

Kotak Mahindra Pension Fund Limited  
Annual Report 2016-17



**CHANGING  
WITH INDIA.  
FOR INDIA.**



# DIRECTORS' REPORT

To the Members of

## Kotak Mahindra Pension Fund Limited

Your Directors present their Eighth Annual Report together with Audited Financial Statements of the company for the year ended 31st March 2017.

### FINANCIAL HIGHLIGHTS

₹ in lac

|   | Year ended      | Year ended      |
|---|-----------------|-----------------|
|   | 31st March 2017 | 31st March 2016 |
| Gross income                              | 221.95          | 214.50          |
| Profit /(Loss) before Tax                 | (21.52)         | 33.99           |
| Provision for Tax                         | -               | 4.48            |
| Profit after Tax                          | 29.51           | 29.51           |
| Balance of Loss from previous years       | (244.51)        | (274.01)        |
| Loss carried forward to the Balance Sheet | (266.03)        | (244.51)        |

#### 2. DIVIDEND

In view of inadequate profits, your Directors do not recommend any Dividend for the Financial Year.

#### 3. SHARE CAPITAL

During the year the Company increased the Authorized Share Capital from ₹ 30,00,00,000/-, comprising of 3,00,00,000 Equity Shares of ₹ 10 each to ₹ 60,00,00,000/- comprising of 6,00,00,000 Equity Shares of ₹ 10 each. The issued, subscribed & paid up share capital of the Company is ₹ 28,00,00,000/- comprising of 2,80,00,000 shares.

#### 4. REVIEW OF OPERATIONS OF THE COMPANY

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 (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 ₹ 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. As per the current terms of the appointment, the funds are received in the Trustee Bank (Axis Bank) as per the pension fund subscription information provided by the Central record keeping agency (National Securities Depository Limited). In the current year PFRDA has appointed Karvy Computershare as 2nd Central record keeping agency). The assets are under the custody of the NPS Trustee appointed custodian viz., Stock Holding Corporation of India Limited.

Your Company manages nine schemes including a new asset class "Ä" (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 ₹ 312.05 Crores (₹ 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 ₹ 118,810.18 Crores as on March 31, 2016 to ₹ 174,560.95 Crores as on March 31, 2017, a growth of 46.92% and the private sector industry AUM has grown from ₹ 1,361.27 Crores as on March 31, 2016 to ₹ 3,085.47 Crores as on March 31, 2017, a growth of 126.66%.

The scheme wise assets under management are as under:

| (₹ In Crores)  |                            |                            |
|--|----------------------------|----------------------------|
| Scheme   | AUM as on 31st March, 2017 | AUM as on 31st March, 2016 |
| NPS Trust A/c Kotak Pension Fund Scheme E  | 93.30                      | 45.16                      |
| NPS Trust A/c Kotak Pension Fund Scheme C  | 67.51                      | 37.78                      |
| NPS Trust A/c Kotak Pension Fund Scheme G  | 88.79                      | 48.98                      |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II                                    | 8.42                       | 3.79                       |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II                                    | 6.09                       | 2.80                       |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II                                    | 7.67                       | 3.23                       |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | 40.20                      | 30.95                      |
| NPS Trust A/c Kotak Pension Fund Scheme A *  | 0.05                       | -                          |
| NPS Trust A/c Kotak Pension Fund Scheme A Tier II *                                  | 0.01                       | -                          |
|  | <b>312.05</b>              | <b>172.69</b>              |

\* Schemes introduced during the year

The snap shot of the performance of the schemes managed by the company for the financial year is given below:

| Scheme   | Benchmark           | Last 1 year return (%) | Benchmark Return (1 year) (%) | Return since launch of the scheme (%) |
|--|---------------------|------------------------|-------------------------------|---------------------------------------|
| NPS Trust A/c Kotak Pension Fund Scheme E  | CNX Nifty 100 index | 22.23                  | 20.87                         | 10.68                                 |
| NPS Trust A/c Kotak Pension Fund Scheme C  | CRISIL NPS Index    | 12.35                  | 12.31                         | 11.18                                 |
| NPS Trust A/c Kotak Pension Fund Scheme G  | CRISIL NPS Index    | 12.63                  | 11.90                         | 9.08                                  |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II                                    | CNX Nifty 100 index | 21.94                  | 20.87                         | 9.80                                  |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II                                    | CRISIL NPS Index    | 12.42                  | 12.31                         | 9.92                                  |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II                                    | CRISIL NPS Index    | 12.41                  | 11.90                         | 8.96                                  |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | CRISIL NPS Index    | 12.98                  | 12.83                         | 11.29                                 |

## 5. DIRECTORS & KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company oversees the business and operations of the Company. The Company has an optimum mix of non – independent and independent Directors.

### Directors retiring by rotation during the year

Mr. Gaurang Shah (DIN 00016660) will retire by rotation at the Eighth Annual General Meeting and being eligible, has offered himself for re-appointment.

