

Kotak Mahindra, Inc.
Annual Report 2016-17



**CHANGING
WITH INDIA.
FOR INDIA.**



DIRECTORS REPORT

To the shareholders of
KOTAK MAHINDRA INC

The Directors have pleasure in presenting their annual Report together with the audited accounts of your Company for the year ended March 31st 2017.

OPERATIONS

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

FINANCIAL RESULTS AND DIVIDENDS

The Company's loss for the financial year ended March 31st 2017 amounted to ₹ 64,412,310 (Previous Year Profit ₹ 25,300,935). The Directors do not recommend any dividend for the year under review.

BUSINESS MODEL:

With introducing broker, placement agent and chaperoning services for investments into India being its primary objective, Kotak Mahindra Inc. ("the Company"), strives to provide services its clients seeking exposure to India through direct access products as well as offshore and onshore funds.

BUSINESS UPDATE:

The company also witnessed unexpected and uncertain change in the global macroeconomic environment and investors adopted a wait and watch approach. Recently, the business has seen more and more international investors wanting to explore investing into India. The company started seeing large delegation of Institutional investors visiting India for better understanding of the economic climate and exploring various investment opportunities. It explored new business activities.

With subdued interest in Indian stocks and bonds by US investors, the company witnessed decrease in its revenues. Total revenues reduced to ₹ 162 million compared to ₹ 196 million in the previous year. The company continued to have control over costs. With this, the company witnessed a loss of ₹ 64.41 million compared to a profit of ₹ 25.30 million for the last year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as an averment of their responsibility that:

- a. The Company has, in the preparation of the annual accounts for the year ended March 31st 2017, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31st 2017, and of the profit/loss of the Company for the financial year ended March 31st 2017;
- c. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors have prepared the annual accounts on a going concern basis.

For and on Behalf of the Board of Directors

Gijo Joseph
Director

Date: 20th April 2017

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Kotak Mahindra, Inc.

The financial statements of Kotak Mahindra, Inc. (the "Company") as at 31st March, 2017, being a company registered in the United States of America, are audited by Citrin Cooperman & Company LLP, Certified Public Accountants, New Jersey and we have been furnished with their audit report dated 13th April, 2017.

We are presented with the accounts in Indian Rupees prepared on the basis of aforesaid accounts to comply with requirements of section 129 of Companies Act, 2013 ("the Act"). We give our report hereunder:

Report on the Financial Statements

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of **Kotak Mahindra, Inc.** ("the Company"), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, the 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 Act with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the 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 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 design, implementation and maintenance of adequate internal financial controls, 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 verification. We have taken into account the provisions of the Act and the Rules made thereunder including

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 verification in accordance with the Standards on Auditing 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 the 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 gives 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 aforesaid 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 31st March, 2017, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In view of the facts specified in Para 1 and 2 herein above, the requirements of Companies (Auditor's Report) Order, 2016, report under section 143(3) of the Act, report on directors disqualification in terms of subsection (2) of section 164 of the Companies Act, 2013 are not applicable.

For V. C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

Place: Mumbai
Date: 21st April, 2017

A. N. Shah
Partner
M. No. 042649

BALANCE SHEET

AS AT 31ST MARCH, 2017

Particulars	Note No.	As at 31st March, 2017	As at 31st March, 2016
		₹	₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	698,645	698,645
(b) Reserves and surplus	3.2	116,894,824	183,057,911
2 Non-current liabilities			
(a) Long-term provisions	3.3	5,535,260	3,729,329
3 Current liabilities			
(a) Trade payables		6,119,173	3,922,513
(b) Short-term provisions	3.4	9,871,524	5,298,825
TOTAL		139,119,427	196,707,223
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
Property, Plant and Equipment	3.5	3,059,207	3,610,881
(b) Non-current investments	3.6	9,728	9,938
(c) Long-term loans and advances	3.7	3,017,634	3,083,012
2 Current assets			
(a) Current investments	3.8	42,568,703	54,843,986
(b) Trade receivables	3.9	17,717,407	8,050,523
(c) Cash and bank balance	3.10	14,579,420	55,294,048
(d) Short-term loans and advances	3.11	58,063,569	71,712,692
(e) Other current assets	3.12	103,760	102,143
TOTAL		139,119,427	196,707,223

