the Company made by Mr. S.A.A. Pinto during his tenure as Director.

Mr. Ajay Sondhi was appointed as an Additional Director of the Company at the Board Meeting of the Company held on 8<sup>th</sup> July 2002.

As per the provisions of the Companies Act, 1956, Mr. Uday Kotak will retire by rotation at the ensuing Annual General Meeting and being, eligible, offers himself for re-appointment.

#### V. CHANGE IN STATUS OF THE COMPANY.

During the year the Registrar of Companies, Maharashtra, had approved the change in the status of the Company to a company with limited liability and has consequently issued a certificate under No. U 67120 MH 2001 PLC 134051, dated 27<sup>th</sup> November 2001, pursuant to the provisions of Section 32 of the Companies Act, 1956. Accordingly, with effect from 27<sup>th</sup> November 2001, the Company has become a limited liability company and the word "Limited" has been added to the name of the Company, which is known as KOTAK SECURITIES LIMITED.

#### VI. REGISTRATION WITH SECURITIES AND EXCHANGE BOARD OF INDIA

During the year your Company has obtained registration as a Depository Participant of Central Depository Services (India) Limited (CDSL) with effect from 11<sup>th</sup> July 2001 for a period of five years.

Further, the Securities and Exchange Board of India has granted approval to your Company for acting as an Approved Intermediary under Securities Lending Scheme 1997 with effect from 29<sup>th</sup> August 2001.

The Securities and Exchange Board of India renewed the registrations of your Company as a Depository Participant of National Securities Depository Limited (NSDL) for a period of five years with effect from 17<sup>th</sup> March 2002 and as a Portfolio Manager for a period of three years with effect from April 01, 2002.

#### VII. SUBSIDIARIES

During the year, the Company sold 8,00,199 equity shares of Komaf Securities (A Company with Unlimited Liability) to Hamko Financial Services Limited and accordingly Komaf Securities with effect from 22<sup>nd</sup> March 2002 has ceased to be the subsidiary of the Company.

#### VIII. AUDITORS

Due to restructuring, your Company's Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, Mumbai, have indicated their unwillingness to act as auditors of the Company. It is therefore now proposed to appoint Messrs. Price Waterhouse, Chartered Accountants, Mumbai as the auditors of the Company. Messrs. Price Waterhouse are eligible to be appointed as auditors and their name is accordingly proposed for approval at the Annual General Meeting.

#### IX. FIXED DEPOSITS

During the year under review, the Company did not accept any deposits from the public.

#### X. STATUTORY INFORMATION

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is given in the Annexure appended hereto and forms part of this Report.

The requirement of disclosure, in terms of Section 217 (1) (e) of the Companies Act, 1956, as regards the steps taken for conservation of energy and technology absorption is not applicable to the Company as the Company does not own any manufacturing facility. Foreign exchange earnings and foreign exchange outgo during the year under review were Rs. Nil (previous year Rs. 1,129,589/-) and Rs. 1,44,64,932/- (previous year Rs. 4,504,219.42/-) respectively.



#### 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 31<sup>st</sup> 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 31<sup>st</sup> March 2002 and of the profit of the Company for the financial year ended 31<sup>st</sup> 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.

#### XII. ACKNOWLEDGEMENTS

The Directors wish to thank the Stock Exchanges, Securities and Exchange Board of India and the Company's Bankers for their support. The Directors commend the Executives and the Staff of the Company for their dedicated efforts that made these results achievable.

On behalf of the Board of Directors

UDAY KOTAK  
 CHAIRMAN

Mumbai, 8th July 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 March 31, 2002

Name, Designation, Gross Remuneration (Rs), Qualification, Exp (Yrs), Age, Date of Commencement, Last Employment

#### EMPLOYED THROUGHOUT THE YEAR

S.A.Narayan, Executive Director, 7,117,889, B.Com'81, CA'83, 19, 42, 01.09.1991, Kotak Mahindra Finance Limited. Vishwas Joshi, Senior Vice President, 2,521,860, B.Com'85, CA'86, CPA, LLB'88, CS'90, 13, 37, 29.11.1999, BCL Financial Services Ltd. D. Kannan, Senior Vice President, 2,942,796, B.Com' 82, CA'86, ICWA'85, 16, 41, 01.04.2000, FCKM. Nilesh Shah, Vice President & Head- portfolio Management, 2,679,924, B.Com'89, MBA'92, 11, 32, 01.06.2000, Kotak Mahindra Finance Limited. Jaideep Hansraj, Senior Vice President, Head-Private Client Group, 3,244,196, B.Com' 87, 13, 37, 15.07.1993, Kotak Mahindra Finance Limited. Alroy Lobo, Head of Research, 6,156,204, B.E' 85, MMS'88, CFA'95, DMS'90, 15, 37, 27.09.1993, Kotak Mahindra Finance Limited. Sanjeev Prasad, Analyst, 5,264,520, B.Tech'92, PGDM'94, 8, 33, 14.10.1996, CEAT Finance Ltd. Ashwini Agarwal, Executive Director, 6,910,379, B.Com'90, PGDM'92, 10, 34, 17.08.1998, Morgan Stanley Asset Management. Tabassum Inamdar, Senior Analyst, 3,764,520, B.Com'87, CA'88, 13, 36, 21.08.2000, Jardine Fleming India Broking Ltd. Rajat Sabharwal, Analyst, 2,812,241, B.com'89, PGDM'92, 8, 34, 01.03.1997, Apple Asset Management Ltd. C. Visalakshi, Analyst, 3,375,724, B.Sc'89, MFM'97, B.Sc (Tech)'92, 10, 34, 04.11.1999, Prime Broking Co-India Ltd. Jitania Kandhari, Associate Vice President, 3,381,268, B.Com'91, MMS'98, 3, 29, 10.02.2000, First Global Stockholding Pvt. Ltd.

#### EMPLOYED FOR PART OF THE YEAR

Ketan Jhaveri, Vice President, 1,340,039, B.E'84, CA'89, 16, 41, 01.06.1988. Uday S Kotak, RAVI IYER, Vice President, 1,425,239, B.Com'83, LLB'89, CWA'87, 15, 38, 03.01.1994, Kotak Mahindra Finance Limited. P. Gopinath, Vice President, 1,648,877, B.Sc (Physics), 11, 34, 01.09.2001, Dresdner Klienwort Wasserstein Securities. Falguni Nayar, Co-Head Institutional Equities, 2,402,658, B.Com'83, PGDM'85, 17, 39, 01.09.2001, Kotak Mahindra Inc.

#### Notes:

- 1) Gross remuneration includes Salary, House Rent Allowance, 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) None of the employees is related to any Director or Manager of the Company nor holds any share in the Company.
- 3) Nature of employment in all cases is non contractual and as per the rules of the Company.

On behalf of the Board of Directors

UDAY KOTAK  
 CHAIRMAN

Mumbai, 8th July 2002



## AUDITORS' REPORT

To

**The Members of Kotak Securities Limited.**  
**{Formerly Kotak Securities (A Company with Unlimited Liability)}**

1. We have audited the attached Balance Sheet of Kotak Securities Limited as at 31<sup>st</sup> March, 2002 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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', of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 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 have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act;
  - e) On the basis of the written representations received from the directors, as on 31st March, 2002 and taken on record by the Board of Directors of the company, 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 Act;
  - f) *We refer to note 3 on schedule 20 regarding Directors' remuneration. Remuneration paid to directors for the year ended 31st March, 1997 and 31st March, 1998 are in excess of the approval received from the Central Government by Rs. 661,927 and Rs. 631,997 respectively. Application under Section 309(5B) of the Act has been made to Central Government for waiver of excess remuneration paid to the directors.*
  - g) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon give in the prescribed manner the information required by the Act and subject to our remarks in paragraph (f) regarding directors' remuneration requiring Central Government's approval, also 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 31<sup>st</sup> March 2002; and
    - ii. in case of the Profit and Loss Account, of the profit for the year ended on that date.