### Change in Directors during the year

During the year there was no appointment/resignation of Directors.

#### Board Evaluation –

The Nomination and Remuneration Committee of the Company's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The Criteria formulated broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style.

A Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors in accordance with the criteria set and covering various aspects of performance including composition, relationship among directors, director competency, contribution to risk management compliance, roles and responsibility, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors of the Company for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, Chairman and the individual Directors, a summary of the Board Evaluation was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors.

#### Key Managerial Personnel (KMP's)

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. Vinod A.N. – Manager, Mr. Krishnan Ramchandran – Chief Financial Officer and Ms. Darshana Baliya – Company Secretary are the Key Managerial Personnel of the Company.

#### Appointment & Remuneration of Directors and KMPs

The Nomination and Remuneration Committee of the Board of Directors of the Company has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it recommends to the Board the appointment of Directors and Senior Management personnel. The Committee considers the qualifications, experience fit & proper status, positive attributes as per the suitability of the role and independent status and various regulatory/statutory requirements as may be required of the candidate before such appointment.

The Board has adopted the Remuneration Policy for the Whole-time Directors, Chief Executive Officer and other employees of the Company. 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 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 Whole-time Directors/Chief Executive Officer
  - o Risk, Operations & Support Staff
  - o Other categories of Staff
- 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 ESOPs – 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 Independent Directors are only in receipt of sitting fees for attending the meeting from the Company. Remuneration to the KMPs i.e. Chief Executive Officer, Chief Financial Officer and the Company Secretary, is as per the terms of their employment.

## 6. NUMBER OF BOARD MEETINGS

### Board Meetings

During the year, five Board Meetings 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.

## 7. COMMITTEES

### a) Audit Committee

In terms of the requirement of Section 177 of Companies Act, 2013, it presently consists of Mr. Balan Wasudeo (Chairman), Mr. Tushar Mavani and Mr. Nilesh Shah with any two members forming the quorum.

During the year, four meetings of the committees were held. There were no cases where recommendations of Audit Committee were not accepted by the Board of Directors of your Company.

### b) Nomination & Remuneration Committee

In terms of the requirement of Section 178 of Companies Act, 2013, the Nomination and Remuneration Committee presently consists of Mr. Balan Wasudeo (Chairman), Mr. Tushar Mavani and Mr. Gaurang Shah with any two members forming the quorum.

During the year, two meetings of the committee were held.

### c) Risk Management Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, Risk Management Committee was constituted to analyze and review the risk associated with managing the Pension Fund business and risk mitigants put in place. It consists of Mr. Tushar Mavani (Chairman), Mr. Gaurang Shah, Mr. Sandeep Shrikhande- Chief Executive Officer, Mr. Vinod A N- Fund Manager and Ms. Darshana Baliya – Company Secretary with any two members forming the quorum.

During the year, four meetings of the committee were held.

### d) Investment Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, Investment Committee was constituted to ensure that all investments are carried out as per the provisions of PFRDA Guidelines/directions and to ensure that all investments are made consistent with the protection, safety and liquidity of such funds, in the interest of the subscribers. It was reconstituted on April 20, 2015 and presently consists of viz. Mr. Balan Wasudeo (Chairman), Mr. Gaurang Shah, Mr. Nilesh Shah, Mr. Sandeep Shrikhande – Chief Executive Officer and Mr. Vinod A N – Fund Manager with any two members forming the quorum.

During the year, four meetings of the committee were held.

## 8. AUDITORS

Your Company's Auditors - Gokhale & Sathe, Chartered Accountants, retire at the Eighth Annual General Meeting.

## 9. INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that it has established a governance framework and a control environment including internal controls commensurate with the size; scale and complexity of its operations with reference to the Financial Statements and that such controls are operating effectively. During the year under review, no material observation has been observed for inefficiency or inadequacy of such controls

## 10. 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 Standards AS18 are reported in Notes to Financial Statement under clause no. 25

## 11. PARTICULARS OF LOAN GUARANTEES OR INVESTMENTS U/S 186

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

## 12. WHISTLE BLOWER POLICY:

Your Company has 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.

## 13. RISK MANAGEMENT

Your Company acts as Pension Fund Manager for managing the funds under NPS.

Pension Fund schemes are governed by the Investment Management Agreement (IMA) including any amendment thereof and the PFRDA Act 2013, regulations, applicable provisions of the NPS, the Schemes, the guidelines/notifications issued by the Authority, Ministry of Finance, Government of India, from time to time, as per the Applicable Law

The IMA provides for constitution of Risk Management Committee and to draw up a Risk Policy to consider:

- a. Risk management functions
- b. Disaster recovery and business contingency plans
- c. Insurance cover against risks
- d. Ensuring a risk adjusted return to subscribers consistent with the protection, safety and liquidity of such funds.