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 21 April, 2017

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Gaurang Shah

Director

Dated: 20 April, 2017

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars	Note No.	For the year ended 31 March 2017	For the year ended 31 March 2016
		₹	₹
I. Revenues from operations			
(a) Revenue from research distribution		15,228,630	30,214,501
(b) Referral Fee Income		61,410,625	62,061,709
(c) Service fee income		83,339,659	65,877,952
(d) Underwriting commission		-	30,463,638
II. Other income	3.13	2,724,312	7,823,460
III. Total Revenue		162,703,225	196,441,260
IV. Expenses:			
Employee Benefit Expenses	3.14	188,882,910	135,359,009
Depreciation and Amortisation expense	3.5	1,072,510	486,712
Other expenses	3.15	36,691,489	34,919,817
Total expenses		226,646,909	170,765,538
V. PROFIT/(LOSS) BEFORE TAX		(63,943,683)	25,675,722
VI. Tax expense:			
Current Tax		-	-
- Pertaining to profit/ (loss) for the current period		396,778	427,218
- Adjustment of tax relating to earlier periods		71,848	(52,431)
		468,626	374,787
VII. PROFIT/(LOSS) FOR THE YEAR		(64,412,310)	25,300,935
VIII. Earnings/(loss) per equity share (in ₹):			
Basic and Diluted	3.21	(42.08)	16.53

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 21 April, 2017

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Gaurang Shah

Director

Dated: 20 April, 2017

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
	₹	₹
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	(63,943,683)	25,675,722
Adjustments for:		
- Interest	(766,180)	(306,109)
- Reinvestment of Dividend income	(641,647)	(7,413,422)
- Profit on sale of investments	(1,305,875)	
- Loss on sale of fixed asset	-	54,686
- Exchange Adjustments	(447,959)	6,442,438
- Depreciation and Amortisation Expense	1,072,510	486,712
Operating Profit before Working Capital Changes	(66,032,833)	24,940,027
Adjustments for:		
(Increase) / Decrease in Trade Receivable	(9,666,884)	3,375,972
Increase / (Decrease) in Long-term provisions	1,805,931	2,463,084
(Increase) / Decrease in Long-term loans and advances	65,378	(3,083,012)
Increase / (Decrease) in Short term provisions	4,614,578	4,238,449
(Increase) / Decrease in Short-term loans and advances	(725,877)	3,103,330
(Increase) / Decrease in Other Current assets	-	26,563
Increase / (Decrease) in Trade payables	2,196,660	9,554
Cash Generated from Operations	(67,743,046)	35,073,967
Direct taxes (paid)/ refund	(510,506)	(354,157)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	(68,253,552)	34,719,810
Cash Flow from Investing Activities		
Purchase of fixed assets	(581,035)	(3,378,033)
Proceeds from sale of Investments	12,980,396	-
Loan to fellow subsidiary	14,375,000	(66,255,000)
Interest received	764,563	203,966
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	27,538,924	(69,429,067)
Cash Flow from Financing Activities	-	-
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	-	-
Net Increase in Cash and Cash Equivalents (A + B)	(40,714,628)	(34,709,257)
Cash and Cash Equivalents at the beginning of the year	55,294,048	90,003,305
Cash and Cash Equivalents at the end of the year	14,579,420	55,294,048
	(40,714,628)	(34,709,257)

Notes:

- The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014
- Figures in brackets indicate cash outflow.
- The previous year's figures have been re-grouped, wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement referred to in our report of even date

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 21 April, 2017

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Gaurang Shah

Director

Dated: 20 April, 2017

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

1 Organisation and Nature of Business

Kotak Mahindra, Inc. (the "Company"), a majority owned subsidiary of Kotak Mahindra Bank Limited (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist primarily of chaperoning trades executed on the Indian exchanges by its India affiliate, Kotak Securities (KS) under Rule 15-a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same rule. Additionally, it engages in private placements for funds in the U.S. that are available only to 3c7 investors. These funds are managed by its affiliates Kotak Mahindra (UK) Limited and Kotak Mahindra (International) Limited.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 Significant Accounting Policies:

2.1 Basis of Preparation

- i) 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, if any.
- ii) 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."

