

Kotak Mahindra Asset Management Company Limited



Annual Report 2016-17

**CHANGING
WITH INDIA.
FOR INDIA.**



DIRECTORS' REPORT

To The Members of,

Kotak Mahindra Asset Management Company Limited

Your Directors present their Twenty Third Annual Report together with the Audited Financial Statement of the Company for the financial year ended 31st March, 2017.

1. FINANCIAL HIGHLIGHTS

Particulars	Rupees in Lacs	
	Year ended 31st March 2017	Year ended 31st March 2016
Gross income	29,124	23,996
Profit before Depreciation and Tax	6,645	7,890
Depreciation	786	696
Profit before Tax	5,860	7,194
Profit after Tax	3,823	5,933
Balance of Profit from previous years	6,389	543
Amount available for appropriation	10,213	6,476
Appropriations		
Dividend on Preference Shares	-	72
Corporate Dividend Tax thereon	-	15
Surplus carried forward to the Balance Sheet	10,213	6,389

2. DIVIDEND

Your Directors recommend a dividend on the preference shares at the coupon rate i.e. 8.50% for the financial year ended 31st March 2017.

Your Directors do not recommend any dividend on equity shares.

3. SHARE CAPITAL

The Issued, subscribed and paid share capital of the Company is Rs. 38,30,00,000/- divided into 2,98,00,00 Equity Shares of Rs.10/- each aggregating to Rs. 29,80,00,000/- and 85,00,000 Preference shares of Rs. 10/- each aggregating to Rs. 8,50,00,000/-

There was no change in the Capital Structure of the Company during the year.

4. REVIEW OF OPERATIONS OF THE COMPANY:

Your Company is a wholly - owned subsidiary of Kotak Mahindra Bank Limited (KMBL) and is the Asset Manager for Kotak Mahindra Mutual Fund (KMMF) which is a trust set up under the provisions of The Indian Trusts Act, 1882.

FY 17 witnessed impressive growth for the Mutual Fund Industry, in terms of Assets under Management (AUM). The Mutual Fund Industry Quarterly Average Assets Under Management (QAAUM) grew by 35% to Rs.18.35 lac crs in March 2017 against Rs.13.59 lac crs in March 2016. Kotak Mahindra Mutual Fund (KMMF) witnessed QAAUM increase of 58% at Rs.92,440 crs for March 2017 against Rs.58,731 crs for the corresponding period ended March 2016. KMMF was one of the fastest growing AMCs in the industry in FY 17 across asset classes. This resulted in a AUM market share of 4.68%, in FY 17 compared to 4.16% in FY 16.

KMMF's total number of live non-gold fund SIPs increased significantly by 113% this financial year and stood at around Rs.3.96 lacs.

There has been a significant growth in the portfolio management activity during the year. The Company ended the year with a AUM of Rs. 1400 crs against Rs. 140 crs in March 16.

The AAUM of the Company for FY 17 was 77091 crs against Rs.54746 crs in FY 16, a growth of 40%. Consequently the overall revenue from operations grew by 20% to Rs.286.11 crs from Rs.238.49 crs. The overall costs grew to Rs.232.64 crs in FY 17 against Rs.168.01 crs in FY 16, a growth of 38%. The main reason for the increase was the substantive increase in business promotion expenses which grew by 58%. Hence, the overall profit before tax has dropped by 19% to Rs.58.6 crs compared to Rs.71.94 crs in the prior year.

New schemes launched:

- One capital protection oriented series was launched and garnered a total of Rs. 60.65 crs during the NFO period
- Six Fixed Maturity Plans (FMPs) were launched which collected Rs. 1043.60 crs during their NFO periods.

Digitization initiatives:

- Account opening – i) For making the ease of opening mutual fund accounts, created an online self-service model with which customers can open mutual fund accounts to invest in lumpsum and SIP modes. ii) For customers who may not want to make an immediate investment but invest subsequently, there is a provision to make them investment - ready by opening a zero balance account.
- Quick Invest – Mobile number/Folio Number based transaction facility for existing investors to make the transaction experience faster.
- Easy Login – Simplified the process of login access creation for investors to give them a hassle- free experience to adopt digital transactions.
- Go Digital – Created knowledge partnership with a software solution provider to help distribution partners to create their digital infrastructure to facilitate business penetration.

Market influences:

Equity Market Overview:

FY17 was an eventful year to say the least. The events of FY17 have been of great importance both from a domestic as well as a global market standpoint. Some of these events include the passage of the Goods and Services Tax Act (GST) in India, Britain voting in favour of Brexit, the demonetization drive of the Indian Government to combat black money and corruption, the election of Donald Trump as the new US President, the appointment of Dr. Urjit Patel as the new RBI Governor, the appointment of a new Monetary Policy Committee (MPC) in India for the formulation of monetary policy and the US Federal Reserve hiking rates in Dec '16. Despite all these events, the markets marched ahead confidently. In FY17, the large cap Nifty Index ended the year up 18.5% while the Nifty Midcap Index was up 34.9%.

The year got off to a shaky start on the back of global worries but saw a gradual recovery with an improving economic outlook, implementation of 7th Central Pay Commission (CPC) recommendations, better rural economic outlook as rainfall was better than average in most parts of India and an improving liquidity scenario, resulting in lower cost of funds. The corporate earnings cycle in India which was witnessing successive downgrades saw some recovery in the July-Sept 2016 quarter with the reduction in the pace of earnings downgrades.

With the demonetization drive of the Government, there was a minor bump in the road to recovery for corporate India. Demonetization impacted various sectors of the economy; however, the adverse impact, in general, was short-lived as it was felt mainly in November and December 2016. The impact moderated significantly in January and dissipated by and large by mid-February 2017, reflecting an accelerated pace of remonetisation. More importantly, the organized sector remained largely resilient with much of the impact limited to the unorganized sector. This is a trend which we believe will continue with further shift away from the unorganized to the organized sector accentuated by Goods and Services Tax Act (GST).

Post Demonetization, there has also been a pick-up of savings in financial assets away from physical assets. This we believe would be a structural trend going forward given that investments in real estate and gold do not hold significant promise anymore. One point to note is that while financial savings as a percentage of GDP stood at 7.7%, deposits constituted 41% of the total and equity and debentures constituted only 6% of the total, leaving significant room for further investments in to the equity markets.

The large cap Nifty Index is currently trading at 18x FY18E EPS and 15.4x FY19E EPS (on a free float basis). While valuations do not appear to be cheap, the expectations of a significantly better year for corporate earnings is what is supporting the markets and could lead to further re-rating. Volatility in the market can never be ruled out and there would be many such event specific volatile periods in FY18 coinciding with US Fed action, corporate earnings etc. However, with a structural shift towards financial savings, it is likely that flows into equity markets remain strong further supporting the positive outlook.

Debt Market Overview

FY 17 started on an optimistic note. The ruling government's agenda of fiscal consolidation bore fruit and the fiscal deficit was contained at 3.5%, to the pleasant surprise of markets. This gave RBI the leeway to adjust its liquidity stance to 'surplus' and back it up with two rate cuts (aggregating to 50bps rate cut) during the fiscal year. The economy was spurred by good monsoons and inflation showed a secularly downward trend throughout the year.

FY17 was the year of emerging market economies and India was a favoured entity in the Emerging markets space. Massive FII inflows stand witness to India's improved perception among global investors. We expect this positive perception to continue in the coming year and benefit the economy. We saw new instruments like Uday bonds, masala bonds and higher uptake of perpetual bonds. This clearly indicates that investors are becoming more receptive to newer investment avenues/instruments.

Just as every yang is accompanied with yin, bond markets experienced pockets of uncertainty during the year. At the beginning of the year, the yields that had spiked from Nov 2015 – Feb 2016 due to the fear that Uday bonds could flood the market with duration supply, cooled off significantly as the supply was well taken by the large investors. During the second half of the year, demonetization shocked the markets with gilt yields almost crashing by 30-40bps. The downward trend abruptly reversed with RBI's change of policy stance from accommodative to neutral in its February policy announcement. Lastly, banking sector was worrisome with its constantly climbing NPA numbers and will have to be watched closely in the coming year.

Scheme Performance:

The snapshot of the performance for FY 16 is as under:

Equity Schemes	Benchmark	FY 17 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak 50	Nifty 50	18.69	18.55	0.14
Kotak Balance	CRISIL Balanced Fund - Aggressive Index	23.26	16.1	7.14
Kotak Classic Equity	Nifty 100	23.97	20.87	3.1
Kotak Emerging Equity Scheme	S&P BSE Mid Small Cap	39.56	35.14	4.42
Kotak Equity Arbitrage Fund	Nifty 50 Arbitrage Index	6.31	6.07	0.24
Kotak Midcap Fund	Nifty Free Float Midcap 100	33.7	34.85	-1.15
Kotak Opportunities Fund	Nifty 500	30.62	23.91	6.71
Kotak Select Focus Fund	Nifty 200	29.69	22.32	7.37
Kotak Taxsaver	Nifty 500	29.78	23.91	5.87
Kotak Equity Savings Fund	75% Nifty 50% Arbitrage Index and 25% Nifty 50	11.10	13.89	-2.79
Kotak Infrastructure and Economic Reform Fund	S&P BSE 100	30.69	21.17	9.52

Equity Schemes	Benchmark	FY 17 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak Banking and PSU Debt Fund - Reg - Growth	Crisil Short Term Bond Fund Index	9.3	9.1	0.2
Kotak Bond Scheme - Reg - Growth	Crisil Composite Bond Fund Index	10.1	11.09	-0.99
Kotak Bond Short Term Plan - Reg - Growth	Crisil Short Term Bond Fund Index	9.08	9.1	-0.02
Kotak Flexi Debt Scheme - Reg - Growth	Crisil Composite Bond Fund Index	11.2	11.09	0.11
Kotak Floater - ST - Reg - Growth	Crisil Liquid Fund Index	7.31	7.11	0.2
Kotak Gilt - Investment Regular Plan - Growth	I-Sec Composite Index	11.53	10.91	0.62
Kotak Income Opportunities Fund - Reg - Growth	Crisil Short Term Bond Fund Index	10	9.1	0.9
Kotak Liquid Scheme - Reg - Growth	Crisil Liquid Fund Index	7.21	7.11	0.1
Kotak Treasury Advantage Fund - Reg - Growth	Crisil Liquid Fund Index	7.84	7.11	0.73
Kotak Medium Term Fund – Reg- Growth	Crisil Composite Bond Fund Index	10.29	11.09	-0.80
Kotak Corporate Bond Fund Reg – Growth	Crisil Composite Bond Fund Index	9.09	11.09	-2.00
Kotak Low Duration Fund – Reg - Growth	Crisil Liquid Fund Index	8.83	7.11	1.72
Kotak Monthly Income Plan	Crisil MIP Blended Index	15.11	12.30	2.81

Awards:

During the year under review your Company has won ETF Manager of the Year India award from Asia Asset Management ETF & Indexing Awards 2017.