Our risk Management Policy has been approved by the Board and is implemented by the Risk Management Committee, which keeps the Board informed periodically about its activities. The Board periodically updates the NPS Trust on the same.

The policy gives detailed guidelines in the areas of Fund management, Operations and other risks associated with the pension fund business. The said practices are audited by the internal auditors and the audit report is presented to the boards of KMPFL on a quarterly basis.

### 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 (Bank) and its group companies have adopted a Liquidity Risk Management Policy. The Board of Directors has adopted Liquidity Risk Management Policy which is line with the Kotak Bank Policy.

The Company invests its surplus funds in the Liquid / debt schemes of 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. All expenses (including revenue and capital) during the year were also authorized by personnel duly authorized by the Board of Directors.

#### **14. 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.

#### **15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The provisions pertaining to the Conservation of Energy and Technology Absorption are not applicable to your Company.

During the financial year ended 31st March 2017 the Company has no foreign exchange inflow and outgo of ₹ Nil (Previous Year: Nil).

#### **16. 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.

#### **17. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS WHICH IMPACTS GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE.**

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

#### **18. DIRECTORS RESPONSIBILITY STATEMENT**

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

- i. Your Company has, in the preparation of the annual accounts followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. the Directors have selected such accounting policies and applied them consistently and made 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 31st March 2017 and of Profit/Loss of your Company for the financial year ended 31st March 2017;
- iii. the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors have prepared the annual accounts on a going concern basis.
- v. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**ANNEXURE**

Following statement is set out as annexure 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).

**ACKNOWLEDGEMENT**

Your Directors thank the subscribers, customers and business associates for reposing their trust in the Company. The Directors also thank the Company's employees for their continued hard work, dedication and commitment; and the Management for continuing success of the business.

Your Directors take this opportunity to place on record their gratitude for the valuable guidance and support received from the Pension Fund Regulatory and Development Authority, NPS Trust and other statutory and regulatory authorities for their support, advice and direction provided from time to time.

For and on behalf of the Board of Directors

Mumbai  
April 21, 2017

Gaurang Shah  
Director

Balan Wasudeo  
Director



**ANNEXURE A TO THE DIRECTORS' REPORT****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   | U67200MH2009PLC191144  |
| 2. | Registration Date   | March 23, 2009   |
| 3. | Name of the Company   | Kotak Mahindra Pension Fund Limited  |
| 4. | Category/Sub-Category of the Company                                      | Public Company limited by shares   |
| 5. | Address of the Registered office and contact Details                      | 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E),<br>Mumbai – 400051 Tel No. : (022) 66056825<br>Fax No.: (022) 66384455 |
| 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 Product/ Services | NIC Code of the Product | % to total turnover of the Company |
|---------|--|-------------------------|------------------------------------|
| 1.      | Management of Pension Funds                    | 66302                   | 100%                               |

**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<br>Address:<br>27 BKC, C 27, G Block, Bandra Kurla Complex,<br>Bandra (E), Mumbai 400051                      | L65110MH1985PLC038137 | Holding Company                    | 4.29             | 2(46)              |
| 2.      | Kotak Mahindra Asset Management Company Limited<br><br>Address:<br>27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | U65991MH1994PLC080009 | Holding Company                    | 95.71            | 2(46)              |

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
*i) Category-wise Share Holding*

| 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>A. Promoters &amp; Promoter Group</b>                  |   |            |            |                   |   |            |            |                   |                          |
| <b>(1) Indian</b>   |   |            |            |                   |   |            |            |                   |                          |
| a) Individual/HUF   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| b) Central Govt   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| c) State Govt (s)   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| d) Bodies Corp.   | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 100               | -                        |
| e) Banks / FI   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| f) Any Other....  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub-total (A) (1):-</b>                                | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 100               | -                        |
| <b>(2) Foreign</b>  |   |            |            |                   |   |            |            |                   |                          |
| a) NRIs - Individuals                                     | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| b) Other – Individuals                                    | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| c) Bodies Corp.   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| d) Banks / FI   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| e) Any Other....  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub-total (A)(2)</b>                                   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b> | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 100               | -                        |
| <b>B. Public Shareholding</b>                             |   |            |            |                   |   |            |            |                   |                          |
| <b>1. Institutions</b>                                    |   |            |            |                   |   |            |            |                   |                          |
| 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   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub-total (B)(1):-</b>                                 | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>2. Non-Institutions</b>                                |   |            |            |                   |   |            |            |                   |                          |
| 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 |                          |
| a) Bodies Corp.   |   |            |            |                   |   |            |            |                   |                          |
| i) Indian   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| ii) Overseas  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| b) Individuals  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh          | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| c) Others (specify)   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub-total (B)(2):-</b>   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| Total Public Shareholding (B)=(B)(1)+   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                          | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Grand Total (A+B+C)</b>  | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 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 shareholding 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 | % of Shares Pledged / encumbered to total shares |  |
| 1.      | Kotak Mahindra Bank Limited   | 12,00,000                                 | 4.29                             | -  | 12,00,000                           | 4.29                             | -  | -  |
| 2.      | Kotak Mahindra Asset Management Company Limited (Subsidiary of Kotak Mahindra Bank Limited) | 2,68,00,000                               | 95.71                            | -  | 2,68,00,000                         | 95.71                            | -  | -  |