**THOMAS MATHEW**  
**(Partner)**

**For and on behalf of**  
**LOVELOCK & LEWES**  
**Chartered Accountants**

Mumbai, 8th July 2002



**ANNEXURE TO THE AUDITORS' REPORT [referred to in paragraph (3) thereof]**

- (i) The company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
- (ii) The fixed assets of the company have not been revalued during the year.
- (iii) The stocks of shares, debentures and other securities of the company in the custody of the company have been physically verified by the management at reasonable intervals. Securities held as stock-in-trade in depository account have been confirmed by the depository as at 31st March 2002.
- (iv) In our opinion, the procedures of physical verification of stocks of shares, debentures and other securities followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (v) The discrepancies between physical stocks of shares, debentures and other securities as compared to book records, which have been properly dealt with in the books of account were not material.
- (vi) On the basis of our examination of stock records, in our opinion, the valuation of stocks of shares, debentures and other securities has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the preceding year.
- (vii) In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, taken by the company during the year, from companies, firms and other parties listed in the Register maintained under section 301 of the Act are prima facie not prejudicial to the interest of the company. In terms of subsection (6) of section 370 of the Act, provisions of the section are not applicable to a company on or after 31st October, 1998.
- (viii) In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, granted by the company to companies, firms or other parties listed in the Register maintained under section 301 of the Act are prima facie not prejudicial to the interest of the company. In terms of subsection (6) of section 370 of the Act, provisions of the section are not applicable to a company on or after 31st October, 1998.
- (ix) The parties including employees to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
- (x) In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for purchase of equipment and other assets and for purchase and sale of shares, debentures and other securities.
- (xi) In our opinion, purchase of shares, debentures and other securities and sale of shares, debentures, other securities and services, made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Act and aggregating during the year Rs 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such shares, debentures and other securities or services or the prices at which the transactions for similar shares, debentures and other securities and services have been made with other parties.
- (xii) The company has not accepted any deposits from the public.
- (xiii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (xiv) The company has generally been regular in depositing Provident Fund and Employees' State Insurance dues, during the year, with the appropriate authorities in India.
- (xv) At the last day of the financial year there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- (xvi) 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 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 practices.
- (xvii) The company is not a sick industrial company within the meaning of clause (o) of section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- (xviii) In relation to the service activities of the company there exists reasonable internal control system commensurate with the size of the company and the nature of its business.
- (xix) The company has maintained proper records of the transactions and contracts entered into for dealing or trading in shares, debentures and other securities and timely entries have been made therein. The shares, debentures and other securities are held by the company in its own name or held with valid transfer documents.
- (xx) Taking into consideration, the nature of business of the company, in our opinion, clauses (xii), (xiv) and (xvi) of paragraph 4(A), clauses (ii) and (iii) of paragraph 4(B), paragraph 4(C) and clause (ii) and (iii) of paragraph 4(D) are not applicable to the company for the current year.

**THOMAS MATHEW**  
(Partner)

For and on behalf of  
**LOVELOCK & LEWES**  
Chartered Accountants

Mumbai, 8th July 2002



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

	Schedule	As at 31st March 2002 Rs.	As at 31st March 2001 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Capital	1	16,000,000	16,000,000
Reserves and Surplus	2	818,428,654	654,619,429
<b>Loan Funds:</b>			
Secured Loans	3	118,099,969	176,563,357
Unsecured Loans	4	760,389,062	30,000,000
<b>TOTAL</b>		<b>1,712,917,685</b>	<b>877,182,786</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	5	167,124,464	139,751,308
Less : Depreciation		61,123,028	30,283,506
Net Block		106,001,436	109,467,802
<b>Investments</b>	6	<b>30,500,200</b>	<b>408,476,890</b>
<b>Current Assets, Loans and Advances:</b>			
Stock in trade	7	311,210	3,984,616
Sundry Debtors	8	1,444,712,835	1,647,889,870
Cash and Bank Balances	9	789,157,750	435,810,243
Other Current Assets	10	12,052,728	8,820,132
Loans and Advances	11	56,592,870	62,355,955
		<b>2,302,827,393</b>	<b>2,158,860,816</b>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	12	707,981,941	1,760,477,468
Provisions	13	15,121,888	39,364,693
		<b>723,103,829</b>	<b>1,799,842,161</b>
<b>Net Current Assets</b>		<b>1,579,723,564</b>	<b>359,018,655</b>
<b>Deferred Tax (Refer note 20 in Schedule 20)</b>			
Deferred Tax Asset		10,096,236	—
Deferred Tax Liability		13,568,334	—
		<b>(3,472,098)</b>	<b>—</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)			
Preliminary Expenses		164,583	219,439
<b>TOTAL</b>		<b>1,712,917,685</b>	<b>877,182,786</b>

Notes to the Accounts

20

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

In terms of our report of even date

For and on behalf of the Board of Directors

**THOMAS MATHEW**  
(Partner)

**RUPAL TALATI**  
Company Secretary

**UDAY KOTAK**  
Chairman

**NARAYAN S.A.**  
Director

For and on behalf of  
**LOVELOCK & LEWES**  
Chartered Accountants

Mumbai, 8th July 2002



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

	Schedule	For the year ended 31st March 2002 Rs.	For the year ended 31st March 2001 Rs.
<b>INCOME</b>			
Income from Services	14	520,429,305	776,641,196
Interest Income	15	143,164,851	124,297,294
Other Income	16	97,403,096	91,156,956
<b>TOTAL INCOME</b>		<b>760,997,252</b>	<b>992,095,446</b>
<b>EXPENDITURE</b>			
Personnel	17	169,761,602	193,600,091
Interest and Other Finance Charges	18	45,877,224	54,411,735
Other Expenses	19	263,563,266	301,278,881
<b>TOTAL EXPENDITURE</b>		<b>479,202,092</b>	<b>549,290,707</b>
Profit Before Depreciation and Taxation		281,795,160	442,804,739
Depreciation		31,862,489	21,789,525
Profit Before Taxation		249,932,671	421,015,214
Provision For Taxation			
Current Tax {Net of writeback of provision relating to earlier years Rs.4,348,652 (Previous Year Rs.Nil)}		82,651,348	162,500,000
Deferred Tax [Refer note 20 in Schedule 20]		8,995,243	—
<b>Profit After Taxation</b>		<b>158,286,080</b>	<b>258,515,214</b>
Balance Brought Forward		394,397,908	210,534,215
		<b>552,683,988</b>	<b>469,049,429</b>
<b>APPROPRIATIONS</b>			
General Reserve		—	25,851,521
Debenture Redemption Reserve		82,751,060	—
Interim Dividend		—	40,000,000
Tax on distributed profits		—	8,800,000
Balance carried forward		469,932,928	394,397,908
		<b>552,683,988</b>	<b>469,049,429</b>
Notes to the Accounts	20		
Earnings per share on equity shares of Rs. 10 each Basic and Diluted		98.93	161.57

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

In terms of our report of even date

For and on behalf of the Board of Directors

**THOMAS MATHEW**  
(Partner)

**RUPAL TALATI**  
Company Secretary

**UDAY KOTAK**  
Chairman

**NARAYAN S.A.**  
Director

For and on behalf of  
**LOVELOCK & LEWES**  
 Chartered Accountants

Mumbai, 8th July 2002



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March 2002	As at 31st March 2001
	Rs.	Rs.
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
400,000 Preference shares of Rs.100 each	40,000,000	40,000,000
6,000,000 Equity shares of Rs.10 each	60,000,000	60,000,000
TOTAL	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and Subscribed</b>		
1,600,000 Equity shares of Rs.10 each fully paid up {Of the above 1,199,990 shares are held by Kotak Mahindra Finance Ltd. (on amalgamation of Pannier Trading Company Pvt.Ltd. with Kotak Mahindra Finance Ltd.), the Holding Company and its nominees}	16,000,000	16,000,000
TOTAL	<u>16,000,000</u>	<u>16,000,000</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>Share Premium Account</b>		
Balance as per last Balance Sheet	188,500,000	188,500,000
<b>General Reserve</b>		
Balance as per last Balance Sheet	71,721,521	45,870,000
Addition on account of Deferred Tax asset as on 1.4.2001 (Refer note 20 in Schedule 20)	5,523,145	—
Transfer from Profit and Loss Account	—	25,851,521
	<u>77,244,666</u>	<u>71,721,521</u>
Debenture Redemption Reserve		
Transfer from Profit and Loss Account	82,751,060	—
Profit and Loss Account	469,932,928	394,397,908
TOTAL	<u>818,428,654</u>	<u>654,619,429</u>
<b>SCHEDULE 3 - SECURED LOANS</b>		
Loans from Banks (Secured against hypothecation of Stock in Trade and Book Debts)	86,668,230	130,184,353
Other Loans (Secured against hypothecation of Vehicles)	4,075,554	3,368,794
Term loans ( Secured against hypothecation of Office Equipments )	27,356,185	43,010,210
TOTAL	<u>118,099,969</u>	<u>176,563,357</u>



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March 2002	As at 31st March 2001
	Rs.	Rs.
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
(Repayable within one year)		
7, 8.25% Optionally Convertible Debentures of Rs.10,000,000 each (Convertible into 28,000, 10% Redeemable Non Convertible Preference shares of Rs.100 each at a premium of Rs. 2,400 per share. Date of redemption 3.4.2002)	<b>70,000,000</b>	—
40, 10.75% Optionally Convertible Debentures of Rs.10,000,000 each (Convertible into 160,000, 25% Redeemable Non Convertible Preference shares of Rs.100 each at a premium of Rs. 2,400 per share. Date of redemption 31.3.2003) (These debentures are secured, to the extent of Rs.400,000, by way of a pari passu charge in favour of the Debenture Trustee on the company's immovable property )	<b>400,000,000</b>	—
Inter Corporate Deposits	<b>191,075,000</b>	30,000,000
Interest accrued and due	<b>579,149</b>	—
	<b>191,654,149</b>	30,000,000
Commercial Paper	<b>100,000,000</b>	—
Less : Discount not written off	<b>1,353,412</b>	—
(Maximum Balance outstanding during the year Rs.100,000,000, Previous Year Rs.Nil)	<b>98,646,588</b>	—
Loans -		
from Banks	<b>14,156</b>	—
from Others	<b>74,169</b>	—
<b>TOTAL</b>	<b>760,389,062</b>	<b>30,000,000</b>

**SCHEDULE 5 - FIXED ASSETS**

(Amt. in Rs.)