2.2 Conversion to Indian Rupees

For the purpose of accounts, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities (except Share Capital) are translated at the closing rate as on the Balance Sheet date. The Share Capital is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year end is transferred to Translation Reserve Account and the said account is being treated as "Reserves and Surplus".

2.3 Use of estimates

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 of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.4 Revenue Recognition

The Company receives referral fees for referring clients to fellow subsidiaries of the Company. The Company also receives fees for providing research to clients and records the income at the time the services are provided.

The Company also receives service fee income from its affiliate Kotak Securities Limited as compensation for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934.

2.5 Fixed Assets

Property, Plant and Equipment

Property, plant and Equipment are stated at acquisition cost inclusive of incidental expenses, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a pro-rata basis on a Straight Line Method 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. The estimated useful lives of assets based on technical evaluation by management are as follows:

Furniture and Fittings	7 years
Office Equipment	5 years
Computers	5 years

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

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

2.6 Investments

Investments are classified into long-term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long-term investments are stated at cost less other than temporary diminution. Current investments are valued at cost or market value / fair value which ever is lower.

2.7 Leases

Leases, where the lessor effectively 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.

2.8 Cash and cash equivalent

For the purposes of the cash flow statement, cash and cash equivalent consists of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

2.9 Taxes

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustments payable / refund received in respect of previous years.

Deferred Tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising mainly on account of carry forward of losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognised 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 realised.

2.10 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

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.

2.11 Provisions and Contingencies

Provision is recognised 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, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation 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 unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

2.12 Employee Share based payments

Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straightline basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each balance sheet date up to and including the settlement date with changes in intrinsic value recognised in statement of profit and loss in 'Employee Cost'.

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3 Notes to accounts

3.1 (a) Share capital

	As at 31 st March 2017	As at 31 st March 2016
	₹	₹
Authorised shares		
2,000,000 (31st March 2016: 2,000,000) equity shares of USD 0.01 each	\$20,000	\$20,000
Issued, Subscribed and fully Paid up		
1,530,621 (31st March 2016: 1,530,621) Equity Shares of USD 0.01 each	698,645	698,645
Total	698,645	698,645

(b) Equity shares

Reconciliation of equity share capital	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016	As at 31 March 2016
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	1,530,621	698,645	1,530,621	698,645
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	1,530,621	698,645	1,530,621	698,645

(c) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of USD 0.01 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in USD. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(d) Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Number of equity share	As at 31 March 2017	As at 31 March 2016
Kotak Mahindra Bank Limited, the holding company	780,620	780,620
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	750,000
Kotak Mahindra (International) Limited, fellow subsidiary	1	1

(e) Details of shareholders holding more than 5% shares in the company

Equity shares of USD 0.01 fully paid up

	As at 31 March 2017		As at 31 March 2016	
	number	% holding	number	% holding
Kotak Mahindra Bank Limited, holding company	780,620	51.00%	780,620	51.00%
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	48.99%	750,000	48.99%

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3.2 Reserves and Surplus

	As at 31 March 2017	As at 31 March 2016
	₹	₹
a. Securities Premium Reserve		
Opening Balance	34,033,725	34,033,725
Closing Balance	34,033,725	34,033,725
b. Translation Reserve		
Opening Balance	102,141,927	92,870,677
Additions/(deductions) during the period	(1,750,777)	9,271,250
Closing Balance	100,391,150	102,141,927
c. Surplus in the statement of profit and loss		
Opening balance	46,882,259	21,581,324
Net Loss For the current year	(64,412,310)	25,300,935
Less: Appropriations		
Dividend on equity shares for the year	-	-
Closing Balance	(17,530,051)	46,882,259
Total	116,894,824	183,057,911