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 | -   | -                                | -                                       | -                                |
|         | At the end of the year  | -   | -                                | -                                       | -                                |

(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 |
|         | At the beginning of the year  | -   | -                                | -                                   | -                                |
|         | Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.): | -   | -                                | -                                   | -                                |
|         | At the End of the year (or on the date of separation, if separated during the year)   | -   | -                                | -                                   | -                                |

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

| Sl. No. | For Each of the Directors and KMP   | 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 |
|         | Mr. Gaurang Shah – Director ( as nominee of Kotak Mahindra Asset Management Co. Ltd)  |   |                                  |                                     |                                  |
|         | At the beginning of the year  | 10  | #                                | 10                                  | #                                |
|         | Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.): | -   | -                                | -                                   | -                                |
|         | At the End of the year (or on the date of separation, if separated during the year)   | 10  | #                                | 10                                  | #                                |
|         | Mr. Krishnan Ramchandran – Chief Financial Officer (as nominee of Kotak Mahindra Asset Management Co. Ltd.)   |   |                                  |                                     |                                  |
|         | At the beginning of the year  | 10  | #                                | 10                                  | #                                |
|         | Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.): | -   | -                                | -                                   | -                                |
|         | At the End of the year (or on the date of separation, if separated during the year)   | 10  | #                                | 10                                  | #                                |

**V. INDEBTEDNESS**

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

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

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL –

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in Lac)

| Sl. no. | Particulars of Remuneration   | Name of MD/WTD/Manager<br>Mr. Vinod A.N. – Manager | Total Amount |
|---------|---|--|--------------|
| 1.      | Gross salary  | 41.71  | 41.71        |
|         | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 * |  |              |
|         | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                               | 1.07   | 1.07         |
|         | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961                | -  | -            |
| 2.      | Stock Option @  | Cost included in 1(b) above                        |              |
| 3.      | Sweat Equity  | -  | -            |
| 4.      | Commission  |  |              |
|         | - as % of profit  | -  | -            |
|         | - others, specify...  | -  | -            |
| 5.      | Others, please specify  |  |              |
|         | <b>Total (A)</b>  | 42.78  | 42.78        |
|         | <b>Ceiling as per the Act #</b>   |  |              |

@ The perquisite value towards stock options includes the difference between exercise price & market price on the date of exercise. The same is not paid by the company. The amount includes 0.17 lacs to the manager.

\* Gross salary includes Basic salary, House Rent Allowance, Special Allowance, Reimbursement of Medical expenses, Leave Travel Allowance, Annual Incentives and Cost towards Stock Appreciation Rights.

# The ceiling limit with respect to remuneration of Manager of Kotak Mahindra Pension Fund Limited is governed by Section 196, 197, 198 read with Schedule V of the Companies Act, 2013 and the Rules made thereunder.

### B. Remuneration to other directors:

(₹ in Lac)

| Sr. No.   | Particulars of Remuneration                  | Name of Director  |                   | Total Amount |
|-----------|--|-------------------|-------------------|--------------|
|           |  | Mr. Balan Wasudeo | Mr. Tushar Mavani |              |
| <b>1.</b> | <b>Independent Directors</b>                 |                   |                   |              |
|           | Fee for attending board / committee meetings | 1.90              | 1.90              | 3.80         |
|           | Commission                                   | -                 | -                 | -            |
|           | Others, please specify                       | -                 | -                 | -            |
|           | <b>Total (1)</b>                             | <b>1.90</b>       | <b>1.90</b>       | <b>3.80</b>  |
| <b>2.</b> | <b>Other Non-Executive Directors</b>         |                   |                   |              |
|           | Fee for attending board committee meetings   | -                 | -                 | -            |
|           | Commission                                   | -                 | -                 | -            |
|           | Others, please specify                       | -                 | -                 | -            |
|           | <b>Total (2)</b>                             | <b>-</b>          | <b>-</b>          | <b>-</b>     |
|           | <b>Total (B)=(1+2)</b>                       | <b>1.90</b>       | <b>1.90</b>       | <b>3.80</b>  |
|           | <b>Total Managerial Remuneration</b>         |                   |                   | <b>3.80</b>  |
|           | <b>Overall Ceiling as per the Act ##</b>     |                   |                   |              |

## Ceiling limit with respect to payment of sitting fees to directors is governed by sub-section 5 of Section 197 of Companies Act, 2013 read with the Rules made thereunder.