Investor Awareness Programme:

Kotak Mahindra Asset Management Company Limited has been conducting many investor awareness programme throughout India. The AMC is making its efforts to educate and make prospective investors aware about Mutual Funds. During FY 17, close to 350 awareness programme were conducted across India and approximately 18,700 investors had attended these programme. Further, various booklets, leaflets, newsletters explaining the concepts of Mutual Funds were presented and distributed during the various investor meets with the aim to educate investors.

Infographics for explaining various concepts related to mutual funds were also developed to reach out to investors better and helping them in breaking common myths which could help in taking sound investment decisions.

Further, in an attempt to continue investor awareness initiative, Kotak Mahindra Mutual Fund has successfully conducted a SIP event, “SIPDay”, an initiative with ETNow. “SIPDay” was held on 26th August, 2016 at Bombay Stock Exchange (BSE), Mumbai. Through various panel discussions & engagement activities, SIP Day aimed to shed light on investing in Mutual Funds and elucidate the benefits of the same. This is a first of its kind initiative to promote and encourage investors from different backgrounds and age brackets about the benefits of investing early, investing for the long run and simultaneously mentioning about the perils of not investing at all.

Also, to instill the habit of savings early in life, KMAMC collaborated with the National Institute of Securities Markets (NISM) to target high school students under a specially designed unique “Financial Literacy Certification Program”. This collaboration envisages conducting this programme in schools across the country with a special focus on districts adopted by KMAMC under the District Adoption Programme (DAP). We have covered 12 schools and over 650 students under this initiative.

5. SUBSIDIARY

Kotak Mahindra Pension Fund Limited (KMPFL), a subsidiary of Kotak Mahindra Asset Management Co. Ltd (KMAMC) was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), on April 30, 2009. The initial license was for a period of 3years. Various term extensions were granted by PFRDA for this arrangement of management of Pension Funds.

On September 17, 2016, PFRDA issued a fresh Request for Proposal (RFP) for selection of Pension Funds for NPS Private Sector Schemes in conjunction with PFRDA (Pension Fund) Regulations, 2015. It called for bids afresh with applications from the sponsors and allowed differential

pricing by PFMs with a cap on investment management fee at 0.10 percent per annum. The Current RFP gave Kotak Mahindra Bank Ltd (the Bank) an opportunity to apply as a sponsor, since Kotak Mahindra Asset Management Co. Ltd (KMAMC) is its subsidiary.

An application was made by the Bank to PFRDA on October 17, 2016 as a standalone sponsor for managing NPS assets and to directly hold Kotak Mahindra Pension Fund Ltd (KMPFL) as a subsidiary rather than the current indirect mode via KMAMC. As per the current RFP, the net worth of KMPFL should be minimum of Rs. 50 crs. The Bank acting as a sponsor would be in a position to infuse the additional net worth requirement.

PFRDA intimated the Bank vide letter dated November 29, 2016 of the commercial bid opening on November 30, 2016, implying that the Bank had cleared the stages of Minimum Eligibility criteria and technical evaluation. The commercial bid of all the eligible nine sponsors were opened on November 30, 2016, in the presence of all the qualifying participants. The bids were ranked from L1 to L9 (the Bank ranked at L5 @0.0895% p.a. on Assets Under Management), based on the price (Investment Management Fee) quoted in the commercial proposal. PFRDA is yet to formally intimate the sponsor, which would require the Bank to submit acceptance of the terms and complete the requisite formalities.

KMAMC would continue to act as the sponsor of KMPFL till the completion of the said RFP process.

Kotak Mahindra Pension Fund Ltd manages nine schemes including a new asset class "A" (for Alternate investments) which has been introduced for Private Sector NPS Subscribers on November 11, 2016 in addition to the existing asset classes i.e. Equity (E), Corporate Bond (C) and Government Debt (G). The combined assets under management (AUM) on March 31, 2017 were Rs. 312.05 Crores (Rs. 172.69 Crores as of March 31, 2016) a growth of 80.70%. The overall pension fund industry AUM (including the private and public sector) has grown from Rs. 118,810.18 Crores as on March 31, 2016 to Rs. 174,560.95 Crores as on March 31, 2017, a growth of 46.92% and the private sector industry AUM has grown from Rs. 1,361.27 Crores as on March 31, 2016 to Rs. 3,085.47 Crores as on March 31, 2017, a growth of 126.66%.

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. Uday Kotak (DIN 00007467) would retire by rotation at the Twenty Third Annual General Meeting (AGM) and, being eligible, has offered himself for re-appointment.

The Board of Directors recommends re-appointment of Mr. Uday Kotak (DIN 00007467), Director at the ensuing AGM.

Directors appointed during the year

Mr. Sanjiv Malhotra was appointed as an Independent Director at the Extraordinary General Meeting held on December 26, 2016 for a period of 5 consecutive years from date of the meeting.

Demise of Director

The Board regretfully reports the sudden and sad demise of Mr. Pranab Kumar Datta. The Board further expresses heartfelt condolences for his untimely demise and wishes to put on record its sincere and deep appreciation for the valuable contribution made by him during his tenure as member of the Board.

Board Evaluation

A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for the year 2016 - 17. The evaluation was done using individual questionnaires covering various aspect of performance including composition, relationship among Directors, director competency, contribution to risk management compliance roles and responsibilities, board procedures, processes, functioning and effectiveness.

As part of the evaluation process, the performance of non-independent Directors, the Chairman and the Board was done by the independent Directors. The performance evaluation of the respective Committees and that of independent and non-independent Directors was done by the Board excluding the Director being evaluated. Based on the Board evaluation summary, the Directors were satisfied with the results of the performance evaluation of the Board and its Committees, Chairman and individual Directors.

Key Managerial Personnel (KMPs)

In terms of the provisions of Section 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment of Remuneration of Managerial Personnel) Rules, 2014 Mr. Nilesh Shah – Managing Director, Mr. Krishnan Ramchandran – Chief Financial Officer (CFO) and Ms. Jolly Bhatt – Company Secretary, are the Key Managerial Personnel of the Company.

Appointment and Remuneration Policy for Directors and Key Managerial Personnel

The Nomination and Remuneration Committee of the Board of Directors of the Company has formulated criteria for appointment of Key Managerial Personnel and Senior Management personnel and all other employees. Based on the criteria set it recommends to the Board the appointment of Key Managerial Personnel and Senior Management personnel. The Committee considers the qualifications, positive attributes as per the suitability of the role and independent status as may be required of the nominee before such appointment.

The Board has adopted a Remuneration Policy for Managerial Personnel and Senior Management personnel and all other employees. The policy is in line with the Compensation Policy of Kotak Mahindra Bank Ltd., its holding company, which is based on the Guidelines issued by the Reserve Bank of India. The salient features of the Remuneration Policy are as follows:

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Company. Employees classified into 3 groups:
 - o Key Managerial Personnel
 - o Senior Management i.e. personnel of the company who are members of its core management team, excluding the Board of Directors, comprising all members of management one level below the executive directors, including the functional heads
 - o All other employees
- Compensation structure broadly divided into Fixed, Variable and ESOPs
 - o Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
 - o Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes – Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
 - o Cash – this will be Annual
 - o Stock Appreciation Rights (SARs) : These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time.
 - o ESOPs – Employee Stock Options (ESOP) of Kotak Mahindra Bank Ltd granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.
- The criteria for payment of commission to Independent Directors have been included in the Remuneration Policy

Approval of the shareholders for payment of profit based commission to Independent Directors and Non-Executive Director (i.e. directors who are not in employment of Kotak Bank or its subsidiaries) of the Company for FY 17 is being sought at the ensuing Annual General Meeting of the Company.

Remuneration to KMPs, are as per the terms of their employment.

7. NUMBER OF BOARD MEETINGS

Board Meetings

During the financial year ended 31st March 2017, 6 meetings of the Board of Directors were held.

Declaration from Independent Directors

The Board has received declarations from all Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that all the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act.

8. COMMITTEES

(A) AUDIT COMMITTEE

In terms of the requirement of Section 177 of Companies Act, 2013, the Audit Committee presently consists of Mr. Sukant Kelkar – Chairman, Mr. C. Jayaram and Mr. Nalin Shah with any two members forming the quorum.

During the financial year ended 31st March 2017, 6 meetings of Committee were held. There were no cases where recommendations of the Audit Committee were not accepted by the Board of Directors of your Company.

(B) NOMINATION AND REMUNERATION COMMITTEE

In terms of the requirement of Section 178 of Companies Act, 2013, the Nomination and Remuneration Committee presently consists of Mr. Sukant Kelkar – Chairman, Mr. Bipin R. Shah, Mr. C. Jayaram and Mr. Gaurang Shah with any two members forming the quorum.

During the financial year ended 31st March 2017, 3 meetings of Committee were held.

(C) CSR COMMITTEE

The CSR Committee was reconstituted on October 26, 2016. In terms of the requirement of Section 135 of the Companies Act, 2013, the Corporate Social Responsibility Committee monitors, reviews, approves CSR initiatives and expenditure and makes recommendations to the Board on CSR policy and related matters. The CSR Committee presently comprises of Mr. Sukant Kelkar – Chairman, Mr. C. Jayaram and Mr. Gaurang Shah with any two members forming the quorum.