3.3 Long Term Provisions

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.27)	5,535,260	3,729,329
Total	5,535,260	3,729,329

3.4 Short-term Provisions

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Provision for employee benefits		
Provision for Stock Appreciation Rights (refer note 3.27)	9,855,960	5,241,382
Others		
Provision for taxes (net of advance tax of ₹ 56,420)	15,564	57,443
Total	9,871,524	5,298,825

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3.5 Fixed Assets

	Gross Block			Balance as at 31 March 2017	Accumulated Depreciation			Net Block		
	Balance as at 1 April 2016	Additions	Deductions / Adjustments*		Balance as at 1 April 2016	Depreciation charge for the year	Deductions / Adjustments*	Balance as at 31 March 2017	Balance as at 31 March 2017	Balance as at 31 March 2016
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Property, Plant and Equipment										
Furniture and Fixtures	3,223,514	-	68,357	3,155,157	1,197,975	549,869	43,723	1,704,121	1,451,036	2,025,539
Office equipment	616,380	178,377	19,014	775,743	35,565	162,749	6,176	192,138	583,606	580,815
Leasehold Improvements	482,499	-	10,232	472,267	28,721	76,575	3,160	102,136	370,131	453,778
Computer & Software	683,650	402,658	27,913	1,058,395	132,901	283,317	12,257	403,961	654,434	550,749
Total	5,006,043	581,035	125,516	5,461,562	1,395,162	1,072,510	65,317	2,402,355	3,059,207	3,610,881
Previous Year	7,514,019	3,378,033	5,886,009	5,006,043	6,816,256	486,712	5,907,806	1,395,162	3,610,881	697,763

* Deduction / adjustments includes effect of translation reserve

3.6 Non Current Investments

	Face Value	As at 31 March 2017		As at 31 March 2016	
		Quantity	₹	Quantity	₹
Other Non-current Investments					
National Association of Security Dealers	\$0.50	300	9,728	300	9,938
Total Non Current Investments			9,728		9,938
Aggregate amount of quoted investments			9,728		9,938

3.7 Long-term loans and advances

	As at 31 March 2017		As at 31 March 2016	
	Quantity	₹	Quantity	₹
Unsecured, considered good				
Deposits		3,017,634		3,083,012
Total		3,017,634		3,083,012

3.8 Current Investments

	Face Value	As at 31 March 2017		As at 31 March 2016	
		Quantity	₹	Quantity	₹
Unquoted					
Alps Kotak India Growth Fund	\$10.00	64,499	42,568,703	80,928	54,843,986
Total Current Investments			42,568,703		54,843,986

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3.9 Trade Receivables

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Unsecured, considered good		
Outstanding for a period less than six months from the date they are due for payment	17,717,407	8,050,523
Total	17,717,407	8,050,523

3.10 Cash and bank balances

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Cash and cash equivalents		
Balances with banks:		
On Current accounts	14,579,420	55,294,048
Total	14,579,420	55,294,048

3.11 Short-term Loans and Advances

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Loans and advances to related parties		
(Unsecured, considered good)	51,880,000	66,255,000
	51,880,000	66,255,000
Others		
(Unsecured, considered good)		
Security deposit	294,484	43,066
Employee Advances	-	487,585
Prepaid expenses	5,487,493	4,927,041
Loan to employees	401,592	-
	6,183,569	5,457,692
Total	58,063,569	71,712,692

In February 2017, the Company advanced a ₹ 51,880,000 one year loan to Kotak Mahindra International, a stockholder. This note was provided at interest rate of 2.4%. Interest income of ₹ 742,838 (Previous year ₹ 306,109) related to the fresh note was earned during the year ended 31st March, 2017, which is included in interest income in the accompanying profit and loss account of which interest income receivable of ₹ 103,760 (Previous Year ₹ 102,143) was included in Other Current Assets in the accompanying Balance Sheet.