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

| Sl. no. | Particulars of Remuneration   | Key Managerial Personnel |     | Total Amount |
|---------|---|--------------------------|-----|--------------|
|         |   | Company Secretary        | CFO |              |
| 1.      | Gross salary  |                          |     |              |
|         | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 30.38                    | -   | 30.38        |
|         | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.15                     | -   | 0.15         |
|         | (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  | -                        | -   | -            |
|         | <b>Total (A)</b>  | 30.53                    | -   | 30.53        |

\* Gross salary includes Basic salary, House Rent Allowance, Special Allowance, Reimbursement of Medical expenses, Leave Travel Allowance, Annual Incentives and Cost towards Stock Appreciation Rights

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) |
|-------------------------------------|------------------------------|-------------------|---|-------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                              |                   |   |                               |                                    |
| Penalty                             | -                            | -                 | -   | -                             | -                                  |
| Punishment                          | -                            | -                 | -   | -                             | -                                  |
| Compounding                         | -                            | -                 | -   | -                             | -                                  |
| <b>B. DIRECTORS</b>                 |                              |                   |   |                               |                                    |
| Penalty                             | -                            | -                 | -   | -                             | -                                  |
| Punishment                          | -                            | -                 | -   | -                             | -                                  |
| Compounding                         | -                            | -                 | -   | -                             | -                                  |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                              |                   |   |                               |                                    |
| Penalty                             | -                            | -                 | -   | -                             | -                                  |
| Punishment                          | -                            | -                 | -   | -                             | -                                  |
| Compounding                         | -                            | -                 | -   | -                             | -                                  |

Gaurang Shah

Balance Wasudeo

# INDEPENDENT AUDITOR'S REPORT

To

The Members of

**KOTAK MAHINDRA PENSION FUND LIMITED**

## **Report on the Financial Statements**

We have audited the accompanying standalone financial statements of **KOTAK MAHINDRA PENSION FUND LIMITED** ("the company"), which comprise the balance sheet as at 31 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 Standalone 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 and presentation of these standalone financial statements that 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. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the company and for preventing and detecting the 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 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 standalone 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 there under.

We conducted our audit 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 disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in 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 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 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 standalone financial statements.

## **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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**

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of Section 143 (11) of the Companies Act 2013, we give in the "Annexure A", statement on the matters specified in paragraph 3 & 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 purposes of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
  - c) The balance sheet, 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 standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of written representations received from the directors as on 31st March, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 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 B".
  - g) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 20 to the financial statements.
    - ii. The company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which required to be transferred to the Investor Education and Protection Fund by the company.
    - iv. The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016- Refer Note 24

For Gokhale & Sathe  
Chartered Accountants  
Firm Reg. No.: 103264W

Place: Mumbai  
Date: 21st April, 2017

**Atul A Kale**  
Partner  
Membership No109947



# “ANNEXURE A” TO INDEPENDENT AUDITOR’S REPORT

**In the Annexure, as required by the Companies (Auditor’s Report) Order, 2016 issued by the Central Government in terms of Section 143 (11) of the Companies Act 2013, on the basis of checks, as we considered appropriate, we report on the matters specified in paragraph 3 and 4 of the said order to the extent applicable to the company,**

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets for the year under audit in the soft (computerized) form.
- b) We have been informed that the physical verification of fixed assets was carried out by the management during the year, which in our opinion is reasonable having regard to the nature of the assets. We have been informed that no material discrepancy was noted on such verification.
- c) Since the company doesn’t have any immovable property as their asset, this clause is not applicable.
- ii) Considering the nature of the business and services rendered by the company, provisions of clause 3 (ii) of the CARO relating to inventory are not applicable.
- iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. Therefore provisions of clause 3 (iii) of the CARO are not applicable.
- iv) During the year, company has not advanced any loan to directors or to any other body corporate. Therefore provisions of Clause 3 (iv) of the CARO are not applicable.
- v) During the year, the company has not accepted any deposits from public.
- vi) Central Government has not prescribed any service rendered by the company under Section 148 (1) of the Companies Act for Maintenance of cost records.
- vii) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including the Provident Fund, Employees state insurance, income tax, sales tax, wealth tax, service tax, duty of excise, value added tax, cess and any other statutory dues applicable to it
- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess which have not been deposited on account of any dispute except the following:

| Name of the Statute | Financial Year | Amount | Forum where dispute is pending |
|---------------------|----------------|--------|--------------------------------|
| Income Tax Act      | 2010-11        | 86,880 | Dy Commissioner of Income Tax  |