Description	Gross Block			Depreciation				Net Block		
	As At 1st April 2001	Additions	Deductions	As At 31st March 2002	As At 1st April 2001	For the year	Withdrawn	As At 31st March 2002	As At 31st March 2002	As At 31st March 2001
STOCK EXCHANGE MEMBERSHIP / CARDS*	48,645,000	-	1,045,000 **	47,600,000	-	-	-	-	47,600,000	48,645,000
BUILDINGS***	-	400,000	-	400,000	-	146	-	146	399,854	-
FURNITURE & FIXTURES	1,923,122	591,026	30,270	2,483,878	1,026,516	615,872	12,330	1,630,058	853,820	896,606
COMPUTERS	63,753,877	14,874,476	248,750	78,379,603	21,923,470	23,685,289	85,111	45,523,648	32,855,955	41,830,407
OFFICE EQUIPMENTS #	19,495,764	10,785,093	73,260	30,207,597	5,020,226	5,591,741	15,121	10,596,846	19,610,751	14,475,538
MOTOR VEHICLES §	5,933,545	3,827,486	1,707,645	8,053,386	2,313,294	1,969,441	910,405	3,372,330	4,681,056	3,620,251
<b>TOTAL</b>	<b>139,751,308</b>	<b>30,478,081</b>	<b>3,104,925</b>	<b>167,124,464</b>	<b>30,283,506</b>	<b>31,862,489</b>	<b>1,022,967</b>	<b>61,123,028</b>	<b>106,001,436</b>	<b>109,467,802</b>
PREVIOUS YEAR	57,959,205	84,085,799	2,293,696	139,751,308	9,446,183	21,789,525	952,202	30,283,506	109,467,802	

\* Refer note 6 in Schedule 20

\*\* Includes Rs.920,000 (Previous Year Rs.Nil) relating to refund of base capital from The Stock Exchange, Mumbai.

\*\*\* Represents value of shares in the co-operative society, not yet registered in the name of the company.

# Office equipments include assets aggregating to Rs. 965,592 ( 54% of original cost) jointly owned with other enterprises. The depreciation for the year is Rs.160,844 and the written down value of the asset as on 31st March, 2002 is Rs.804,748 (Previous Year Rs. Nil).

§ Includes Rs.4,180,714 (Previous Year Rs. 5,602,624) being assets under Hire Purchase.



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**SCHEDULE 6 - INVESTMENTS**

	Face Value Rs.	Quantity 31st March 2002	Quantity 31st March 2001	As at 31st March 2002 Rs.	As at 31st March 2001 Rs.
<b>LONG TERM INVESTMENTS (Trade) (At cost)</b>					
<b>In Subsidiary Company (Unquoted, fully paid-up)</b>					
In Equity Shares of Komaf Securities (A Company with Unlimited Liability) (sold during the year)	10	—	800,199	—	8,001,990
<b>Other than trade Investment (Unquoted, fully paid-up)</b>					
In Equity shares of Kotak Investment Limited	10	20	20	200	200
<b>CURRENT INVESTMENTS (At lower of cost or market value)</b>					
<b>Other than trade Investment (Quoted, fully paid-up)</b>					
In Equity Shares of Hughes Software Limited (sold during the year)	5	—	1,480	—	466,200
In Equity Shares of Hughes Telecom Limited (sold during the year)	10	—	1,000	—	8,500
<b>(Unquoted, fully paid-up)</b>					
In Units of J.M.Income Fund Growth Plan-Bonus Option scheme of J.M. Mutual Fund - Principal Units	10	972,222	—	10,500,000	—
In Units of K Liquid-Growth scheme of Kotak Mahindra Mutual Fund	10	1,766,675	—	20,000,000	—
In Units of K Liquid-Dividend scheme of Kotak Mahindra Mutual Fund (sold during the year)	10	—	39,980,410	—	400,000,000
<b>TOTAL</b>				<b>30,500,200</b>	<b>408,476,890</b>
<b>Purchased/allotted and sold/redeemed during the year</b>					
Units of K Liquid - Growth scheme of Kotak Mahindra Mutual Fund	10	167,463,939	—		
Units of K Liquid - Dividend scheme of Kotak Mahindra Mutual Fund	10	203,002,568	—		
Units of J.M.Income Fund Growth Plan-Bonus Option scheme of J.M. Mutual Fund - Principal Units	10	972,222	—		
Units of NLFG Canliquid Fund-Growth Scheme of Canbank Mutual Fund	10	2,000,000	—		
Equity Shares of Mascot Systems Limited	4	—	20,700		
Equity Shares of Jay Kay Finholdings (India) Limited	10	—	1,050,000		
Units of K-Liquid scheme of Kotak Mahindra Mutual Fund	10	—	149,961,044		
Aggregate value of Quoted Investments					
-At Book Value					474,700
-At Market Value					970,130
Aggregate book value of Unquoted Investments				<b>30,500,200</b>	<b>408,002,190</b>

Refer note 8 in Schedule 20

**SCHEDULE 7 - STOCK IN TRADE**

(At cost or market value whichever is lower)

<b>Equity Shares</b>					
Advent Computer Services Limited	10	—	100	—	935
Aftek Infosys Limited	10	—	500	—	76,625
Alps Infosys Limited	10	—	500	—	600
Ashok Leyland Limited	10	2	—	161	—
Asian Hotels Limited	10	—	50	—	4,650
Asian Paints India Limited	10	—	200	—	49,240
Associated Alcohol and Breweries Limited	10	—	2,000	—	—
Avinash Information Technologies Limited	10	—	1,500	—	102,150
Bajaj Auto Limited	10	—	150	—	38,648
Bhansali Engineering Polymers Limited	10	—	400	—	3,180
Bharat Heavy Electricals Limited	10	—	700	—	99,400
Bindal Agro Chemicals Limited	10	—	2,900	—	—
Blue Dart Express Limited	10	—	200	—	35,110
C S J Technologies Limited	10	—	100	—	5,620
Ceat Tyres Limited	10	50	50	1,278	1,050
Chloride India Limited	10	—	100	—	—
Computech International Limited	5	—	100	—	1,260
Cybertech Systems and Software Limited	10	—	200	—	4,420
Daewoo Motors India Limited	10	—	50	—	185
Deepak Nitrite Limited	10	—	100	—	2,785
Dynavox Industries Limited	10	—	100	—	—
Enkay Texofood Industries Limited	10	—	100	—	255
Esab India Limited	10	100	100	4,110	5,230
Essar Steel Limited	10	—	100	—	535



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**SCHEDULE 7 - STOCK IN TRADE (Contd.)**

(At cost or market value whichever is lower)

	Face Value Rs.	Quantity 31st March 2002	Quantity 31st March 2001	As at 31st March 2002 Rs.	As at 31st March 2001 Rs.
Eveready Industries Limited	10	—	500	—	10,200
Exide Industries Limited	10	—	25	—	1,495
Finolex Industries Limited	10	—	100	—	—
Geometric Software Solutions Limited	10	—	2,985	—	194,174
Glaxo Smithkline Pharmaceuticals Limited	10	—	150	—	64,110
Global Tele Systems Limited	10	—	100	—	16,150
Godrej Soaps Limited	10	—	100	—	6,080
Goldstone Engineering Limited	10	—	100	—	7,795
Gujarat Heavy Chemicals Limited	10	—	700	—	6,055
HCL Technologies Limited	2	—	800	—	294,960
Henkel Spic India Limited	10	—	200	—	6,800
Hero Honda Motors Limited	10	300	32	100,110	4,491
Himachal Futuristic Communication Limited	10	200	200	13,540	31,720
Hindustan Lever Limited	1	500	300	112,675	64,800
Hotel Leela Venture Limited	10	—	100	—	2,265
Housing Development Finance Corporation Limited	10	—	110	—	47,509
ICICI Limited	10	50	200	2,591	17,590
ICICI Bank Limited	10	500	—	62,000	—
Indian Rayon & Industries Limited	10	—	50	—	4,018
Indo Gulf Corporation Limited	10	—	100	—	—
Infosys Technologies Limited	5	—	36	—	146,984
IPCA Laboratories Limited	10	—	500	—	35,250
ITI Limited	10	—	300	—	4,245
JJ Spectrum Silk Limited	10	—	400	—	—
JK Dairy & Foods Limited	10	—	100	—	395
Jaiprakash Industries Limited	10	—	100	—	2,653
Kale Consultants Limited	10	—	100	—	3,960
LML Limited	10	—	40	—	940
Mahanagar Telephone Nigam Limited	10	100	—	14,745	—
Mardia Steel Limited	10	—	700	—	875
National Radio Limited	10	—	100	—	1,070
Omega Interactive Technologies Limited	10	—	300	—	1,695
Oswal Sugar Limited	10	—	100	—	—
Padmini Polymer Limited	10	—	100	—	1,210
Peerless Shipping & Oil Services Limited	10	—	500	—	8,930
Pentafour Communication Limited	10	—	100	—	8,920
Punjab National Fertilizers and Chemicals Limited	10	—	50	—	—
R S Software (India) Limited	10	—	100	—	6,415
Ramco Systems Limited	10	—	50	—	16,785
Ranbaxy Laboratories Limited	10	—	2,100	—	1,211,595
Reliance Industries Limited	10	—	50	—	9,800
Rinki Petrochemicals Limited	10	—	10,000	—	3,500
Satyam Computer Services Limited	2	—	550	—	128,645
Shrikrishna Polymer Limited	10	—	100	—	—
Sierra Optima Limited	10	—	100	—	6,045
Skyline NEPC Limited	10	—	100	—	—
Software Solution Integrated Limited	10	—	400	—	219,994
SRG Infotech Limited	1	—	1,000	—	25
Sterling Tools India Limited	10	—	1,200	—	54,000
Sterlite Industries India Limited	5	—	250	—	24,388
Sterlite Optical Limited	5	—	200	—	72,600
Superhouse Leather Limited	10	—	8,100	—	51,840
Superior Air Products Limited	10	—	200	—	—
Tata Iron & Steel Company Limited	10	—	50	—	3,058
Videocon International Limited	10	—	610	—	17,080
Visual Software India Limited	10	—	10	—	2,233
Welcome Coir Limited	10	—	1,700	—	—
Western Shipyard Limited	10	—	200	—	230
Wipro Limited	2	—	545	—	727,166
Wyn Acqua Limited	10	—	400	—	—
<b>Total</b>		<b>1,802</b>	<b>48,693</b>	<b>311,210</b>	<b>3,984,616</b>
Aggregate value of Stock-in-trade					
-At Book Value				<b>311,210</b>	<b>3,984,616</b>
-At Market Value				<b>315,634</b>	<b>4,066,028</b>