During the financial year ended 31st March 2017, 1 meeting of Committee was held. During the period under review, to include mid-day meals programs and sports related activities, the company revised the scope of Corporate Social Responsibility Policy.

9. AUDITORS

Your Company's Auditors M/s. S. R. Batliboi and Associates, LLP, Mumbai, Chartered Accountants, retire at the Twenty Third Annual General Meeting. M/s. S. R. Batliboi and Associates, LLP, Mumbai, Chartered Accountants, have consented to act as Auditors of the Company and are eligible for reappointment. You are requested to re-appoint them for the FY 2017-18 and fix their remuneration.

10. INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that there are internal financial controls with reference to financial statements in place with reference to the Financial Statements and that such controls are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

11. RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business.

Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions as required under Accounting Standard 18 are reported in Notes to Financial Statement.

12. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year the Company has not given any loans, guarantees or made investments which attract the provisions of Section 186 of Companies Act, 2013.

13. WHISTLE BLOWER POLICY

Your Company has also put in place the Whistle Blower Policy to raise concerns internally and to disclose information, which the individual believes shows malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any Indian law.

14. CORPORATE SOCIAL RESPONSIBILITY

Your Company has constituted a Corporate Social Responsibility (CSR) Committee and consists of the following Directors at present:

- Mr. Sukant Kelkar – Chairman (Independent Director)
- Mr. C. Jayaram
- Mr. Gaurang Shah

Your Company has a Board approved CSR policy, charting out its CSR approach. This policy articulates the Company's aim to positively contribute towards economic, environmental and social well-being of communities through its Corporate Social Responsibility agenda. The Company's CSR agenda is driven by its key focus areas:

- Promoting education- primary focus area
- Enhancing vocational skills and livelihood
- Promoting preventive healthcare and sanitation
- Reducing inequalities faced by socially and economically backward groups
- Sustainable development
- Relief and rehabilitation
- Clean India
- Sports

The CSR policy is available on the Company's website viz. www.assetmanagement.kotak.com.

Pursuant to the provisions of Section 135, Schedule VII of the Companies Act 2013 (the Act), read with the Companies (Corporate Social Responsibility) Rules, 2014 the report of the expenditure on CSR by the Company is as under.

The average net profit of the Company U/S 198 of the Act , for the last three financial years preceding March 31, 2017 is Rs. 25.93 crore.

The prescribed CSR expenditure required U/S 135 of the Act for FY 2016-17 is Rs. 51.85 lac.

The CSR expenditure incurred for the period 1st April 2016 to 31st March 2017 under Section 135 of Companies Act, 2013 amounts to Rs. 10 lac as against Rs.2 lac CSR spent in the financial year 2015-16.

CSR expenditure of Rs. 10 lac in FY 2016-17 as a percentage of average net profit of the Company U/S 198 of the Act was at Rs. 25.93 crs is 0.39%

Your Company has been spending on CSR focused themes and programmes, which have been approved by the Board CSR Committee and the Board. The CSR spending is guided by the vision of creating long-term benefit to the society. Your Company is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company. In FY 2014-15, Company's CSR spend was Rs. 5 lac, in FY 2015-16 it was Rs. 2 lacs . In the reporting period, FY 2016-17, the CSR expenditure has been increased to Rs. 10 Lakh.

15. Risk Management

SEBI circular MFID/CIR/15/19133/2002 dated September 30, 2002 governs Mutual Funds on Risk Management. The said circular details guidelines in the areas of Fund Management, Operations, Customer Service, Marketing and Distribution and other business risks. These practices are being audited by the Internal Auditors and the audit report on risk management is presented to the Boards of the Kotak Mahindra Asset Management Company Ltd and Kotak Mahindra Trustee Company Limited, every six months. Over and above this, SEBI has mandated a system audit for mutual funds to be conducted once every two years, by an independent auditor. The same has been implemented by your Company.

Risk Management function is operational at two levels. The first level is an integral part of the concerned functions like Fund Management, Information Technology, Operations and Treasury; while the internal operational and regulatory functions like the investment positions are managed at a floor level.

The risks in Fund Management are managed by Investment Committee which is appointed by the Board and is responsible for monitoring the credit and interest rate risks, whereas, the Risk Management Committee oversees the operational risk function.

Your Company has robust risk management policy and practices in all the above related areas of functioning to check the adequacy of risk management systems.

Liquidity Management

RBI in its Circular No. DBOD.BP.NO.56/21.04.098/2012-13 dated November 7, 2012 had stipulated that Banks need to put in place a framework for monitoring institution-wide Liquidity risk and for overseeing operating subsidiaries and foreign branches. Further, the RBI, in its Annual Financial Inspection Report has directed the Bank to implement a Group wide Liquidity Risk management framework.

Based on the above, Kotak Mahindra Bank Ltd and its group companies have adopted a Liquidity Risk Management Policy. The Board of Directors have adopted Liquidity Risk Management Policy which is line with the Kotak Bank Policy.

The Company invests its surplus funds in the Liquid Schemes of the Kotak Mahindra Mutual Fund. The Company's surplus funds were invested by the authorized personnel of the Company, as per the mandate of the Board of Directors. The Company also has Manual of Policies and Procedures for expenditure management (including capital and revenue). All expenses during the year were in accordance with the policy. Additionally, the Company has invested in the growth option of all its open ended schemes in accordance with the guidelines as specified under SEBI (Mutual Funds) Regulations, 1996.

16. EMPLOYEES

The employee strength of your Company was 344 as of 31st March 2017.

As required by the Sexual Harrassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has formulated a Policy on Sexual Harrassment of Women at Workplace (Prevention, Prohibition & Redressal). No such instances were reported during the year.

In accordance with the provisions of Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees are set out in the annexure to the Directors' Report. In terms of the Proviso to Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent excluding the aforesaid annexure. The annexure is available for inspection at the Registered Office of your Company during the business hours on working days.

17. DEPOSITS

Your Company neither invited nor accepted any deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014 during the year. Also, there are no deposits due and outstanding as on 31st March 2017.

18. CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since, the company not undertake any manufacturing facility, the provisions pertaining to Section 134(3) (m) of the Companies Act, 2013 regarding conservation of energy and technological absorption are not applicable to the Company.

During the financial year ended 31st March 2017 the Company's foreign exchange income during the year under review were Rs. 2.59 crs (Previous year Rs. 2.67 crs), while the outgo was Rs.1.40 crs (Previous year Rs. 0.13crs).

19. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

As per 134(3) (l) of the Companies Act, 2013, there have been no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

20. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS/ COURTS/ TRIBUNAL

There have been no orders passed by the Regulators / Courts/Tribunal, which would impact the going concern status of your Company and its future operations, during the financial year.

21. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from management, confirms in pursuance of Section 134(5) of the Companies Act, 2013, that:

- i. Your Company has, in the preparation of the annual financial statements for the financial year ended March 31, 2017, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2017 and of the Profit of your Company for the financial year ended March 31, 2017;
- iii. The Directors had 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 your Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the annual financial statements on a going concern basis; and
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ANNEXURES

Following statements/documents/reports are set out as Annexures to the Directors' Report:

- (a) Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of Companies (Management & Administration) Rules, 2014. (Annexure – A).
- (b) Report on CSR activities pursuant to the provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – B)

ACKNOWLEDGEMENT

The Board would like to place on record their gratitude for the valuable guidance received from the Government of India, Securities and Exchange Board of India, Reserve Bank of India, Association of Mutual Funds of India and other Government and Regulatory agencies, investors in the mutual fund schemes and to the shareholders for their continued support extended to your Company. The Board expresses its sincere appreciation to all the employees for the commendable teamwork, outstanding performance, enthusiastic contribution and dedication of your Company's employees at all levels.

The Directors also express their gratitude for the unstinted support and guidance received from Kotak Bank and other group companies.

For and on behalf of the Board of Directors

UDAY KOTAK
(DIN 00007467)
CHAIRMAN

Mumbai
Dated: April 22, 2017

ANNEXURE "A" FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

1.	CIN	U65991MH1994PLC080009
2.	Registration Date	August 2, 1994
3.	Name of the Company	Kotak Mahindra Asset Management Company Limited
4.	Category/Sub-Category of the Company	Public Company limited by shares
5.	Address of the Registered office and contact details	27 BKC, Plot No. C - 27, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051, Maharashtra, INDIA Tel No. : (022) 66056825 Fax No.: (022) 67082213
6.	Whether listed Company (Yes/No)	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Management of Mutual Funds	66301	94.34%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1	Kotak Mahindra Bank Limited Address: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051	L65110MH1985PLC038137	Holding Company	100%	2(46)
1	Kotak Mahindra Pension Fund Limited Address: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051	U67200MH2009PLC191144	Subsidiary Company	95.71	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) *Category-wise Share Holding –*

Kotak Mahindra Asset Management Company is 100 % subsidiary of Kotak Mahindra Bank Ltd.

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Dmat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (1):-	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2)	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-

ii) *Shareholding of Promoters*

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	Pledged / encumbered to total shares	
1.	Kotak Mahindra Bank Limited and its nominees	2,98,00,000	100	-	2,98,00,000	100	-	-
	Total	2,98,00,000	100	-	2,98,00,000	100	-	-

iii) *Change in Promoters' Shareholding*

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company*
1.	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat	-	-	-	-

iv) *Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):*

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company
-		-	-	-	-

(v) *Shareholding of Directors and Key Managerial Personnel:*

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	19	0.0001%	19	0.0001%
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	19	0.0001%	19	0.0001%

V. **INDEBTEDNESS:**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
• Addition	-	-	-	-
• Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rupees In crs)

Sr. No.	Particulars of Remuneration	Name of MD/ WTD/ Manager	Total Amount
		Mr. Nilesh Shah	
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	5.16	5.16
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.04	0.04
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others, specify...	-	-
5	Others, please specify	-	-
	Total (A)	5.20	5.20
	Ceiling as per the Act#		

Remuneration payable to Managing Director shall not exceed 11% of the net profit of the Company

B. Remuneration to other directors

(Rupees In crs)

Sl. no.	Particulars of Remuneration	Total Amount					Total Amount
		Mr. Bipin Shah	Mr. Sukant Kelkar	Mr. Nalin Shah	Mr. Sanjiv Malhotra*	Mr. P.K. Dutta^	
3.	Independent Directors						
	• Fee for attending board / committee meetings	0.028	0.042	0.022	0.012	0.012	0.116
	• Commission @	0.02	0.02	0.02	0.01	NA	0.07
	• Others, please specify						
	Total (1)	0.048	0.062	0.042	0.022	0.012	0.186
4.	Other Non-Executive Directors	Mr. Chengalath Jayaram	-	-	-	-	-
	• Fee for attending board committee meetings	0.028	-	-	-	-	-
	• Commission	0.02	-	-	-	-	0.02
	• Others, please specify-	0.028					
	Total (2)	0.048	-	-	-	-	0.048
	Total (B) = (1 + 2)	0.096	0.062	0.042	0.022	0.012	0.234
	Total Managerial Remuneration	-	-	-	-	-	-
	Overall Ceiling as per the Act#						

@ Payment of Commission is subject to approval of members at the AGM of 2016 – 2017.