- viii) In our opinion and according to the information and explanation given to us, the company does not have any loan or borrowings from a financial institution or bank or government or debenture holders. Therefore provisions of clause 3 (viii) of the CARO are not applicable.
- ix) During the year, the company has not raised any money by way of initial public offer or further public offer (including debt instrument) nor obtained any term loan. Therefore provisions of clause 3 (ix) of the CARO are not applicable.
- x) According to the information and explanation given to us, no fraud on or by the company, by its officers and employees has been noticed or reported during the course of our audit.
- xi) The company’s managerial remuneration has been provided with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- xii) In our opinion and according to the information and explanation given to us, the Company is not a nidhi company. Therefore, the provisions of clause 4 (xii) of the CARO are not applicable.
- xiii) In our opinion and according to the information and explanation given to us, transactions with the related parties are in compliance with sections 177 and 188 of the act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

- xiv) In our opinion and according to the information and explanation given to us, during the year the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Therefore, the provisions of clause 4 (xiv) of the CARO are not applicable.
- xv) In our opinion and according to the information and explanation given to us, during the year the company has not entered into non-cash transactions with the directors or persons connected with the directors. Therefore, the provisions of clause 4 (xv) of the CARO are not applicable.
- xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Gokhale & Sathe  
Chartered Accountants  
Firm Reg. No.: 103264W

Place: Mumbai  
Date: 21st April, 2017

**Atul A Kale**  
Partner  
Membership No109947

# “ANNEXURE B” TO INDEPENDENT AUDITOR’S REPORT

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

We have audited the internal financial controls over financial reporting of **KOTAK MAHINDRA PENSION FUND LIMITED** (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone 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 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 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.

### Auditors’ 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, 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 Company’s 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 authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.

For Gokhale & Sathe  
Chartered Accountants  
Firm Reg. No.: 103264W

**Atul A Kale**  
Partner

Membership No 109947

Place: Mumbai

Date: 21st April, 2017

# BALANCE SHEET

## AS AT 31ST MARCH, 2017

(Amount in ₹)

|  | Notes | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|-------|---------------------------|---------------------------|
| <b>I. EQUITY AND LIABILITIES</b>           |       |                           |                           |
| <b>1. Shareholders' Funds:</b>             |       |                           |                           |
| (a) Share Capital                          | 3     | 280,000,000               | 280,000,000               |
| (b) Reserves and Surplus                   | 4     | (26,602,770)              | (24,450,776)              |
| <b>2. Non-current liabilities</b>          |       |                           |                           |
| (a) Long term Provisions                   | 5     | 1,599,320                 | 1,373,458                 |
| <b>3. Current liabilities</b>              |       |                           |                           |
| (a) Trade Payables                         | 6     | 886,476                   | 547,306                   |
| (b) Other current Liabilities              | 7     | 260,969                   | 244,101                   |
| (c) Short term Provisions                  | 8     | 2,309,491                 | 1,624,624                 |
| <b>Total</b>                               |       | <b>258,453,486</b>        | <b>259,338,713</b>        |
| <b>II. ASSETS</b>                          |       |                           |                           |
| <b>1. Non-current assets</b>               |       |                           |                           |
| (a) Tangible Fixed Assets                  | 9     | 628,335                   | 345,809                   |
| (b) Non Current Investments                | 10    | 255,701,194               | 257,377,567               |
| (c) Long term Loans & Advances             | 11    | 88,201                    | 42,098                    |
| <b>2. Current assets</b>                   |       |                           |                           |
| (a) Trade Receivables                      | 12    | 62,662                    | 33,661                    |
| (b) Cash & Bank Balances                   | 13    | 1,833,324                 | 1,461,140                 |
| (c) Short Term Loans & Advances            | 14    | 129,688                   | 68,874                    |
| (d) Other Current Assets                   | 15    | 10,082                    | 9,564                     |
| <b>Total</b>                               |       | <b>258,453,486</b>        | <b>259,338,713</b>        |
| Summary of significant accounting policies | 2.1   |                           |                           |

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

1 & 2

**As per our report of even date attached**

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

**For Gokhale & Sathe**

Chartered Accountants  
Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**

Partner  
Mem No.109947

Chief Financial Officer

Company Secretary

Mumbai, 21st April, 2017

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31ST MARCH, 2017

(Amount in ₹)

|   | Notes | Year ended<br>31st March, 2017 | Year ended<br>31st March, 2016 |
|---|-------|--------------------------------|--------------------------------|
| <b>Revenue from Operations</b>                                | 16    | 232,648                        | 129,139                        |
| Other Income  | 17    | 21,962,231                     | 21,320,916                     |
| <b>Total Revenue</b>  |       | <b>22,194,879</b>              | <b>21,450,055</b>              |
| Employee benefits expense                                     | 18    | 11,371,193                     | 8,483,469                      |
| Depreciation  | 9     | 379,087                        | 473,586                        |
| Other Expenses  | 19    | 12,596,593                     | 9,094,209                      |
| <b>Total Expense</b>  |       | <b>24,346,873</b>              | <b>18,051,264</b>              |
| <b>Profit /(Loss) before tax</b>                              |       | <b>(2,151,994)</b>             | <b>3,398,791</b>               |
| <b>Tax Expense</b>  |       |                                |                                |
| Current tax   |       | -                              | (448,000)                      |
| Deferred tax  |       |                                | -                              |
| <b>Net Profit / (Loss) for the year</b>                       |       | <b>(2,151,994)</b>             | <b>2,950,791</b>               |
| <b>Earnings per equity share [nominal value of share ₹10]</b> | 27    |                                |                                |
| <b>Basic &amp; Diluted</b>                                    |       | (0.08)                         | 0.12                           |
| Summary of significant accounting policies                    | 2.1   |                                |                                |