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3.12 Other current assets

	As at 31 March 2017	As at 31 March 2016
	₹	₹
Interest accrued on loan	103,760	102,143
Total	103,760	102,143

3.13 Other Income

	For the year ended 31st March, 2017	For the year ended 31st March, 2016
	₹	₹
Interest income on fixed deposits	10,610	103,929
Interest income on loans	766,180	306,109
Dividend Income	641,647	7,413,422
Profit on sale of investments	1,305,875	-
Total	2,724,312	7,823,460

3.14 Employee Benefit Expenses

	For the year ended 31st March, 2017	For the year ended 31st March, 2016
	₹	₹
Salaries, bonus and allowances	148,412,480	113,320,876
Reimbursement of expense on ESOP Scheme	16,335,835	9,058,029
Staff welfare expenses	24,134,595	12,980,104
Total	188,882,910	135,359,009

3.15 Other expenses

	For the year ended 31st March, 2017	For the year ended 31st March, 2016
	₹	₹
Rent, rates & taxes	8,442,926	7,690,490
Communication expenses	5,056,716	4,828,965
Advertising, Business Promotion and Entertainment	1,806,215	1,966,748
Repairs and maintenance - Plant & machinery	1,699,964	1,264,542
Travel expenses	5,823,013	8,729,397
Conference Expenses	-	135,224
Insurance	1,240,760	879,973
Professional and legal fees	6,247,483	3,635,939
Auditor's remuneration	2,347,975	1,779,789
- Statutory audit fees	2,331,875	1,714,331
- Taxation related	16,100	65,458
Miscellaneous expenses	4,026,437	4,008,750
Total	36,691,489	34,919,817

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

- 3.16** The Company is the subsidiary of Kotak Mahindra Bank Limited (KMBL). The accounts have been prepared and audited to attach with the accounts of KMBL, the holding company to comply with the provisions of the Indian Companies Act, 2013.
- 3.17** The transactions are in local currency (US Dollars), which have been converted into Indian Currency (Indian Rupees) for reporting and the rate applied is as per para 2.2 of the significant accounting policies
- 3.18** The Company received referral fees from two fellow subsidiaries namely, Kotak Mahindra International Limited and Kotak Mahindra (UK) Limited who managed accounts referred to them by the Company. The Company had referral fees from these two fellow subsidiaries of approximately ₹ 54,001,681 (Previous year ₹ 42,913,544) for the year ended 31st March, 2017. Amounts due from these two fellow subsidiaries at 31st March, 2017 were approximately ₹ 9,041,322 (Previous year ₹ 3,009,103)
- 3.19** During the year, the Company received service fee income of ₹ 67,060,447 (Previous year ₹ 65,877,952) from its fellow subsidiary Kotak Securities Limited, for providing Chaperoning Services under Rule 15a-6 of the securities Exchange Act, 1934, for trades executed by its clients in India through Kotak Securities Limited. As at 31st March, 2017, the amount due from this subsidiary for service fees was ₹ 7,435,571 (Previous year ₹ 4,522,815).
- 3.20** During the year, the Company received service fee income from its fellow subsidiary Kotak Mahindra UK for providing liasoning services to certain investment advisors who have been investing with the fellow subsidiary. Such fees amounted to ₹ 16,279,181 (Previous year NIL). At March 31, 2017 the amount due from the subsidiary for service fees was ₹ 18,677 (Previous year NIL). Also the amount due from the subsidiary for expenses incurred on their behalf was ₹ 117,054 (Previous year NIL).
- 3.21** During the year, one employee was transferred from its fellow subsidiary Kotak Securities to the Company. The amount due from the subsidiary for unvested stock compensation for this employee was ₹ 109,337 (Previous year NIL)

3.22 Income Taxes

As at 31st March, 2017, the Company had net operating loss carry forwards of approximately ₹ 207,520,000 and ₹ 363,160,000 for federal and state income tax purposes, respectively. No deferred tax assets as at 31st March, 2017 has been recognised on account of carry forward of losses as there is no virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised.