Refer note 8 in Schedule 20



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March 2002	As at 31st March 2001
	Rs.	Rs.
<b>SCHEDULE 8 - SUNDRY DEBTORS</b>		
<b>Sundry Debtors : ( Unsecured )</b>		
Considered good		
Over six months	28,409,757	2,933,567
Others*	1,416,303,078	1,644,956,303
Considered doubtful		
Over six months	5,449,241	6,744,176
Others	2,631,263	—
	<b>1,452,793,339</b>	<b>1,654,634,046</b>
Less : Provision for Doubtful Debts	<b>8,080,504</b>	<b>6,744,176</b>
<b>TOTAL</b>	<b>1,444,712,835</b>	<b>1,647,889,870</b>
* Due from directors Rs. Nil (Previous Year Rs.Nil) , maximum amount outstanding during the year Rs.1,995,965 (Previous Year Rs. 4,576,759)		
<b>SCHEDULE 9 - CASH AND BANK BALANCES</b>		
Cash on Hand	275,729	475,008
Balances with Scheduled Banks in :		
Current Accounts	6,461,637	48,166,175
Fixed Deposit Accounts (Refer note 10 in Schedule 20 )	782,420,384	385,729,060
Cheques on hand	—	1,440,000
<b>TOTAL</b>	<b>789,157,750</b>	<b>435,810,243</b>
<b>SCHEDULE 10 - OTHER CURRENT ASSETS</b>		
Interest Accrued on Fixed Deposits	12,052,728	8,820,132
<b>TOTAL</b>	<b>12,052,728</b>	<b>8,820,132</b>
<b>SCHEDULE 11 - LOANS AND ADVANCES</b>		
(Unsecured, unless otherwise stated, considered good)		
Loan to Subsidiary Company		
- Komaf Securities (A Company with Unlimited Liability)	—	1,129,574
Other Loans* (Refer note 11 in Schedule 20)	2,189,460	3,415,310
Advances recoverable in cash or kind or for value to be received (Refer note 12 in Schedule 20)	7,819,842	9,532,205
Deposits	45,720,421	48,278,866
Initial margin for Derivatives	863,147	—
<b>TOTAL</b>	<b>56,592,870</b>	<b>62,355,955</b>
*Other loans include secured loans to the extent of Rs.Nil (Previous Year Rs. 2,234,383)		
<b>SCHEDULE 12 - LIABILITIES</b>		
Sundry Creditors (other than small scale industrial undertakings) *	665,823,987	1,732,931,401
Book Overdraft from Banks	34,266,837	21,369,857
Interest accrued but not due	2,905,302	496,117
Other Liabilities	4,941,710	5,680,093
Mark To Market for Derivatives	44,105	—
<b>TOTAL</b>	<b>707,981,941</b>	<b>1,760,477,468</b>
* The above information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors.		
<b>SCHEDULE 13 - PROVISIONS</b>		
Provision for Gratuity and Leave Encashment	9,289,000	8,358,787
Provision for Taxation (net of advance tax)	5,832,888	31,005,906
<b>TOTAL</b>	<b>15,121,888</b>	<b>39,364,693</b>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	For the year ended 31st March 2002	For the year ended 31st March 2001
	Rs.	Rs.
<b>SCHEDULE 14 - INCOME FROM SERVICES</b>		
Income from Brokerage - Gross {(Includes Rs. 2,510,481 relating to earlier years (Previous Year Rs. Nil))}	580,429,588	1,529,532,086
Recovery on account of Expenses	2,697,606	7,028,878
Less : Sub Brokerage/Referral Fees and Expenses	132,255,242	819,472,168
	450,871,952	717,088,796
Fee Income {(Refer note 13 in Schedule 20 and includes Rs.164,466 for earlier years (Previous Year Rs. Nil))}	69,557,353	59,552,400
TOTAL	520,429,305	776,641,196
<b>SCHEDULE 15 - INTEREST INCOME</b>		
Interest on Stock in Trade	112,694	—
Interest on delayed payments {Tax Deducted at Source Rs.Nil ( Previous Year Rs. 1,012,397)}	105,095,671	101,042,645
Other Interest {Tax Deducted at Source Rs.Nil ( Previous Year Rs. 765,965 )}	387,967	4,737,120
Interest on Bank Deposits {Tax Deducted at Source Rs. 5,839,168 ( Previous Year Rs. 1,372,161)}	35,724,618	15,703,325
Interest on Inter Corporate Deposits {Tax Deducted at Source Rs.399,493 ( Previous Year Rs. 622,648)}	1,843,901	2,814,204
TOTAL	143,164,851	124,297,294
<b>SCHEDULE 16 - OTHER INCOME</b>		
Dividend Income (Refer note 14 in Schedule 20)	3,619,782	3,161,462
Profit on trading in securities (net) (Refer note 23 in Schedule 20)	11,097,844	32,869,908
Liabilities written back (Refer note 15 in Schedule 20)	74,287,488	23,819,718
Miscellaneous Income (Refer note 16 in Schedule 20)	8,397,982	31,191,455
Profit on sale of fixed assets (net)	—	114,413
TOTAL	97,403,096	91,156,956
<b>SCHEDULE 17 - PERSONNEL</b>		
Salaries, Allowances and Bonus	154,664,121	176,856,279
Contribution to Employees' Provident and other funds	5,522,508	4,689,154
Gratuity and Leave Encashment	2,814,417	7,070,288
Staff Welfare	6,760,556	4,984,370
TOTAL	169,761,602	193,600,091



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	For the year ended 31st March 2002	For the year ended 31st March 2001
	Rs.	Rs.
<b>SCHEDULE 18 - INTEREST AND OTHER FINANCE CHARGES</b>		
Interest on Inter Corporate Deposits	14,914,995	12,281,908
Interest on Debentures	8,393,922	—
Interest on Term Loan/Other Fixed Loans	11,221,773	25,482,080
Interest on Bank Overdraft	2,724,939	8,783,742
Bank Interest and Other charges	3,174,949	4,962,052
Interest-Other {(includes Rs.3,879,920 relating to earlier years (Previous Year Rs. Nil)}	4,356,518	208,046
Premium on Forward Exchange Contract	1,090,128	2,693,907
TOTAL	<u>45,877,224</u>	<u>54,411,735</u>
<b>SCHEDULE 19 - OTHER EXPENSES</b>		
Travelling, Conveyance and Motor Car Expenses	23,170,245	27,263,361
Professional and Legal Expenses	11,108,900	14,025,522
Auditors' Remuneration :		
Audit Fees	840,000	840,000
Tax Audit Fees	105,000	105,000
In other capacity	456,356	442,050
Provision for Doubtful Debts	1,336,329	2,557,760
Repairs and Maintenance - Others	18,908,555	24,513,890
Office Expenses	6,709,795	7,194,321
Software Expenses	16,272,207	34,062,007
Communication Expenses	37,398,626	36,098,832
Printing and Stationery	8,733,469	9,942,747
Operating Expenses (Stock Exchanges)	4,147,096	5,076,423
Electricity Expenses	9,019,680	6,728,243
Membership and Subscription	9,815,914	9,103,358
Rent and Taxes	32,939,442	31,640,593
Lease Rent	1,388,480	3,693,670
Advertising, Business Promotion and Entertainment	13,245,891	17,288,805
Preliminary Expenses Written off	54,856	54,856
Bad Debts	16,280,421	9,137,355
Support Services	—	796,446
Service Charges	5,458,990	5,734,375
NSDL/CDSL Charges	7,756,718	9,893,129
Stock Borrowing Expenses	7,431,077	—
Stamp/ Turnover / Transaction Charges {(includes Rs.4,300,000 relating to earlier years (Previous Year Rs. Nil)}	20,611,582	10,796,700
Insurance	1,040,076	3,655,939
Loss on account of trades not confirmed by clients, error trades (net)	1,718,202	17,790,302
Diminution in value of current investments	—	3,500
Loss on sale of fixed assets (Net)	982	—
Loss on sale of investments (Net) (Refer note 17 in Schedule 20)	475,574	4,792,257
Miscellaneous Expenses (Refer note 18 in Schedule 20)	7,138,803	8,047,440
TOTAL	<u>263,563,266</u>	<u>301,278,881</u>



## SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### SCHEDULE 20 - NOTES TO THE ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### A. ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention and on accrual basis.