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

1 & 2

**As per our report of even date attached**

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

**For Gokhale & Sathe**

Chartered Accountants  
Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**

Partner  
Mem No.109947

Chief Financial Officer

Company Secretary

Mumbai, 21st April, 2017

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH 2017

|  | For the Year<br>Ended<br>31st March 2017 | For the Year<br>Ended<br>31st March 2016 |
|--|--|--|
|  | Rupees in Lacs                           | Rupees in Lacs                           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| <b>Profit / (Loss) Before Tax</b>  | (2,151,994)                              | 3,398,791                                |
| Adjustments for:   |  |  |
| Depreciation   | 379,087                                  | 473,586                                  |
| Dividend income  | 11,504                                   | -  |
| Excess provision no longer required written back   | (93,605)                                 | (185,560)                                |
| Interest on Fixed Deposits   | (21,868,626)                             | (21,125,660)                             |
| Net (gain)/ loss on sale of Non-current investments  | (21,125,660)                             | (10,695,438)                             |
|  |  |  |
| <b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>   | (23,723,634)                             | (17,438,843)                             |
| <b>Movements in working capital :</b>  |  |  |
| Increase/ (decrease) in trade payables   | 339,170                                  | 29,916                                   |
| Increase / (decrease) in long/short-term provisions  | 920,608                                  | 434,528                                  |
| Increase/ (decrease) in other current liabilities  | 16,868                                   | (23,668)                                 |
| Decrease / (increase) in trade receivables   | (29,001)                                 | 9,473                                    |
| Decrease / (increase) in long-term loans and advances  | -  | -  |
| Decrease / (increase) in short-term loans and advances                                       | (60,814)                                 | 106,362                                  |
| Decrease / (increase) in other current assets  | (518)                                    | 6,237                                    |
| <b>CASH USED IN OPERATIONS</b>   | <b>(22,537,321)</b>                      | <b>(16,875,995)</b>                      |
| <b>Direct Taxes Paid</b>   | <b>(46,103)</b>                          | <b>105,703</b>                           |
| <b>NET CASH USED IN OPERATING ACTIVITIES (A)</b>   | <b>(22,583,424)</b>                      | <b>(16,770,292)</b>                      |
|  |  |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |
| Purchase of fixed assets   | (673,118)                                | -  |
| Non-current investments  |  |  |
| Purchase   | (52,000,000)                             | (76,300,000)                             |
| Proceeds from sale   | 75,545,000                               | 92,110,000                               |
| Proceeds from maturity of bank deposits (having original maturity of more than three months) | -  | 1,090,998                                |
| Investments in bank deposits (having original maturity of more than three months)            | -  | -  |
| Interest received  |  | 191,797                                  |
| Dividends received   | -  | -  |
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B)</b>                                      | <b>22,871,882</b>                        | <b>17,092,795</b>                        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B )</b>                                    | <b>288,458</b>                           | <b>322,503</b>                           |

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH 2017

|   | <b>For the Year<br/>Ended<br/>31st March 2017</b> | For the Year<br>Ended<br>31st March 2016 |
|---|---|--|
|   | <b>Rupees in Lacs</b>                             | Rupees in Lacs                           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b> | 364,689   | 42,186                                   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>       | <b>653,147</b>                                    | <b>364,689</b>                           |
| <b>Components of cash and cash equivalents</b>                |   |  |
| With banks- on current account                                | 653,147   | 364,689                                  |
| - on deposit account  | -   | -  |
| Total cash and cash equivalents (Refer Note -13)              | 653,147   | 364,689                                  |
| Summary of significant accounting policies (note 2.1)         |   |  |

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

The corresponding amounts of previous year have been re-grouped, wherever necessary.

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

1 & 2

**As per our report of even date attached**

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

**For Gokhale & Sathe**

Chartered Accountants  
Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**

Partner  
Mem No.109947

Chief Financial Officer

Company Secretary

Mumbai, 21st April, 2017

# NOTES

## TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

### 1. CORPORATE INFORMATION

Kotak Mahindra Pension Fund Limited is a Company incorporated on 23rd March, 2009. The main business of the Company is managing the investments of the National Pension System as formed by the Government of India through the Pension Fund Regulatory & Development Authority (PFRDA). The investments are held by the Board of Trustees of the National Pension System Trust, established by the PFRDA under the Indian Trusts Act, 1882.