3.23 Earnings per equity share

Particulars	As at	As at
	31 March 2017	31 March 2016
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (₹) (A)	(64,412,310)	25,300,935
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,530,621	1,530,621
Nominal value of Equity shares	\$0.01	\$0.01
Basic and diluted earnings / (loss) per share (₹) (A/B)	(42.08)	16.53

- 3.24** The Company has leased its New York City office facility under an operating lease which expires in October 2022.

The Company has also entered into short term lease agreements for its offices in California and Texas expiring in September 2017 and December 2017 respectively.

	FY17	FY16
i) Lease payments for the year	8,442,926	7,690,490
ii) Aggregate future minimum annual rental payments for the years subsequent to 31st March, 2017 are approximately as follows:		

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

	Year ending 31st March 2017	Year ending 31st March 2016
	₹	₹
Not later than one year	7,120,530	6,241,221
Later than one year but not later than five years	27,113,785	26,912,782
Later than five years	4,215,250	11,528,370
Total	38,449,565	44,682,373

The Company's lease provides for a period of free rent. In accordance with AS-19 "Leases", the aggregate of the total minimum lease payments under the lease is being amortized on the straight-line basis over the lease term. The difference between rent expense calculated on the straight-line basis and amounts paid in accordance with the terms of the leases (deferred rent) amounted to ₹ 1,214,640 at 31st March, 2017.

3.25 Contingencies, other commitments and concentration of credit risk

The Company is subject to various regulatory examinations that arise in the ordinary course of business. In the opinion of management, after consultation with legal counsel, results of these examinations will not materially affect the Company's financial position or results of operations.

From time to time, the Company maintains its cash in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of ₹ 16,212,500. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

The Company was named as a co-defendant in multiple class action lawsuits and various individual actions related to an initial public offering ("IPO") in 2015 wherein the company was one of the several underwriters. The complaints allege, among other things, that the offering material failed to disclose liquidity and debt issues being experienced by the sponsor of the IPO, thereby rendering its business model as not viable. Management of the Company intends to vigorously defend its position. Additionally, the issuer of the IPO has granted each of the co-defendants indemnification from virtually all legal fees and any settlements that may result from these matters. Although the outcome of this matter cannot presently be determined, management believes that the defense of its position will prevail, and that the indemnification agreement further shields the Company from any material adverse outcome. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

3.26 Stock Option Scheme

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 subsidiary and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

- (a) Kotak Mahindra Equity Option Scheme 2007; and
- (b) 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:

- (a) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007
- (b) Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- (c) 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 ₹ 16,335,835 (Previous Year ₹ 9,058,029) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 3.14 Employee Cost."

Had the Company recorded the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by ₹ 260,568 (Previous ₹ 970,379) with an increase in after tax loss by ₹ 260,568 (Previous Year ₹ 557,968).

NOTES TO ACCOUNTS

AT 31ST MARCH, 2017

3.27 Stock appreciation rights (SARs)

At the General Meeting of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1.37 to 3.65 years.

Detail of activity under SAR is summarized below:

	For the year ended 31st March, 2017	No. of SARs For the year ended 31st March, 2016
Outstanding at the beginning of the year	59,622	11,744
Granted during the year	28,380	52,260
Additions/Reduction due to transfer of employees	400	10,988
Exercised during the year	21,990	8,270
Expired / Forfeited during the year	-	7,100
Outstanding at the end of the year	66,412	59,622

Effect of share based payment to employees on the profit and loss account and on its financial position

Year ended March 31,	2017	2016
Total Employee Compensation Cost pertaining to share-based payment plans	16,335,835	9,058,029
Closing balance of liability for cash-settled options	15,391,220	8,970,711

Had the Company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹ 183,908 (Previous year higher by ₹ 1,274,518) with a decrease in after tax loss by ₹ 183,908 (Previous year profit after tax would have been lower by 732,848).

3.28 Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph (k)(2)(i) and (k)(2)(ii), and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

3.29 Previous years figures have been regrouped, reclassified wherever necessary to confirm with figures of the current year.

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 21 April, 2017

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Gaurang Shah

Director

Dated: 20 April, 2017