##### B. REVENUE RECOGNITION

1. Placement and other fee based income are accounted for on the basis of the progress of the assignment.
2. Brokerage Income
  - on fixed deposit management is accounted on completion of the transaction.
  - on primary market subscription – mobilization is accounted on allotment.
  - on secondary market transaction is recognized on contract date.
3. Underwriting commission is accounted on allotment.
4. Incentive on primary market subscription – mobilisation is accounted on the basis of intimation received by the Company.
5. Depository Fees
  - Transaction fees are recognised on completion of transaction.
  - Account maintenance charges are recognised on time basis over the period of contract.
6. Stock Lending Fees and Borrowing Expenses
  - Stock lending fees and borrowing expenses are recognised on time basis over the period of contract.

##### C. FIXED ASSETS

1. Fixed Assets are stated at cost inclusive of incidental expenses less accumulated depreciation.
2. Depreciation is provided on straight line method over the useful life of the assets as under:

Computers	3 years
Office Equipments	5 years
Furniture & Fixtures	6 years
Vehicles	3 years
Premises	30 years
3. Depreciation on assets whose cost does not exceed Rs. 5,000 is fully depreciated in the year of purchase.

##### 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 the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of mutual fund, the net asset value of units has been considered as market value.

##### E. STOCK IN TRADE

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

##### F. FOREIGN CURRENCY TRANSACTIONS

Revenue and expenses are recorded at the exchange rate prevailing on the date of the transactions. Assets and liabilities, other than those covered by forward exchange contracts, 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 assets and liabilities are dealt with in the Profit and Loss Account. Assets and liabilities covered by forward exchange contracts are stated at the rate specified in the related forward contracts. The difference between forward rate and exchange rate at the inception of the forward exchange contract is recognized as income or expense over the life of the contract.

##### G. RETIREMENT BENEFITS

Provision for gratuity and leave encashment liability to employees is based on actuarial valuation.

##### H. PRELIMINARY EXPENSES

Preliminary expenses are amortised in ten equal yearly instalments.



## SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 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 originate in one period and are capable of reversal in one or more subsequent periods.

### J. SOFTWARE EXPENSES

The cost of software user licenses purchased is charged to revenue in the year the software is acquired.

### K. EQUITY INDEX/ STOCK FUTURES

(a) "Initial Margin – Equity Index/ Stock Futures Account", representing initial margin paid, and "Margin Deposits" representing additional margin paid over and above initial margin, for entering into contracts for Equity Index/ Stock Futures which is released on final settlement/squaring-up of underlying contracts, are disclosed under Loans and Advances.

(b) Equity Index/ Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Equity Index/ Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Index/ Stock Futures till the Balance Sheet date.

(c) As on the Balance Sheet date, profit/loss on open positions in Equity Index/ Stock Futures are accounted for as follows:

- Credit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in Profit and Loss Account.
- Debit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated loss, is adjusted in the Profit and Loss Account.

(d) On final settlement or squaring-up of contracts for Equity Index/ Stock Futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/ Stock Futures Account" after adjustment of provision for anticipated losses is recognised in the Profit and Loss Account.

When more than one contract in respect of the relevant series of Equity Index/ Stock Futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using First-in-First-out method for calculating profit/loss on squaring-up.

### L. EQUITY INDEX / STOCK OPTIONS

(a) "Equity Index/ Stock Options Margin Account" representing initial margin paid, and "Margin Deposit", representing additional margin paid over and above initial margin, for entering into contracts for Equity Index/ Stock Options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under Loans and Advances.

(b) "Equity Index/ Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.

(c) As at Balance Sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in "Provision for Loss on Equity Index/ Stock Option Account".

(d) When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in Profit and Loss Account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract, weighted average method is followed for determining profit or loss.

On the expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the Profit and Loss Account.

In both the above cases, premium paid or received for buying or selling the option, as the case may be, is recognised in the Profit and Loss Account for all squared-up/settled contracts.

### M. DEBENTURE REDEMPTION RESERVE

In terms of Section 117C of the Companies Act, 1956, amounts equivalent to the principal value of the debentures and accrued interest thereon is transferred to Debenture Redemption Reserve proportionately over the term of the debentures.



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**2. CONTINGENT LIABILITIES:**

- (a) Taxation matters in respect of which appeals are pending - Rs. Nil (Previous Year Rs. 104,871).  
 (b) Counter guarantees given to scheduled banks - Rs. 427,000,000 (Previous Year - Rs. 380,500,000).  
 (c) Capital commitments (Net of advances) - Rs. 561,325 (Previous Year - Rs. 1,844,786).

3. a) Directors' remuneration:  
 (Executive Directors and Non Whole-time Director)

	<u>2001-02</u>	<u>2000-01</u>
	Rupees	Rupees
Salaries	13,184,000	15,942,000
Contribution to provident fund	324,000	324,000
Perquisites	734,000	734,000
Commission to non whole- time director	2,500,000	4,560,945
TOTAL	<u>16,742,000</u>	<u>21,560,945</u>

The above excludes provision for gratuity and leave encashment, since these are based on actuarial valuation done on an overall company basis.

- b) Computation of net profits in accordance with Section 198 of the Companies Act, 1956 and commission payable to non whole-time director:

	<u>2001-02</u>	<u>2000-01</u>
	Rupees	Rupees
Profit before taxation	249,932,671	421,015,214
Add: Depreciation as per accounts	31,862,489	21,789,525
Add: Managerial remuneration	16,742,000	21,560,945
Add: Provision for doubtful debts	1,336,329	2,557,760
Add: Book loss/(profit) on Fixed assets sold (net)	982	(114,413)
	<u>299,874,471</u>	<u>466,809,031</u>
Less: Depreciation u/s 350	13,869,807	10,222,072
Less: Deficit in disposal of Fixed assets u/s 349 (net)	680,016	492,432
Net Profit for Section 198 of the Companies Act, 1956.	285,324,648	456,094,527
Commission payable to non whole-time Director at 1% of net profits	2,853,246	4,560,945
Restricted to	<u>2,500,000</u>	<u>4,560,945</u>

4. In respect of the years 1996-97 and 1997-98, the company had preferred an application to the Central Government for payment of remuneration to its Directors in excess of the limits prescribed under the Companies Act, 1956. Remuneration approved by the Central Government is lower than the remuneration paid by the company and consequently an amount of Rs. 661,927 for the year 1996-97 and Rs. 631,997 for the year 1997-98 is recoverable from the directors. The company made an application to Central Government for reconsidering the approval of total remuneration. Subsequent to the reconsideration application, the Central Government vide their letter dated 18th May, 2001, advised the company to submit the necessary application under Section 309(5B) of the Companies Act, 1956 for waiver of the above mentioned excess remuneration paid to Directors. The company has already submitted the necessary application under Section 309(5B). The company has also furnished the details as required by the Central Government.
5. Pursuant to the approval of the shareholders of the company at the Extra Ordinary General Meeting of the company held on 12<sup>th</sup> March 2001 and the approval of the Registrar of Companies, the Company has been re-registered under Section 32 of the Companies Act, 1956 as a Public company with Limited Liability effective 27<sup>th</sup> November, 2001. Accordingly, the name of the company has changed from Kotak Securities (A Company with Unlimited Liability) to Kotak Securities Limited.
6. Since the company is predominantly engaged in the business of broking, purchase consideration paid for acquiring the membership card for The Stock Exchange, Mumbai and the non refundable deposits made by it with National Stock Exchange of India (NSE), Over The Counter Exchange of India (OTCEI) and Registration fees and entrance fees paid to National Securities Depositories Limited (NSDL) are considered as fixed assets. However, no depreciation is provided on the same.