#Remuneration payable shall not exceed 1% of the net profit of the Company.

^ Independent Director till July 3, 2016

*Appointed as Independent Director with effect from December 26, 2016

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(Rupees In crs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary	CEO	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.23	1.32	1.55
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.001	2.54	2.54
	(C) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-
2.	Stock Option	-	Cost included in 1(b) above (ESOP- 2.53)	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify...	-	-	-
5.	Others, please specify	-	-	-
	Total	0.23	3.86	4.09

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of The Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board of Directors

UDAY KOTAK
CHAIRMAN

ANNEXURE "B"

S I . No	CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / programme / programme was undertaken	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure from FY 2014-15 upto reporting period	Amount spent through implementing agency
1	<p>Education and Livelihood. Implemented through Kotak Education Foundation (KEF), which was set up in 2007 with a purpose to support children and youth from underprivileged families through different education based interventions and skilling programmes. KEF takes a holistic and innovative approach to helping the urban poor break free from the vicious cycle of extreme poverty and generational disadvantages.</p> <p>The 'Mid-day Meal' programme catering to approximately 4764 students from 14 partner schools, provides nutritious meal to pre-primary, 9th std and 10th std school children who are excluded from Government's mid-day-meal programme.</p> <p>KEF has partnered with 37 schools, majority of which are Located in the poorest wards of Mumbai. KEF conducts intensive training / mentoring programme for Principals, Teachers, Students and Parents for sensitisation and empowerment. It also supports the schools with infrastructure like providing Hand wash points, replacement of roofs, water storage tanks, water purifiers, doors, windows, electrification etc. It has touched 38997 beneficiaries.</p> <p>Livelihood training is provided at 5 centres spread across the poorest neighbourhoods of the city. In 2016-17, 1108 aspirants were trained and several of them were placed at an average monthly salary of Rs. 10000/-</p>	Promoting Education & Livelihood	Mumbai	1,000,000.00	848,000.00	125,000.00	Rs.17,00,000.00 (Out of this, Kotak Education Foundation has not utilised Rs.27,000/- . This will be used towards meeting expenses for FY2017-18)	10,00,000 (Implemented through the Kotak Education Foundation-KEF)
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2016-17								10,00,000.00

Sukant Kelkar
Chairman of CSR Committee

Nilesh Shah
Managing Director

Uday Kotak
Chairman

INDEPENDENT AUDITOR'S REPORT

To

The Members of

Kotak Mahindra Asset Management Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Kotak Mahindra Asset Management Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26(A) to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. As per books of accounts of the Company and as represented by the management of the Company, the Company did not have cash balance as on November 8, 2016 and December 30, 2016 and has no cash dealings during this period.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

Mumbai
22 April 2017

per Viren H. Mehta

Partner

Membership Number: 048749

ANNEXURE A INDEPENDENT AUDITOR'S REPORT

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Kotak Mahindra Asset Management Company Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the company and accordingly, the requirements under paragraph 3(i) (c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- ((iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
- (viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.
- (ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud on or by the officers and employees of the Company has been noticed or reported during the year.

- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

Mumbai
22 April 2017

per Viren H. Mehta

Partner

Membership Number: 048749

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Kotak Mahindra Asset Management Company Limited

We have audited the internal financial controls over financial reporting of Kotak Mahindra Asset Management Company Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Mumbai
22 April 2017

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

BALANCE SHEET

AS AT 31ST MARCH, 2017

	Notes	As at 31st March, 2017 Rupees in Lacs	As at 31st March, 2016 Rupees in Lacs
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
(a) Share Capital	3	3,830.00	3,830.00
(b) Reserves and Surplus	4	11,801.95	7,978.60
Total		15,631.95	11,808.60
2. Non-current liabilities			
(a) Other Long-term Liabilities	5	202.82	195.52
(b) Long-term provisions	6	634.84	614.57
Total		837.66	810.09
3. Current liabilities			
(a) Trade payables	7	2,483.72	1,171.38
(b) Other current liabilities	8	1,485.89	601.34
(c) Short-term provisions	9	1,399.24	878.36
Total		5,368.85	2,651.08
Grand Total		21,838.46	15,269.77
II. ASSETS			
1. Non-current assets			
(a) Fixed Assets	10		
(i) Tangible assets		627.59	564.08
(ii) Intangible assets		1,275.00	1,494.99
(b) Non-current Investments	11	4,337.52	4,337.52
(c) Deferred Tax Assets (net)	12	404.03	324.05
(d) Long term Loans & Advances	13	115.48	106.02
(e) Other Non-current Assets	14	2,456.96	3,391.85
Total		9,216.58	10,218.51
2. Current assets			
(a) Current Investments	15	8,262.31	703.78
(a) Trade Receivables	16	2,860.98	2,145.42
(b) Cash & Bank Balance	17	15.79	125.17
(c) Short-term Loans & Advances	18	215.45	609.72
(d) Other Current Assets	19	1,267.35	1,467.17
Total		12,621.88	5,051.26
Grand Total		21,838.46	15,269.77
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP

Firm Registration. No. 301003E/E300005

Chartered Accountants

per Viren H. Mehta

Partner

Membership No.:048749

Mumbai

Dated: April 22, 2017

For and on behalf of the Board of Directors of

Kotak Mahindra Asset Management Company Limited

Managing Director

Director

Chief Financial Officer

Company Secretary

STATEMENT OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Year ended	Year ended
		31st March, 2017	31st March, 2016
		Rupees in Lacs	Rupees in Lacs
Income			
Revenue from Operations	20	28,611.58	23,849.23
Other income	21	512.67	146.31
Total Income		29,124.25	23,995.54
Expenses			
Employee benefits expense	22	6,385.88	5,393.74
Finance costs	23	10.57	144.13
Depreciation and amortization	10	785.65	696.09
Other expenses	24	16,082.45	10,567.20
Total Expenses		23,264.55	16,801.16
Profit before tax		5,859.70	7,194.38
Tax expenses			
Current Tax		(2,094.73)	(1,538.26)
Mat Credit Entitlement		-	305.26
Deferred Tax		79.98	(25.22)
Adjustment of income tax relating to earlier periods		(21.60)	(3.12)
Profit for the year		3,823.35	5,933.04
Earnings per equity share [nominal value of share Rs.10 (31st March 2016: Rs.10)]	25		
Basic and Diluted		12.83	19.62
Summary of significant accounting Policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP

Firm Registration. No. 301003E/E300005

Chartered Accountants

per Viren H. Mehta

Partner

Membership No.:048749

Mumbai

Dated: April 22, 2017

For and on behalf of the Board of Directors of

Kotak Mahindra Asset Management Company Limited

Managing Director

Chief Financial Officer

Director

Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2017

	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
	Rupees in Lacs	Rupees in Lacs
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extraordinary items	5,859.70	7,194.38
Add / (Less) Adjustments for:		
Depreciation	785.65	696.09
(Profit) / Loss on sale of tangible asset (Net)	(14.41)	(24.85)
Provision for Gratuity, Leave Encashment & Long Service Award	51.32	(26.06)
Interest on Income tax refund	(208.04)	(91.27)
Interest Expense	-	131.35
(Profit) / Loss on Sale of Investments (Net)	(281.70)	(26.22)
Dividend	(3.55)	-
	329.27	659.04
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6,188.97	7,853.42
Movements in working capital :		
Increase/ (decrease) in other current and long term liabilities	891.85	184.70
Increase/ (decrease) in trade payables	1,312.34	112.05
Increase / (decrease) in provisions	567.71	204.40
Decrease / (increase) in trade receivables	(715.56)	(2,045.31)
Decrease / (increase) in loans and advances	384.81	827.00
Decrease / (increase) in other assets	773.18	(1,666.60)
	3,214.33	(2,383.76)
CASH GENERATED FROM OPERATIONS	9,403.30	5,469.66
Payment of Taxes (Net of refund)	(1,537.69)	(976.78)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	7,865.61	4,492.88
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets (owned)	(650.93)	(589.38)
Sale of Fixed assets (owned)	36.19	83.02
Purchase of Non-current Investments	-	(1,647.53)
Purchase of Current Investments	(27,681.00)	(7,490.00)
Sale of Current Investments	20,404.16	6,872.44
Dividend received	3.55	-
	(7,888.03)	(2,771.45)
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)	(7,888.03)	(2,771.45)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest Expense	-	(131.35)
Dividend paid on preference shares	(72.25)	(72.25)
Tax on preference dividend paid	(14.71)	(14.71)
	(86.96)	(218.31)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(86.96)	(218.31)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2017

	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
	Rupees in Lacs	Rupees in Lacs
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A + B + C)	(109.38)	1,503.12
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	125.17	(1,377.95)
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	15.79	125.17
Components of cash and cash equivalents		
With banks- on current account	15.79	125.17
Total cash and cash equivalents	15.79	125.17

2. The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements"

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP

Firm Registration. No. 301003E/E300005

Chartered Accountants

per Viren H. Mehta

Partner

Membership No.:048749

Mumbai

Dated: April 22, 2017

For and on behalf of the Board of Directors of

Kotak Mahindra Asset Management Company Limited

Managing Director

Director

Chief Financial Officer

Company Secretary

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

1. CORPORATE INFORMATION

Kotak Mahindra Asset Management Company Limited "the Company" has been appointed as the asset management company, to provide management and administrative services to the Trust (Kotak Mahindra Mutual Fund) and to deploy the funds raised by the Kotak Mahindra Mutual Fund under the Schemes.

The Company also provides portfolio management and portfolio advisory services.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter.

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

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting policies requires the Management to make judgments, estimates and assumptions which are considered in the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported income and expenses during the reporting period. Although these estimates are based upon the Management's best knowledge of current events and actions, actual results could differ from these estimates and assumptions in future period.

B. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Fees from mutual fund operations
Investment management fees are recognized net of service tax on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by SEBI guidelines), such that the total expenses, including management fees, do not exceed the rates prescribed within the provision of the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') on an annual basis.
- Fees from rendering Portfolio Advisory Services
Fees from Portfolio Advisory Services are recognized on an accrual basis in accordance with the terms of agreement.
- Fees from rendering Portfolio Management Services
Fees from Portfolio Management Services are recognized net of service tax on an accrual basis in accordance with the terms of agreement between the Company and the respective clients.
- Dividend income is accounted when the right to receive dividend is established.
- Purchase and sale of investments are recorded on trade date. The profit / loss on sale of investments is recognized in the Statement of Profit and Loss on the trade date, using the weighted average cost method.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the Statement of Profit and Loss.

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

C. TANGIBLE AND INTANGIBLE ASSETS, DEPRECIATION AND AMORTISATION

Fixed assets (Tangible/ Intangible) are stated at acquisition cost inclusive of incidental expenses net of accumulated depreciation/ amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a pro-rata basis on a Straight Line Basis over the estimated useful life of the assets at rates which are higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Intangible assets are amortized on a Straight Line Basis over their estimated useful lives. The amortization period, residual value and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. A rebuttable presumption that the useful life of an Intangible asset will not exceed 10 years from the date the asset is available for use is considered by the Management.

The estimates of useful lives of the assets, assets costing less than Rs. 5,000 are depreciated at 100% in the year of purchase based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. Estimated useful lives over which assets are depreciated / amortized are as follows:

Asset	Useful life in years
Motor vehicles	4
Computers	3
Furniture and fixtures	6
Office equipment	5
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years.
Intangible Assets – Software	3
Asset Management Rights	5

Losses arising from the retirement of and gains or losses arising from disposal of Property, Plant and Equipment which are carried at cost, are recognized in the Statement of Profit and Loss.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 (Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).

D. IMPAIRMENT OF FIXED ASSETS

- The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

E. INVESTMENTS

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as Non-current investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term / Non-Current investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

F. RETIREMENT AND OTHER EMPLOYEE BENEFITS

Defined contribution schemes

- a. Retirement benefit in the form of provident fund is a defined contribution scheme. Contribution as required by the Statute made to the Government Provident Fund is debited to the Statement of Profit and Loss when incurred. The Company has no further obligation.
- b. The Company contributes a sum equivalent to 15% of basic subject to a maximum of Rs. 1 lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a life insurance company. The Company recognizes such contributions as an expense in the year they are incurred.

Defined benefit plan

- a. The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The gratuity obligation is unfunded. The net present value of the Company's obligation towards the same is determined based on the Projected Unit Credit method as at the Balance Sheet date.
- b. Actuarial gains/losses are immediately recognized in the Statement of Profit and Loss and are not deferred.

Other long-term employee benefit

- a. The Company accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilization. The net present value of the Company's obligation is determined based on the Projected Unit Credit Method as at the Balance Sheet date. Actuarial Gains / Losses are recognized in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

- a. As per the Group policy, employees of the Group are eligible for an award after completion of a specified number of years of service with the Group. The obligation is measured as at the Balance Sheet date on the basis of an actuarial valuation using the Projected Unit Credit method conducted by actuary of a fellow subsidiary.
- b. The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service. These benefits include performance incentives.

G. TAXES ON INCOME

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

H. MINIMUM ALTERNATE TAX

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

I. OPERATING LEASE

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a Straight Line Basis over the lease term.

J. BORROWING COSTS

Borrowing cost include interest and other costs incurred in connection with the arrangement of borrowings.

K. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions and balances

(A) Initial recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(B) Conversion

Foreign currency monetary items are reported using the closing rate of exchange. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(C) Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as income and expenses in the period in which they arise.

L. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which the schemes are unable to bear are borne by the Company. Further, scheme expenses also include new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) Regulations 1996.

M. REFERRAL FEES

The brokerage charges relating to Portfolio Management Services are charged to the Statement of Profit and Loss net of service tax on an accrual basis.

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

N. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. However, for computing diluted earnings per share effect of preference share has not been taken into consideration since the conversion price is not determined as of Balance Sheet date.

O. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

A provision is recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation as at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

P. EMPLOYEE STOCK OPTION SCHEME (ESOS)

Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using the intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortized on a Straight Line Basis over the vesting period with recognition of corresponding liability. This liability is re-measured at each Balance Sheet date up to and including the settlement date with changes in intrinsic value recognized in the Statement of Profit and Loss in 'Employee benefits expense'.

Q. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and short-term investments with an original maturity of three months or less.

R. SEGMENT REPORTING

The Company's primary business segments are reflected based on the principal business carried out, i.e. asset management company. The risk and returns of the business of the Company are not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

S. ACCOUNTING FOR PROPOSED DIVIDEND

As per the requirements of pre-revised AS 4 – 'Contingencies and Events Occurring after the Balance Sheet date', the Company used to create a liability for dividend proposed/ declared after the Balance Sheet date if dividend related to periods covered by the financial statements. As per AS 4(Revised), the Company cannot create provision for dividend proposed/ declared after the Balance Sheet date unless a statute requires otherwise. The Company has disclosed the same in notes to the financial statements in accordance with AS 4 (Revised).

Had the company continued with creation of provision for proposed dividend, its surplus in the Statement of Profit and Loss account would have been lower by Rs. 86.96 Lacs and short-term provisions would have been higher by Rs. 86.96 Lacs (including dividend distribution tax of Rs. 14.71 Lacs).

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31 March, 2017	As at 31 March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 3 : SHARE CAPITAL		
Authorised		
3,00,00,000 (Previous Year 3,00,00,000) equity shares of Rs.10/- each	3,000.00	3,000.00
1,00,00,000 (Previous Year 1,00,00,000) Preference shares of Rs.10/- each	1,000.00	1,000.00
Issued, subscribed and paid-up		
2,98,00,000 (Previous Year 2,98,00,000) equity shares of Rs.10/- each, fully paid up	2,980.00	2,980.00
85,00,000 (Previous Year 85,00,000) 8.5% Convertible Preference shares of Rs.10/- each, fully paid up. Conversion date January 5, 2019, at a valuation price, as determined by an independent valuer.	850.00	850.00
	3,830.00	3,830.00

(a) Reconciliation of number of shares

Equity Shares:	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Amount Rupees in Lacs	Number of Shares	Amount Rupees in Lacs
Balance as at the beginning of the year	29,800,000	2,980.00	19,800,000	1,980.00
Issued during the year	-	-	10,000,000	1,000.00
Balance as at the end of the year	29,800,000	2,980.00	29,800,000	2,980.00

Preference Shares:	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Amount Rupees in Lacs	Number of Shares	Amount Rupees in Lacs
Balance as at the beginning of the year	8,500,000	850.00	8,500,000	850.00
Issued During the year	-	-	-	-
Balance as at the end of the year	8,500,000	850.00	8,500,000	850.00

(b) Rights, preferences and restrictions attached to shares:

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms of conversion/ redemption of Convertible Preference Shares(CPS):

CPS carry dividend @ 8.50% p.a. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The preference shares of Rs. 10 each were issued in Financial Year 2008 - 2009. These preference shares are convertible into equity shares on January 5,2019, at a valuation price, as determined by an independent valuer.

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

(d) Shares held by Holding Company and its subsidiary :

Equity Shares:	As at 31 March, 2017	As at 31 March, 2016
	Rupees in Lacs	Rupees in Lacs
2,98,00,000 Shares (March 31, 2016: 2,98,00,000 Shares) held by Kotak Mahindra Bank Limited, the Holding Company, and its nominees	2,980.00	2,980.00
Preference Shares:		
85,00,000 Shares (March 31, 2016: 85,00,000 Shares) held by Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	850.00	850.00

(e) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Equity Shares:	31 March, 2017	31 March, 2016
	Rupees in Lacs	Rupees in Lacs
Kotak Mahindra Bank Limited, the Holding Company and its nominees	2,980.00 (100%)	2,980.00 (100%)
Preference Shares:		
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	850.00 (100%)	850.00 (100%)

(f) Proposed dividend on Preference Shares:

	31 March, 2017	31 March, 2016
	Rupees in Lacs	Rupees in Lacs
The Board proposed dividend on preference shares after the Balance Sheet date		
Proposed dividend on preference shares for the year ended on March 31 2017 : Rs. 0.85 per share (March 31, 2016: Rs. 0.85 per share)	72.25	72.25
DDT on proposed preference shares	14.71	14.71

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31 March, 2017 Rupees in Lacs	As at 31 March, 2016 Rupees in Lacs
Note 4 : RESERVES AND SURPLUS		
Capital Redemption Reserve		
Opening Balance	420.00	420.00
Add: Transfer from Statement of Profit & Loss	-	-
Closing Balance	420.00	420.00
General Reserve		
Opening Balance	1,169.25	1,169.25
Add: Transfer from Statement of Profit & Loss	-	-
Closing Balance	1,169.25	1,169.25
Surplus in Statement of Profit & Loss		
Opening Balance	6,389.35	543.27
Profit for the year	3,823.35	5,933.04
Less: Appropriations		
Proposed dividend on Preference Shares for the year (31 March 2017 - Refer Note 2.1(S); 31 March 2016 – Rs. 0.85 per share)	-	72.25
Dividend distribution tax on Proposed dividend on Preference Shares(Refer Note 2.1(S))	-	14.71
Transfer to General Reserve	-	-
Net Surplus in Statement of Profit & Loss	10,212.70	6,389.35
	11,801.95	7,978.60
Note 5 : OTHER LONG-TERM LIABILITIES		
Rent Escalation	32.82	25.52
Others	170.00	170.00
	202.82	195.52
Note 6 : LONG-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	364.09	324.89
Provision for compensated absences	153.19	153.45
Provision for long service award	21.13	18.94
Employees related payables (Stock Appreciation Rights)	96.43	117.29
	634.84	614.57
Note 7 : TRADE PAYABLES		
Trade payables	2,483.72	1,171.38
(Refer Note 26(K))		
	2,483.72	1,171.38
Above includes payable to Kotak Mahindra Mutual Fund	1,211.83	238.04