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

7. (a) Expenditure in Foreign Currency:
- Travelling Rs.3,299,793 (Previous Year Rs. 3,902,330)
  - Membership and Subscription Rs.1,221,402 (Previous Year Rs. 601,889)
  - Referral Fees Rs.9,943,737 (Previous Year Rs. Nil)
- (b) Earnings in Foreign Currency: Rs. Nil (Previous Year Rs. 1,129,589)
8. Securities which are not registered in the name of the company, are held by the company with valid transfer documents.
9. Securities received from clients as collateral for margins are held by the company in its own name in fiduciary capacity.
10. Fixed Deposits with scheduled banks include Rs. 487,375,000 (Previous Year Rs.190,000,000) which is under the lien of National Securities Clearing Corporation Limited, Rs.126,375,000 (Previous Year Rs. 108,125,000) which is under the lien of The Stock Exchange, Mumbai and Rs. 83,388 (Previous Year Rs. 6,117,799) as collateral towards lifting of shares for rectification from custodians.
11. Other Loans include an amount of Rs. Nil (Previous Year Rs. Nil) due from a Director. (Maximum amount outstanding during the year Rs. Nil (Previous Year Rs. 3,273,092).
12. Advances Recoverable in cash or kind include advances of Rs. Nil (Previous Year Rs. 89,497) paid towards lifting of shares for rectification from custodians.

13. Fee Income:

Particulars	2001-02 Rupees	2000-01 Rupees
Client Money Management Services	7,525,029	7,366,811
Depository fees	27,485,912	26,541,751
Research fees	17,721,291	19,377,222
Shared services	5,926,789	3,459,937
Stock Lending fees	10,898,332	—
Others	—	2,806,679
	<b>69,557,353</b>	<b>59,552,400</b>

14. Dividend income represents amount received on long term (other than trade) investments amounting to Rs. Nil (Previous Year Rs. 2,216,886), on current investments amounting to Rs.1,650,040 (Previous Year Rs. 749,826) and on stock in trade amounting to Rs. 1,969,742 (Previous Year Rs. 194,750).
15. Liabilities written back represents provision no longer required in respect of turnover tax Rs.23,198,750 (Previous Year Rs. Nil), sub brokerage Rs. 34,875,050 (Previous Year Rs.22,079,055) and other expenses Rs.16,213,688 (Previous Year Rs.1,740,663).
16. Miscellaneous Income includes income from inter exchange arbitrage of Rs. Nil on Nil Equity shares purchased for Rs. Nil and sold for Rs. Nil (Previous Year Rs.13,247,290 on 3,980,322 Equity shares purchased for Rs.3,475,583,011 and sold for Rs.3,488,830,301) and income from badla finance of Rs.1,035,598 (Previous Year Rs. 12,958,624).
17. Loss on sale of investments (net) represents profit on sale of long term (other than trade) investments Rs.672,288 (Previous Year - loss Rs.7,005,824), profit on sale of current investments (net) (other than trade) Rs.2,052,934 (Previous Year Rs. 2,213,567) and loss on sale of investment in subsidiary of Rs.3,200,796 (Previous Year Rs. Nil).
18. Miscellaneous Expenses include loss from inter exchange arbitrage of Rs.1,031,034 on 1,241,001 Equity shares purchased for Rs.283,678,430 and sold for Rs.282,647,396 (Previous Year Rs. Nil on Nil Equity shares purchased for Rs. Nil and sold for Rs. Nil) and badla charges of Rs. 1,689,581 (Previous Year Rs. 3,874,237).
19. Obligation for future rentals on account of assets taken on lease is estimated at Rs. Nil (Previous Year Rs. 3,494,275), Rs.456,978 (Previous Year Rs. Nil) and Rs.684,132 (Previous Year Rs. 1,038,610) payable over a period of 3 years, 2 years and 1 year respectively.
20. Deferred Income taxes:
- Consequent to the Accounting Standard 22 on "Accounting for Taxes on Income" becoming mandatory, the company recorded the cumulative net deferred tax credit of Rs. 5,523,145 as at 31<sup>st</sup> March, 2001 as an addition to the General Reserve on 1<sup>st</sup> April, 2001 and recognised the deferred tax charge for the year Rs.8,995,243 in the Profit and Loss Account.



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

(ii) Components of deferred tax balances as at 31<sup>st</sup> March, 2002:

Particulars	Amount (Rs.)
<b>Deferred Tax Assets</b>	
Provision for Doubtful Debts	2,884,740
Provision for Gratuity	2,415,819
Provision for Stamp Duty	4,457,978
Provision for Leave Encashment	132,672
Provision for Bonus	59,120
Other miscellaneous items	145,907
<b>TOTAL</b>	<b>10,096,236</b>
<b>Deferred Tax Liabilities</b>	
Depreciation	13,568,334
<b>TOTAL</b>	<b>13,568,334</b>

21. Segment Information for the year ended 31<sup>st</sup> March, 2002

(Amount in Rupees)

	Secondary Market Related Business	Primary broking	Other Operations	Unallocated	Total
<b>Segment Revenue</b>					
Income from external customers	526,778,606	68,534,403	60,739,593	30,657,162	686,709,764
Income from inter segments	—	—	—	—	—
Liabilities written back	35,228,710	38,632,981	—	425,797	74,287,488
<b>Total</b>	<b>562,007,316</b>	<b>107,167,384</b>	<b>60,739,593</b>	<b>31,082,959</b>	<b>760,997,252</b>
<b>Segment result</b>	<b>214,108,265</b>	<b>92,053,672</b>	<b>29,982,889</b>	<b>(86,212,155)</b>	<b>249,932,671</b>
Income Tax				91,646,591	91,646,591
Net Profit					158,286,080
<b>Other Information</b>					
Carrying amount of segment assets	2,328,590,557	26,548,490	41,886,689	42,467,876	2,439,493,612
Carrying amount of segment liabilities	1,507,934,710	19,040,897	2,339,500	75,749,851	1,605,064,958
Cost to acquire tangible fixed assets	23,234,998	288,148	560,706	6,394,229	30,478,081
Depreciation	25,858,808	386,790	886,244	4,730,647	31,862,489

Notes:

(i) The Company is organised into following segments, namely

- "Secondary Market Related Business" – comprising of brokerage income earned on secondary market transactions done on behalf of clients. It also includes interest on delayed payments, incidental and consequential to secondary market related business, received from clients.
- "Primary broking " segment comprising of services rendered in connection with primary market subscription/ mobilisation.
- " Other Operations " comprising of portfolio management services, services rendered as depository participant, proprietary trading in securities and services rendered as SEBI approved intermediary for the Securities Lending Scheme, 1997.

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.

(ii) Unallocated revenue consists of:

Fee Income (refer note 13, research fees, shared services)	Rupees 23,648,080
Interest on Inter Corporate Deposits	1,843,901
Other Interest	387,967
Liabilities written back	425,797
Miscellaneous Income	4,777,214

**Total**

**31,082,959**



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

- (iii) Unallocated expenses comprise of general administrative expenses and personnel expenses provided at an enterprise level.
- (iv) Segment assets comprise mainly of fixed assets, investments, trade and other receivables, stock-in-trade, accrued income receivable and advances. Unallocated assets represent mainly fixed assets and advances. Segment liabilities include loans, trade and other payables and sundry creditors. Unallocated liabilities mainly include provision for taxes, deferred tax, retirement benefits, outstanding expenses and statutory liabilities.

22. Related Parties Disclosures:

A. Related Parties where control exists:

Nature of relationship	Related Party
Holding Company	Kotak Mahindra Finance Limited (KMFL) (Holds 74.99% of the equity share capital)  Mr. Uday Kotak along with relatives and companies controlled by him holds 56.62% of the equity share capital of KMFL
Subsidiary company	Komaf Securities (A Company with Unlimited Liability) (Upto 22 <sup>nd</sup> March,2002)
Associate company	Kotak Investment Limited

B. Other Related Parties:

(i) Fellow Subsidiaries:	Kotak Mahindra Capital Company Limited Kotak Mahindra Primus Limited Kotak Mahindra Asset Management Company Limited Kotak Forex Brokerage Limited OM Kotak Mahindra Life Insurance Company Limited Kotak Mahindra Inc. Kotak Mahindra (International) Limited (KMIL) Hamko Financial Services Limited Kotak Mahindra Securities Limited Komaf Financial Services Private Limited Kotak Mahindra (UK) Limited Komaf Securities (A Company with Unlimited Liability) (From 23 <sup>rd</sup> March, 2002 to 29 <sup>th</sup> March, 2002)
(ii) Enterprise having significant influence over the company	Goldman Sachs (Mauritius) LLC
(iii) Enterprises over which Director/ Key management personnel/relatives of Key management personnel have significant influence	Aero Agencies Private Limited Twilight Holdings Private Limited Scope Holdings Private Limited Mega Assets & Capital Management Private Limited Blue Star Limited Ford Credit Kotak Mahindra Limited Mahindra & Mahindra Financial Services Limited Kotak Trustee Company Private Limited Uday S. Kotak Benefit Trust Kotak & Company Private Limited
(iv) Key management personnel	Mr. Uday Kotak, Non Executive Chairman Mr. C.Jayaram, Non Executive Director Mr. S. A. A. Pinto, Non Executive Director Mr. Narayan S. A., Executive Director and Chief Executive Officer Mr. Ashwini Agarwal, Executive Director
(v) Relatives of Key management personnel & other proprietary concerns	Ms. Pallavi Kotak Ms. Rekha Narayan Ms. Sharda Agarwal Ms. Usha Jayaram Mr. Jay Kotak Mr. V. C. Agarwal Ms. Asha Agarwal Narayan S. A. (H.U.F)



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

Nature of transactions	Holding Company/ Controlling Entity	Subsidiary Companies	Associates	Fellow Subsidiary Companies	Enterprises having significant Influence over the Company	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which Key Management Personnel/Relatives thereof is having significant Influence	Total
<b>Finance</b>									
Inter Corporate Deposits taken	333,225,000	—	—	2,298,000,000	—	—	—	546,000,000	3,177,225,000
Inter Corporate Deposits given	113,500,000	—	—	2,306,500,000	—	—	—	262,500,000	2,682,500,000
Interest paid on Inter Corporate Deposits	1,484,028	—	—	8,997,764	—	—	—	448,612	10,930,404
Interest paid on Non Convertible Debentures	—	—	—	4,685,772	—	—	—	—	4,685,772
Repayment of Term Loan	15,654,025	—	—	—	—	—	—	—	15,654,025
Repayment of Other Loans	—	—	—	1,998,849	—	—	—	—	1,998,849
Non Convertible Debentures placed	—	—	—	796,079,515	—	—	—	—	796,079,515
Interest received	54,000	—	—	1,509,719	—	—	—	215,753	1,779,472
Interest paid on Term Loan	4,724,376	—	—	—	—	—	—	—	4,724,376
Loan given	—	9,640,115	—	—	—	—	—	—	9,640,115
Loan given repaid	—	10,769,689	—	—	—	—	—	—	10,769,689
<b>Outstandings</b>									
Inter corporate Deposits taken	—	—	—	100,000,000	—	—	—	20,000,000	120,000,000
Interest accrued but not due	107,926	—	—	2,138,356	—	—	—	9,863	2,256,145
Term Loan taken	27,356,185	—	—	—	—	—	—	—	27,356,185
Loan given	—	—	8,000	—	—	—	—	—	8,000
Non Convertible Debentures	—	—	—	400,000,000	—	—	—	—	400,000,000
Investments	—	—	200	—	—	—	—	—	200
<b>Purchase of Fixed Assets</b>	—	—	—	400,000	—	—	—	—	400,000
<b>Investments</b>									
Purchase#	—	—	—	3,884,150,043	—	—	—	—	3,884,150,043
Sale/redemption #	—	—	—	4,271,030,059	—	—	—	—	4,271,030,059
Dividend received#	—	—	—	1,650,041	—	—	—	—	1,650,041
<b>Broking transactions (Secondary &amp; Primary market operation)</b>									
Purchases	782,294,494	—	—	2,272,485,308	—	29,777,187	1,382,601	55,769	3,085,995,359
Sales	1,604,267,213	—	—	1,906,380,554	293,409,295	23,210,678	1,053,867	29,550	3,288,351,157
<b>Brokerage earned</b>	4,766,281	—	—	33,725,516	265,524	197,508	7,952	297,759	39,280,540
<b>Brokerage paid</b>	268,518	—	—	15,450,000	—	194,934	9,859	—	15,923,311
<b>Outstandings</b>									
Payable	23,986	—	—	63,410,085	—	25	—	8,985	63,443,081
Receivable	71,237,234	—	—	9,446,958	—	8,587	111,922	—	8-0,804,701
<b>Other receipts and payments</b>									
Fee Income	903,362	3,396	—	15,138,546	—	27,397	3,087	174,087	16,249,875
Expenses reimbursement to other companies	2,156,820	—	—	4,756,931	—	—	—	—	6,913,751
Expense reimbursement by other companies	357,231	—	—	4,144,978	—	—	—	—	4,502,209
Other Expenses	22,828,458	—	—	5,623,249	—	5,114	—	7,239,603	35,696,424
Other Income	2,170	—	—	—	—	—	—	—	2,170
Remuneration to Key Management Personnel*	—	—	—	—	—	14,242,000	—	—	14,242,000
Commission Payable to Director	2,500,000	—	—	—	—	—	—	—	2,500,000
<b>Other outstandings</b>									
Receivable	637,795	—	—	8,578,403	—	—	—	140	9,216,338
Payable	745,585	—	—	617,931	—	—	—	—	1,363,516

\* Excludes provision for gratuity and leave encashment, since these are based on actuarial valuations done on an overall company basis.

# Includes transactions/income in respect of Investment in Schemes of Kotak Mahindra Mutual Fund managed by fellow subsidiary.



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

23. Quantitative information in respect of trading in securities:

	2001-2002		2000-2001	
	Quantity Nos.	Value Rupees	Quantity Nos.	Value Rupees
<b>Opening Stock (A)</b>				
Equity Shares	3,445	2,413,980	19,101	4,170,323
<b>Purchases</b>				
Equity Shares	1,852,383	458,302,575	9,038,583	2,132,133,552
Bonds & other Securities *	260,584	694,385,705	1,024,694	311,034,227
Debentures	81,525	5,608,920	—	—
Units	4,172,701	46,166,768	250,000	2,500,000
Preference Shares	255,000	25,500,000	—	—
Nifty Futures	19,000	18,636,066	—	—
Stock Futures	536,000	442,822,495	—	—
<b>TOTAL (B)</b>	<b>71,77,193</b>	<b>1,691,422,529</b>	<b>10,313,277</b>	<b>2,445,667,779</b>
<b>Sales</b>				
Equity Shares	1,855,278	485,911,433	9,054,239	2,164,840,440
Bonds & other Securities *	260,584	698,357,933	1,024,694	312,851,855
Debentures	81,525	5,608,920	—	—
Units	4,172,701	46,774,189	250,000	2,601,735
Preference Shares	255,000	25,538,250	—	—
Nifty Futures	19,000	18,642,508	—	—
Stock Futures	536,000	424,129,650	—	—
<b>TOTAL (C)</b>	<b>7,180,088</b>	<b>1,704,962,883</b>	<b>10,328,933</b>	<b>2,480,294,030</b>
<b>Closing Stock (D)</b>				
Equity Shares	550	79,607	3,445	2,413,980
<b>Loss on Trading in Options (Net) (E)</b>	—	108,137	—	—
<b>Profit (A + B - C - D - E)</b>		<b>11,097,844</b>		<b>32,869,908</b>

\* Includes purchase value of Rs.69,957,278 (Previous Year Rs. 65,814,824) and sale of Rs.70,669,803 (Previous Year Rs. 66,425,675) pertaining to bonds and other securities purchased and sold during the year on the basis of face value.

Transactions and stocks on account of error trades / trades not confirmed by clients have not been considered.

24. Details of futures contracts settled during the year:

Series	Expiry Date	No. of Contracts	Purchase Quantity	Sale Quantity
Future Index Nifty	31-May-01	10	2,000	2,000
Future Index Nifty	28-Jun-01	1	200	200
Future Index Nifty	26-Jul-01	8	1,600	1,600
Future Index Nifty	30-Aug-01	17	3,400	3,400
Future Index Nifty	27-Sep-01	42	8,400	8,400
Future Index Nifty	25-Oct-01	8	1,600	1,600
Future Index Nifty	29-Nov-01	9	1,800	1,800
Future Stock ACC Limited	28-Feb-02	3	4,500	4,500
Future Stock Bajaj Auto Limited	31-Jan-02	11	8,800	8,800
Future Stock Bajaj Auto Limited	28-Mar-02	6	4,800	4,800
Future Stock Digital GlobalSoft Limited	29-Nov-01	1	400	400
Future Stock Digital GlobalSoft Limited	31-Jan-02	6	2,400	2,400