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31 March, 2017 Rupees in Lacs	As at 31 March, 2016 Rupees in Lacs
Note 8 : OTHER CURRENT LIABILITIES		
Other Liabilities		
Statutory dues payable	198.57	139.11
Unearned revenue	340.21	140.73
Employees related payable	2.99	6.06
Rent escalation	10.63	14.95
Provision for expenses	84.42	19.34
Referral fees payable	556.48	115.71
Others	292.59	165.44
	1,485.89	601.34
Others & Referral Fees Payable includes		
Dues to		
Kotak Mahindra Bank Limited	352.69	127.92
Kotak Securities Limited	10.28	7.26
Kotak Mahindra Financial Services Limited	11.33	-

	As at 31 March, 2017 Rupees in Lacs	As at 31 March, 2016 Rupees in Lacs
Note 9 : SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	41.81	34.20
Provision for compensated absences	29.75	27.17
Employees related payable (Stock Appreciation Rights)	338.00	481.91
Employees related payables (Others)	939.24	206.76
Other Provisions		
Proposed Dividend on Preference Shares	-	72.25
Dividend distribution tax on proposed dividend on Preference Shares	-	14.71
Provision for Tax (Net of advance tax and Tax deducted at source of Rs. 3,380.95 Lacs) (March 31, 2016: Rs. 3,369.92 Lacs)	50.44	37.71
Provision for Wealth Tax	-	3.65
	1,399.24	878.36

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

Note 10 : FIXED ASSETS

Rupees in Lacs

Description	GROSS BLOCK			As at 31-03-2017	DEPRECIATION			NET BLOCK	
	As at 01-04-2016	Additions	Deductions		As at 01-04-2016	For the year	Deductions	As at 31-03-2017	As at 31-03-2017
Tangible Assets									
Leasehold Improvements	295.69	94.09	86.71	303.07	179.01	44.84	86.66	137.19	165.88
Computers	621.81	117.29	18.53	720.57	440.28	111.06	17.79	533.55	187.02
Office Equipments	139.28	46.22	21.49	164.01	103.38	15.62	21.34	97.66	66.35
Furniture & Fixtures	40.63	13.39	10.91	43.11	38.68	11.82	10.91	39.59	3.52
Vehicles	458.93	95.47	91.31	463.09	230.91	97.84	70.48	258.27	204.82
Total	1,556.34	366.46	228.95	1,693.85	992.26	281.18	207.18	1,066.26	627.59

Description	GROSS BLOCK			As at 31-03-2017	AMORTIZATION			NET BLOCK	
	As at 01-04-2016	Additions	Deductions		As at 01-04-2016	For the year	Deductions	As at 31-03-2017	As at 31-03-2017
Intangible Assets Acquired									
Software	642.39	284.48	-	926.87	367.20	186.45	-	553.65	373.22
Asset Management Rights	1,590.08	-	-	1,590.08	370.28	318.02	-	688.30	901.78
Total	2,232.47	284.48	-	2,516.95	737.48	504.47	-	1,241.95	1,275.00

Description	GROSS BLOCK			As at 31-03-2016	DEPRECIATION			NET BLOCK	
	As at 01-04-2015	Additions	Deductions		As at 01-04-2015	For the year	Deductions	As at 31-03-2016	As at 31-03-2016
Tangible Assets									
Leasehold Improvements	281.75	59.67	45.73	295.69	182.33	33.92	37.24	179.01	116.68
Computers	493.87	154.23	26.29	621.81	374.63	91.92	26.27	440.28	181.53
Office Equipments	126.24	26.77	13.73	139.28	106.16	10.44	13.22	103.38	35.90
Furniture & Fixtures	39.81	6.96	6.14	40.63	37.85	6.66	5.83	38.68	1.95
Vehicles	508.33	112.38	161.78	458.93	238.64	105.21	112.94	230.91	228.02
Total	1,450.00	360.01	253.67	1,556.34	939.61	248.15	195.50	992.26	564.08

Description	GROSS BLOCK			As at 31-03-2016	AMORTIZATION			NET BLOCK	
	As at 01-04-2015	Additions	Deductions		As at 01-04-2015	For the year	Deductions	As at 31-03-2016	As at 31-03-2016
Intangible Assets Acquired									
Software	542.55	229.37	129.53	642.39	366.80	129.93	129.53	367.20	275.19
Asset Management Rights	1,590.08	-	-	1,590.08	52.28	318.01	-	370.28	1,219.80
Total	2,132.63	229.37	129.53	2,232.47	419.08	447.94	129.53	737.48	1,494.99

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 11 : NON CURRENT INVESTMENTS		
Non - Trade Investments		
Unquoted		
Investments in Equity Instrument:		
(a) Investments in subsidiary		
2,68,00,000 (31st March 2016: 2,68,00,000) Equity shares of face value of Rs.10/- each, fully paid of Kotak Mahindra Pension Fund Limited	2,680.00	2,680.00
(b) Others		
5,00,000 (31st March 2016: 5,00,000) Equity shares of face value of Re.1/- each, fully paid of MF Utilities India Private Limited	5.00	5.00
Investments in Mutual Fund Schemes:		
Unquoted		
5,00,000 Units (Previous Year 5,00,000) of Rs. 10 each in Kotak Equity Savings Fund-Direct-Growth	50.00	50.00
1,23,466 Units (Previous Year 1,23,466) of Rs. 10 each in Kotak Bond Plan -Direct-Growth	50.00	50.00
1,88,220 Units (Previous Year 1,88,220) of Rs. 10 each in Kotak Mahindra Bond Short Term Plan-Direct-Growth	50.00	50.00
3,28,258 Units (Previous Year 3,28,258) of Rs. 10 each in Kotak Income Opportunities Fund-Direct-Growth	50.00	50.00
2,165 Units (Previous Year 2,165) of Rs. 1000 each in Kotak Floater Short Term Scheme-Direct-Growth	50.00	50.00
2,21,972 Units (Previous Year 2,21,972) of Rs. 10 each in Kotak Treasury Advantage Fund-Direct-Growth	50.00	50.00
2,83,267 Units (Previous Year 2,83,267) of Rs. 10 each in Kotak Flexi Debt Scheme-Direct-Growth	50.00	50.00
4,14,370 Units (Previous Year 4,14,370) of Rs. 10 each in Kotak Gold Fund-Direct-Growth	50.00	50.00
1,02,664 Units (Previous Year 1,02,664) of Rs. 10 each in Kotak Mahindra Gilt Investment Plan-Direct-Growth	50.00	50.00
1,59,280 Units (Previous Year 1,59,280) of Rs. 10 each in Kotak Banking and PSU Debt Fund-Direct-Growth	50.00	50.00
2,12,170 Units (Previous Year 2,12,170) of Rs. 10 each in Kotak Monthly Income Plan-Direct-Growth	50.00	50.00
1,750 Units (Previous Year 1,750) of Rs. 1000 each in Kotak Liquid Plan-Direct-Growth	50.00	50.00
3,46,861 Units (Previous Year 3,46,861) of Rs. 10 each in Kotak Multi Asset Allocation Fund-Direct-Growth	50.00	50.00
4,39,920 Units (Previous Year 4,39,920) of Rs. 10 each in Kotak Medium Term Fund-Direct-Growth	50.00	50.00
2,942 Units (Previous Year 2,942) of Rs. 1000 each in Kotak Low Duration Fund-Direct-Growth	50.00	50.00
2,438 Units (Previous Year 2,438) of Rs. 1000 each in Kotak Corporate Bond Fund-Direct-Growth	45.00	45.00
2,67,344 Units (Previous Year 2,67,344) of Rs. 10 each in Kotak Balance -Direct-Growth	50.00	50.00
1,39,785 Units (Previous Year 1,39,785) of Rs. 10 each in Kotak Classic Equity Scheme-Direct-Growth	50.00	50.00
2,38,387 Units (Previous Year 2,38,387) of Rs. 10 each in Kotak Equity Arbitrage Fund-Direct-Growth	50.00	50.00
1,61,298 Units (Previous Year 1,61,298) of Rs. 10 each in Kotak Tax Saver Scheme-Direct-Growth	50.00	50.00
1,95,198 Units (Previous Year 1,95,198) of Rs. 10 each in Kotak Emerging Equity Scheme-Direct-Growth	50.00	50.00
42,447 Units (Previous Year 42,447) of Rs. 10 each in Kotak Asset Allocator Fund-Direct-Growth	25.00	25.00
3,19,613 Units (Previous Year 3,19,613) of Rs. 10 each in Kotak Global Emerging Market Fund-Direct-Growth	50.00	50.00
29,287 Units (Previous Year 29,287) of Rs. 10 each in Kotak 50 Equity Scheme-Direct-Growth	50.00	50.00
61,689 Units (Previous Year 61,689) of Rs. 10 each in Kotak Opportunities-Direct-Growth	50.00	50.00
97,934 Units (Previous Year 97,934) of Rs. 10 each in Kotak Midcap Scheme-Direct-Growth	50.00	50.00
2,21,705 Units (Previous Year 2,21,705) of Rs. 10 each in Kotak Select Focus Fund-Direct-Growth	50.00	50.00