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

Series	Expiry Date	No. of Contracts	Purchase Quantity	Sale Quantity
Future Stock Dr. Reddy's Laboratories Limited	29-Nov-01	4	1,600	1,600
Future Stock Dr. Reddy's Laboratories Limited	27-Dec-01	71	28,400	28,400
Future Stock Dr. Reddy's Laboratories Limited	28-Feb-02	20	8,000	8,000
Future Stock Dr. Reddy's Laboratories Limited	28-Mar-02	9	3,600	3,600
Future Stock Hindustan Petroleum Corporation Limited	28-Mar-02	1	1,300	1,300
Future Stock Infosys Technologies Limited	29-Nov-01	1	100	100
Future Stock Infosys Technologies Limited	27-Dec-01	429	42,900	42,900
Future Stock Infosys Technologies Limited	31-Jan-02	40	4,000	4,000
Future Stock Infosys Technologies Limited	28-Feb-02	1	100	100
Future Stock Infosys Technologies Limited	28-Mar-02	320	32,000	32,000
Future Stock ITC Limited	27-Dec-01	2	600	600
Future Stock Larsen & Toubro Limited	29-Nov-01	10	10,000	10,000
Future Stock Larsen & Toubro Limited	27-Dec-01	35	35,000	35,000
Future Stock Larsen & Toubro Limited	31-Jan-02	20	20,000	20,000
Future Stock Larsen & Toubro Limited	28-Feb-02	5	5,000	5,000
Future Stock Mahanagar Telephone Nigam Limited	28-Mar-02	15	24,000	24,000
Future Stock Ranbaxy Laboratories Limited	29-Nov-01	1	500	500
Future Stock Satyam Computers Services Limited	31-Jan-02	26	31,200	31,200
Future Stock Satyam Computers Services Limited	28-Mar-02	3	3,600	3,600
Future Stock State Bank of India Limited	28-Feb-02	23	23,000	23,000
Future Stock State Bank of India Limited	28-Mar-02	23	23,000	23,000
Future Stock Tata Engineering and Locomotive Company Limited	29-Nov-01	33	108,900	108,900
Future Stock Tata Iron and Steel Company Limited	31-Jan-02	6	10,800	10,800
Future Stock Tata Power Company Limited	31-Jan-02	1	1,600	1,600
Future Stock Videsh Sanchar Nigam Limited	29-Nov-01	1	700	700
Future Stock Videsh Sanchar Nigam Limited	28-Feb-02	57	39,900	39,900
Future Stock Videsh Sanchar Nigam Limited	28-Mar-02	79	55,300	55,300
<b>Grand Total</b>		<b>1,358</b>	<b>555,000</b>	<b>555,000</b>

Initial margin on equity index futures contracts as well as individual stock futures has been paid in cash only.

**Open Interest in Individual Stock Futures at the year end:**

Open Long Positions:

Series	Expiry Date	No. of Contracts	Quantity	Daily settlement price as on 28.3.2002 (In Rs.)
Future Stock ITC Limited	25-Apr-02	1	300	704.40
Future Stock State Bank of India Limited	25-Apr-02	11	11,000	222.70

Open Short Positions:

Series	Expiry Date	No. of Contracts	Quantity	Daily settlement price as on 28.3.2002 (In Rs.)
Future Stock Mahanagar Telephone Nigam Limited	25-Apr-02	15	24,000	149.00

25. The Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

26. Dividend remittance to non-resident shareholder:

	2001-2002 Rupees	2000-2001 Rupees
1999-2000 2 <sup>nd</sup> Interim to 1 shareholder on 400,010 shares	—	10,000,250
2000-2001 1 <sup>st</sup> Interim to 1 Shareholder on 400,010 shares	—	10,000,250
<b>Total</b>	—	<b>20,000,500</b>

27. The company is an approved intermediary under the Securities Lending- Scheme 1997 (the scheme), of Securities Exchange Board of India, for facilitating the lending and borrowing of securities. The securities borrowed under the scheme, outstanding as on the year-end are valued at Rs.196,404,477 (Previous Year Rs. Nil), out of which the securities valued at Rs.45,787,292 (Previous Year Rs. Nil) have been lent to various clients, from whom sufficient margin has been collected. The securities borrowed under the scheme and outstanding as on the year-end includes securities borrowed valued at Rs.150,617,185 (Previous Year Rs. Nil) on own account.

28. Hitherto, the company was making provision for payment of brokerage relating to primary market fund mobilization on the basis of estimated payouts (to identified parties and others @ 90% of the brokerage received). During the year, the company has reviewed the above policy and accordingly has made provision for payment of such brokerage based on the past trend of actual payouts. This change in the policy has resulted in brokerage expenses being lower by Rs.13,149,756 and correspondingly the profit for the year being higher by Rs. 13,149,756.

29. Balance Sheet abstract and Company's General Business Profile:

(a) Registration Details		
Registration Number	:	134051
State Code	:	11
Balance Sheet Date	:	31-03-2002

**Amount in Rs. Thousands**

(b) Capital raised during the period		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
(c) Position of Mobilization and Deployment of Funds		
Total Liabilities	:	1,712,917
Total Assets	:	1,712,917
Source of Funds		
Paid-up Capital	:	16,000
Reserves & Surplus	:	818,428
Secured Loans	:	118,100
Unsecured Loans	:	760,389
Application of Funds		
Net Fixed Assets	:	106,001
Investments	:	30,500
Net Current Assets	:	1,579,723
Deferred Tax	:	(3,472)
Miscellaneous Expenditure	:	165
Accumulated Losses	:	Nil



**SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

<b>(d) Performance of Company</b>		<b>Amount in Thousands</b>
Turnover	:	760,997
Total Expenditure	:	511,064
Profit before Tax	:	249,933
Profit after Tax	:	158,286
Earnings per share (in Rs.)	:	98.93
Dividend Rate (%)	:	Nil
<b>(e) Generic Names of Three Principal Products/Services of Company</b>		
Item Code No.	:	N.A.
Product Description	:	Broking

30. Figures for the Previous Year have been regrouped wherever necessary to conform to current year's classification.

**For and on behalf of the Board of Directors**

**RUPAL TALATI**  
 Company Secretary

**UDAY KOTAK**  
 Chairman

**NARAYAN S.A.**  
 Director

Mumbai, 8th July 2002



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002**

	2001-02 Rupees	2000-01 Rupees
<b>A. Cash flows from operating activities:</b>		
Net profit before taxation but after exceptional /extraordinary items	249,932,671	421,015,214
Adjustment for		
Depreciation	31,862,489	21,789,525
Interest on and Other Finance charges	45,877,224	54,411,735
Interest Income	(143,164,851)	(124,297,294)
Operating Interest Income	105,208,365	101,042,645
Dividend Income	(3,619,782)	(3,161,462)
Dividend Income on stock in trade	1,969,742	194,750
(Profit)/Loss on fixed assets sold (net)	982	(114,413)
Loss on sale of investments (net)	475,574	4,792,257
Preliminary expenses written off	54,856	54,856
Provision for diminution in value of current investments	—	3,500
<b>Operating profit before working capital changes</b>	288,597,270	475,731,313
Adjustments for changes in working capital :		
- Trade and other receivable	207,586,709	3,281,057,004
- Inventories	3,673,406	27,128,084
- Trade and other payable	(1,055,017,314)	(2,644,420,056)
<b>Cash generated from operations</b>	(555,159,929)	1,139,496,345
- Taxes paid (net of tax deducted at source)	(107,824,366)	(160,924,713)
<b>Net cash from operating activities</b>	(662,984,295)	978,571,632
<b>B. Cash flows from investing activities:</b>		
Purchase of fixed assets	(29,435,266)	(58,478,799)
Proceeds from sale of fixed assets	2,080,976	1,455,907
Proceeds/(Purchases) from sale of investment (net)	372,699,922	(362,257,957)
Proceeds from sale of investments in subsidiary	4,801,194	—
Interest received	34,723,890	16,974,059
Dividends received	1,650,040	2,966,712
<b>Net cash used in investing activities</b>	386,520,756	(399,340,078)
<b>C. Cash flows from financing activities:</b>		
Proceeds/(Repayments) from/of borrowings (net)	672,699,936	(281,365,683)
Interest and Other Finance charges paid	(42,888,890)	(56,819,835)
Dividend Paid	—	(80,000,000)
Dividend Tax Paid	—	(13,200,000)
<b>Net cash from financing activities</b>	629,811,046	(431,385,518)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	353,347,507	147,846,036
<b>Cash and cash equivalents as at 31.03.2001 (31.3.2000)</b>	435,810,243	287,964,207
<b>Cash and cash equivalents as at 31.03.2002 (31.3.2001)</b>	789,157,750	435,810,243
<b>Cash and cash equivalents comprise of</b>		
Cash and cheques in hand	275,729	1,915,008
Balances with scheduled banks	788,882,021	433,895,235
	789,157,750	435,810,243

**Notes :**

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard- 3 issued by the Institute of Chartered Accountants of India.
- Balance with scheduled banks include fixed deposits of Rs. 487,375,000 (Previous Year Rs. 190,000,000) which is under lien of the National Securities Clearing Corporation Limited Rs. 126,375,000 (Previous Year Rs. 108,125,000) which is under lien of The Stock Exchange, Mumbai and Rs. 83,388 (Previous Year Rs. 6117,799) as collateral towards lifting of shares of rectification from custodians.
- The proceeds of sale of investment in Komaf Securities (A Company with Unlimited Liability), a subsidiary company, Rs. 4,801,194 has been received on 23<sup>rd</sup> March, 2002.

For and on behalf on the Board of Directors

UDAY KOTAK      NARAYAN S.A.  
Chairman      Director

**AUDITORS' CERTIFICATE**

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Kotak Securities Limited (formerly Kotak Securities (A Company with Unlimited Liability)) for the year ended 31<sup>st</sup> March, 2002 reported upon by us on 8<sup>th</sup> July, 2002. According to the information and explanations given and read together with notes thereon, the aforesaid Cash Flow Statement has been prepared in consonance with the requirements of the Accounting Standard – 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and the reallocations required for the purposes are as made by the Company.

For and on behalf of Lovelock & Lewes  
Chartered Accountants  
THOMAS MATHEW  
(Partner)

Mumbai, 8th July 2002