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	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
3,30,585 Units (Previous Year 3,30,585) of Rs. 10 each in Kotak Infrastructure and Economic Reforms Fund-Direct-Growth	50.00	50.00
5,90,357 Units (Previous Year 5,90,357) of Rs. 10 each in Kotak World Gold Fund-Direct-Growth	50.00	50.00
84,710 Units (Previous Year 84,710) of Rs. 10 each in Kotak US Equity Fund-Direct-Growth	10.00	10.00
Quoted		
7,975 Units (Previous Year 7,975) of Rs. 10 each in Kotak Banking ETF-Direct-Growth	15.00	15.00
10,000 Units (Previous Year 10,000) of Rs. 10 each in Kotak PSU Bank ETF-Direct-Growth	35.42	35.42
20,000 Units (Previous Year 20,000) of Rs. 10 each in Kotak Gold ETF-Direct-Growth	50.25	50.25
10,000 Units (Previous Year 10,000) of Rs. 10 each in Kotak Nifty ETF-Direct-Growth	83.30	83.30
10,000 Units (Previous Year 10,000) of Rs. 10 each in Kotak Sensex ETF-Direct-Growth	27.55	27.55
30,689 Units (Previous Year 30,689) of Rs. 10 each in Kotak NV 20 ETF-Direct-Growth	11.00	11.00
	4,337.52	4,337.52
Aggregate Amount of Unquoted Investments	4,115.00	4,115.00
Market Value of Unquoted Investments	4,416.82	4,173.48
Aggregate Amount of Quoted Investments	222.52	222.52
Market Value of Quoted Investments	237.04	207.00

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 12 : Deferred Tax Asset		
Net Deferred Tax Asset (Refer Note 27 (G))	404.03	324.05
	404.03	324.05

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 13 : LONG-TERM LOANS & ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind	-	11.83
Security deposits	93.65	81.62
Loans to employees	21.83	12.57
	115.48	106.02

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 14 : OTHER NON-CURRENT ASSETS		
Others		
Advance Tax (Net of Provision for Tax of Rs. 2279.34 Lacs) (March 31, 2016: Rs.184.62 Lacs)	1,784.56	2,146.09
Prepaid expenses	672.40	1,245.76
	2,456.96	3,391.85

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FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 15 : CURRENT INVESTMENTS		
Investment in Units of Mutual Fund - Unquoted		
Nil (Previous Year 28,226) of Rs. 10 each in Kotak Quarterly Interval Plan - Series 2-Direct-Growth	-	5.00
Nil (Previous Year 83,551) of Rs. 10 each in Kotak Quarterly Interval Plan - Series 3-Direct-Growth	-	15.00
Nil (Previous Year 1,11,949) of Rs. 10 each in Kotak Quarterly Interval Plan - Series 6-Direct-Growth	-	20.00
Nil (Previous Year 1,50,000) of Rs. 10 each in Kotak Quarterly Interval Plan - Series 7-Direct-Growth	-	15.00
Nil (Previous Year 30,690) of Rs. 10 each in Kotak Quarterly Interval Plan - Series 9-Direct-Growth	-	5.00
314,284 (Previous Year 26,057) of Rs. 1000 each in Kotak Floater Short Term Scheme-Direct-Growth	8,262.31	643.78
	8,262.31	703.78
Aggregate value of Investments at Market Value	8,389.44	710.86

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 16 : TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others	2,860.98	2,145.42
	2,860.98	2,145.42
Trade receivables includes		
Due from Kotak Mahindra Mutual Fund	2,187.76	2,041.58
Due from Kotak Mahindra UK Limited	-	20.51

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 17 : CASH & BANK BALANCES		
Cash & Cash equivalents		
Balances with Bank		
In current accounts	15.79	125.17
	15.79	125.17

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 18 : SHORT-TERM LOANS & ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind	193.56	560.80
Security deposits	5.53	10.47
Loans to employees	16.36	38.45
	215.45	609.72

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FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	As at 31st March, 2017	As at 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 19: OTHER CURRENT ASSETS		
Prepaid expenses	973.18	905.74
Miscellaneous receivable	8.52	14.59
Mat Credit Entitlement	-	305.26
Service Tax Receivable	285.65	241.58
	1,267.35	1,467.17
Miscellaneous Receivable includes:		
Dues from		
Kotak Mahindra Old Mutual Life Insurance Limited	-	1.92
Kotak Mahindra Bank Limited	2.44	-
Kotak Mahindra Trustee Company Limited	-	5.81
Kotak Securities Limited	0.96	-

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 20 :REVENUE FROM OPERATIONS		
Management Fees	26,992.44	23,483.04
Portfolio Advisory Services	259.00	267.00
Portfolio Management Services	1,360.14	99.19
	28,611.58	23,849.23

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 21 : OTHER INCOME		
Interest Income		
Income-tax refunds	208.04	91.27
Others	4.20	3.23
Dividend Income on Long-term investments	3.55	-
Profit on sale of fixed assets (Net)	14.41	24.85
Profit on sale of current investments (Net)	281.70	26.22
Other non-operating income	0.77	0.74
	512.67	146.31

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	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 22 : EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	6,106.08	5,133.37
Contribution to defined contribution plans	230.57	211.54
Gratuity (includes Exgratia)	86.36	62.41
Compensated absences	5.62	19.79
Staff welfare	30.29	27.27
	6,458.92	5,454.38
Less: Recovery of common establishment expenses	(73.04)	(60.64)
	6,385.88	5,393.74

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 23 : FINANCE COSTS		
Interest Expenses	-	131.35
Bank Charges	10.57	12.78
	10.57	144.13

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 24 : OTHER EXPENSES		
Rent	964.55	558.97
Rates and taxes	46.23	5.44
Insurance	79.34	82.99
Repairs and maintenance		
Others	49.71	29.54
Legal and professional fees	247.06	161.42
Reimbursement of common administrative cost	408.61	329.56
Travel and conveyance	304.64	253.16
Communication expenses	226.87	205.88
Business promotion, Distribution and Mutual Fund expenses *	12,073.02	7,633.71
Printing and stationery	98.11	54.05
Membership subscription	415.34	352.24
Electricity	114.65	109.04
Exchange Loss (net)	0.50	0.60
Computer and software related expenses	337.59	261.92

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FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Directors' Fees & Expenses	23.20	20.20
Payment to Auditors		
As auditor:		
Audit Fees	19.50	18.00
Reimbursement of expenses	0.41	0.26
	19.91	18.26
Entertainment Expenses	191.02	150.66
Office upkeep expenses	234.93	212.94
Contribution towards Corporate Social Responsibility (Refer Note 27(J))	10.00	2.00
Miscellaneous expenses	248.14	135.58
	16,093.42	10,578.16
Less: Recovery of common administrative expenses	(10.97)	(10.97)
	16,082.45	10,567.20

* Includes Nil (Previous Year: Rs.2052 Lacs) towards compensation for excess interest calculated on one security held by Certain Schemes

	For the Year ended 31st March, 2017	For the Year ended 31st March, 2016
	Rupees in Lacs	Rupees in Lacs
Note 25 : EARNING PER SHARE		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/ (loss) after tax	3,823.35	5,933.04
Net profit/ (loss) for calculation of basic & diluted EPS	3,823.35	5,933.04
Less : dividends on convertible preference shares & tax thereon	-	86.96
Net profit/ (loss) for calculation of basic EPS	3,823.35	5,846.08
Weighted average number of equity shares used in calculating Basic & Diluted EPS	29,800,000	29,800,000
Basic & Diluted EPS	12.83	19.62

NOTES

FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

26. Notes to Accounts

A. CONTINGENT LIABILITIES

Claims against the Company not acknowledged

Particulars	31 March, 2017 Rupees in Lacs	31 March, 2016 Rupees in Lacs
For income tax Demand	Nil	127.64
For service tax matters	24.12	710.97
For property tax	Nil	132.13
For interest on value added tax towards Gold ETF schemes	14.71	14.71

B. CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 101.30 Lacs (Previous year Rs. 60.05 Lacs).

C. EARNINGS & EXPENDITURE IN FOREIGN CURRENCY (Accrual Basis)

Expenditure in Foreign Currency:-

- Travelling Cost Rs. 3.75 Lacs (Previous Year Rs. 11.18 Lacs) - Net of Recoveries
- Other Membership Fees Rs. 0.64 Lacs (Previous Year Rs. 2.04 Lacs)
- Promotion Cost Rs. 8.79 Lacs (Previous Year Nil)
- Referral Fees Rs. 126.70 Lacs (Previous Year Nil)

Earnings in Foreign Currency:-

- Portfolio advisory services Rs. 259.00 Lacs (Previous Year Rs. 267.00 Lacs)

D. EMPLOYEE BENEFITS

GRATUITY

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

Balance Sheet

Changes in the present value of the defined benefit obligations are as follows:

Particulars	31 March, 2017 Rupees in Lacs	31 March, 2016 Rupees in Lacs
Change in Unfunded benefit obligations		
Present value of unfunded defined benefit obligations, at the beginning of the year	359.08	386.05
Current Service cost	36.92	43.38
Interest cost	30.12	31.59
Actuarial (gain)/loss on obligations	19.32	(12.56)
Liabilities assumed	4.86	(7.65)
Benefits paid	(44.41)	(81.73)
Present value of unfunded benefit obligations as at year end	305.89	359.08

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FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

Benefit asset/ liability

Reconciliation of present value of the obligation and the fair value of the plan assets	31 March, 2017 Rupees in Lacs	31 March, 2016 Rupees in Lacs
Fair value of plan assets as at the beginning of the year	-	-
Present value of defined benefit obligations as at year end	405.89	359.08
Plan asset/ (liability) as at year end	(405.89)	(359.08)

Statement of Profit and Loss

Net employee benefit expense recognized in the employee benefits expenses (Note 22)

Cost recognized for the period	31 March, 2017 Rupees in Lacs	31 March, 2016 Rupees in Lacs
Current service cost	36.92	43.38
Interest cost on benefit obligation	30.12	31.59
Expected return on plan assets	-	-
Actuarial (gain)/loss	19.32	(12.56)
Net benefit expense	86.36	62.41

Experience Adjustments for the current annual period and previous four annual periods:

Particulars	Year ended Rupees in Lacs				31 March 2017
	31 March 2013	31 March 2014	31 March 2015	31 March 2016	
Defined Benefit Obligation	287.99	306.43	386.05	359.08	405.89
Plan Assets	-	-	-	-	-
Surplus/ (Deficit)	(287.99)	(306.43)	(386.05)	(359.08)	(405.89)
Experience Adjustment on Plan Liabilities	(3.18)	25.50	44.58	(13.72)	17.15
Experience Adjustment on Plan Assets	-	-	-	-	-

The principal assumptions used in determining gratuity benefit obligation for the company's plan are shown below:

	31 March 2017	31 March 2016
Discount rate	7.18% p.a.	7.95% p.a.
Expected rate of return on Plan Assets	0%	0%
Salary escalation rate	7.00%	8.50%
Employee turnover	15% at 21-30 10% at 31-34 5% at 35-44 3% at 45-50 2% at 51-54 1% at 55-59	15% at 21-30 10% at 31-34 5% at 35-44 3% at 45-50 2% at 51-54 1% at 55-59

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

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FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

E. OPERATING LEASES:

The Company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 36 months to 72 months. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments (net of recoveries) recognized in the statement of profit and loss is Rs. 267.17 Lacs (Previous Year Rs. 245.27 Lacs). The future minimum lease payments under non-cancelable operating lease in accordance with agreement are as follows:

Particulars	Rupees In Lacs	
	Year Ending 31st March 2017	Year Ending 31st March 2016
Not later than one year	249.47	239.96
later than one year and not later than five years	572.24	556.10
later than five years;	Nil	Nil

F. EQUITY STOCK OPTIONS PLAN (ESOP)

Equity Settled Options

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 5th July 2007, 21st August 2007 and 29th June 2015, to grant options to the eligible employees of the Bank and its subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

- Kotak Mahindra Equity Option Scheme 2007; and
- Kotak Mahindra Equity Option Scheme 2015

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank (IVBL) with the Bank, the Bank has renamed and adopted the ESOP Schemes of the erstwhile IVBL, as given below:

- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank Nil (Previous Year Nil) during the year on account of such costs.

Cash Settled Employee Stock Option Scheme - Stock appreciation rights (SARs):

During the year, the management had approved SARs (stock of the Bank) to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant.

The contractual life (which is equivalent to the vesting period) of the SARs ranges from 0.25 year to 2.29 years.

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Detail of activity under SARs is summarized below:

Particulars	No. of SARs	
	As at March 31st, 2017	As at March 31st, 2016
Outstanding at the beginning of the year	94,052	41,524
Granted during the year	37,340	1,37,646
Additions/deletions due to transfer of employees	1,742	17,522
Exercised during the year	47,608	65,036
Expired/Forfeited during the year	710	2,560
Outstanding at the end of the year	84,816	94,052

Effect of grant of SARs to employees on the statement of profit and loss and on its financial position

Particulars	Rupees In Lacs	
	Year Ending 31st March 2017	31st March 2016
Employee Compensation Cost pertaining to share-based payment plans	472.85	655.41
Closing balance of liability for cash-settled options	434.43	324.04

Had the Company recorded the total compensation cost computed on the basis of fair valuation method instead of intrinsic value method for ESOP and SARs, employee compensation cost would have been higher by Rs. 134.31 Lacs (Previous year lower by Rs. 11.83 Lacs) and the profit before tax would have been lower by same amount. Consequently the basic and diluted EPS would have been lower by Rs. 0.45 (Previous year higher by Rs. 0.04). The fair valuation has been prepared by the Kotak Mahindra Bank Limited and relied upon by the auditors.

The above number of ESOPs / SARs, exercise price, fair value and share price have been adjusted for bonus shares - one share for every share allotted on 10th July, 2016 for the previous year ended 31st March 2016.

G. DEFERRED INCOME TAXES

Components of net deferred tax balances are as follows:

Particulars	31 March, 2017 Rupees in Lacs	31 March, 2016 Rupees in Lacs
Deferred Tax Assets		
Provisions for Employee Benefits	349.05	270.94
Depreciation on Fixed Assets	39.95	39.10
Provision for Lease Equalisation	15.03	14.01
Net Deferred Tax Asset	404.03	324.05

H. SEGMENT REPORTING

The Company's operations mainly relate to providing asset management services, advisory and portfolio management services. In the opinion of the Management the risks and rewards attached to the business are similar in nature. Hence, separate segments under Accounting Standard 17 on "Segment Reporting" are not required to be reported as the Company's business is restricted to a single segment i.e. Asset Management and Advisory Services. The risk and returns of the business of the Company are not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

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I. RELATED PARTY DISCLOSURES

Details of related parties:

Nature of relationship	Name of related party
Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
Subsidiary Company	Kotak Mahindra Trustee Company Limited
Fellow Subsidiaries	Kotak Investment Advisors Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited Kotak Securities Limited Kotak Mahindra Prime Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra General Insurance Company Limited Kotak Mahindra Financial Services Limited
Key Management Personnel	Mr.Nilesh Shah, Managing Director
Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence	Aero Agencies Limited
Mutual Fund managed by the Company	Kotak Mahindra Mutual Fund

Related Party Disclosure is as under:

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Rupees in Lacs	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance in Current Account	4.73 (106.39)					
Subscription in Equity Shares (Closing Balance)						
Equity Share Capital	2,980.00 (2,980.00)					
Subscription in Preference Share Capital (Closing Balance)						
Kotak Securities Limited		850.00 (850.00)				
Investments:						
Purchases / Subscriptions					27,681.00 (9,137.53)	
Sales					20,404.16 (6,872.44)	
Dividend					3.55 -	
Profit on Sale of Investments					281.70 (26.22)	
Closing Investment					9,914.85 (2,356.31)	
Investments in Equity Shares (Closing Balance)						2,680.00 (2,680.00)
Fixed Assets						
Purchase of Fixed assets	5.51 -					

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Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Rupees in Lacs	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Sale of Fixed assets	14.43	-				
Kotak Investment Advisors Limited		-				
		(24.07)				
Other Receipts and Payments:						
Recovery of common establishment expenses						
Kotak Mahindra Trustee Company Limited		73.04				
		(60.64)				
Recovery of common administrative expenses						
Kotak Mahindra Trustee Company Limited		10.97				
		(10.97)				
Kotak Investment Advisors Limited		-				
		(3.19)				
Miscellaneous Income						
Kotak Mahindra Trustee Company Limited		0.73				
		(0.71)				
Reimbursement of Common administrative cost	408.61					
	(329.56)					
Brokerage Expenses (Including Referral Fees) Paid	3,219.17					
	(342.48)					
Kotak Securities Limited		33.13				
		(8.30)				
Kotak Mahindra Financial Services Limited		126.70				
		-				
Unamortised Brokerage	1,057.63					
	(1,218.09)					
Kotak Securities Limited		0.08				
		(0.05)				
Interest On Bank Overdraft	-					
	(131.35)					
Other Expenses / Reimbursement of other expenses						
Kotak General Insurance Company Limited		5.80				
		(0.16)				
Kotak Mahindra Old Mutual Life Insurance Limited		28.54				
		(28.05)				
Kotak Securities Limited		19.80				
		(19.80)				
Kotak Mahindra Prime Limited		0.30				
		(0.26)				
Kotak Mahindra (UK) Limited		3.49				
		(13.52)				
Management Fees					26,992.44	
					(23,483.04)	
Payments to Mutual Fund for Expenses Borne					3,683.23	
					(4,039.56)	
Receipts from Mutual Fund- Brokerage Recovered					496.03	
					(904.19)	
Rent paid	679.73					
	(304.66)					

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Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Rupees in Lacs	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Kotak Mahindra Prime Limited		2.13 (2.01)				
Cost of travel tickets purchased (Net of Discount)						
Aero Agencies Limited				21.58 (33.94)		
Remuneration to Key Management Personnel						
Nilesh Shah			516.76 (477.76)			
Advisory Fees						
Kotak Mahindra (UK) Limited		101.00 (156.00)				
Kotak Mahindra Intl Limited		158.00 (111.00)				
Miscellaneous Receipts	38.58 (3.21)					
Kotak Securities Limited		0.96 -				
Kotak Mahindra Old Mutual Life Insurance Limited		- (1.92)				
Kotak General Insurance Company Limited		0.18 -				
Miscellaneous Payments	463.67 (258.03)					
Kotak Investment Advisors Limited		- (93.46)				
Dividend Paid						
Kotak Securities Limited		- (72.25)				
Other Miscellaneous - Prepaid						
Kotak Mahindra Old Mutual Life Insurance Limited		- (10.35)				
Kotak General Insurance Limited		4.20 (1.81)				
Outstanding – Receivables	2.44 -				2,187.76 (2,041.58)	
Kotak Securities Limited		0.96 -				
Kotak Mahindra (UK) Limited		- (20.51)				
Kotak Mahindra Old Mutual Life Insurance Limited		- (1.92)				
Kotak Mahindra Trustee Company Limited		- (5.81)				
Outstanding - Payables	352.69 (127.92)				1,211.83 (238.04)	
Kotak Securities Limited		10.28 (79.51)				
Kotak Mahindra Financial Services Limited		11.33 -				
Note: Previous year figures are in brackets						

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J. CORPORATE SOCIAL RESPONSIBILITY (CSR)

- a) Gross amount required to be spent during the year Rs. 51.85 Lacs (Previous year Rs. 6.24 Lacs)

(b) Amount spent during the year ended on 31st March, 2017	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	10.00	41.85	51.85

(c) Amount spent during the year ended on 31st March, 2016:	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	2.00	4.24	6.24

- K. Based on information available with the Company, there are no amounts payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) as on the Balance Sheet date. This information has been relied upon by the statutory auditors.

- L. The Company has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The Management is of the opinion that all the transactions are at arm's length so that the above legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision of taxes.

M. Disclosure on Specified Bank Notes (SBN):

Disclosure on details of SBN held and transacted during the period from 8th November, 2016 to 30th December, 2016

Particulars	Specified Bank Notes	Other Denomination	Total
Closing Cash in hand as on 8 November 2016 with entity/ entity branches	-	-	-
Add: Permitted receipts	-	-	-
Less: Permitted payments	-	-	-
Less: Amount deposited in Banks	-	-	-
Closing cash in hand as on 30 December 2016	-	-	-

- N. Figures of the previous year have been regrouped/ reclassified wherever necessary to conform to current year's classification.