### 2. 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.
- (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.

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

#### B. REVENUE RECOGNITION

- Investment Management Fee is recognised at specific rates agreed with the relevant schemes, applied on the daily net assets managed.
- Dividend income is accounted when the right to receive dividend is established.
- Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

#### C. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary, is provided for. Current investments are valued at cost (calculated by applying weighted average cost method) or market values whichever is lower. Brokerage, stamping and additional charges paid are included in the cost of investments.

In case of investments in units of mutual funds, the net asset value of units is considered as the market value/fair value.

#### D. EMPLOYEE BENEFITS

##### Defined contribution scheme

- a. The contributions as required by the statute to Government Provident Fund are charged to the Statement of Profit and Loss when due.

##### Defined Benefit Plan

- b. The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is wholly unfunded. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.
- c. Actuarial gains/losses are immediately recognised in the Statement of Profit and Loss.



# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### Other Long-term Employee Benefits

- d. The Company accrues the liability for compensated absences based on an actuarial valuation as at the Balance Sheet date conducted by an independent actuary. The net present value of the Company's obligation is determined based on the projected unit credit method as at the Balance Sheet date.

### Other Employee Benefits

- e. The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include performance incentives.

## **E. TAXES ON INCOME**

The Income Tax expense comprises Current tax, Deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on account of 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. In situations where the Company has unabsorbed depreciation or carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable profits. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been substantially enacted before the Balance Sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Statement of Profit and Loss in the period of the change. 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.

## **F. 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.

## **G. TANGIBLE AND INTANGIBLE ASSETS, DEPRECIATION AND AMORTISATION**

Fixed assets are stated at cost less accumulated depreciation. 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 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:

| <b>Asset</b>                | <b>Useful life in Years</b> |
|-----------------------------|-----------------------------|
| Motor vehicles              | 4                           |
| Office Equipment            | 5                           |
| Computers                   | 3                           |
| Intangible Assets -Software | 3                           |

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.

## **H. IMPAIRMENT**

- 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 value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### I. 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

### J. PROVISIONS AND CONTINGENT LIABILITIES

- 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 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.

### K. 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 straight-line basis over the vesting period with 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 the statement of profit and loss in 'Employee costs'

### L. 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.

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 3. SHARE CAPITAL

|  | As at            | As at           | As at            | As at           |
|--|------------------|-----------------|------------------|-----------------|
|  | 31st March 2017  | 31st March 2017 | 31st March 2016  | 31st March 2016 |
|  | Number of Shares | Amount (₹)      | Number of Shares | Amount (₹)      |
| <b>Authorised :</b>  |                  |                 |                  |                 |
| Equity shares of ₹10 each.   | 60,000,000       | 600,000,000     | 30,000,000       | 300,000,000     |
| <b>Issued,Subscribed and Paid Up:</b>  |                  |                 |                  |                 |
| Equity shares of ₹10 each fully paid up.   | 28,000,000       | 280,000,000     | 28,000,000       | 280,000,000     |
| <b>Total issued, subscribed and fully paid-up share capital</b>  | 28,000,000       | 280,000,000     | 28,000,000       | 280,000,000     |
| <b>(a) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period</b> |                  |                 |                  |                 |
| At the beginning of the year   | 28,000,000       | 280,000,000     | 28,000,000       | 280,000,000     |
| Issued during the year   | -                | -               | -                | -               |
| Outstanding at the end of the year   | 28,000,000       | 280,000,000     | 28,000,000       | 280,000,000     |
| <b>(b) Shares held by holding and ultimate holding company</b>   |                  |                 |                  |                 |
| Kotak Mahindra Asset Management Co. Ltd.,the holding company   | 26,800,000       | 268,000,000     | 26,800,000       | 268,000,000     |
| Kotak Mahindra Bank Limited,the Ultimate Holding Company   | 1,200,000        | 12,000,000      | 1,200,000        | 12,000,000      |
| <b>(c) Details of shareholders holding more than 5% shares in the company</b>                                      |                  |                 |                  |                 |
|  | Number of Shares | % holding       | Number of Shares | % holding       |
| Kotak Mahindra Asset Management Co. Ltd.,the holding company   | 26,800,000       | 95.71%          | 26,800,000       | 95.71%          |

#### (d) Terms / Rights attached to Equity Shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. 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.

### 4. RESERVES AND SURPLUS

|   | As at               | As at               |
|---|---------------------|---------------------|
|   | 31 March 2017       | 31 March 2016       |
|   | Amount (₹)          | Amount (₹)          |
| Surplus/(Deficit) in Statement of Profit and Loss |                     |                     |
| Balance as at the beginning of the year           | (24,450,776)        | (27,401,567)        |
| Add: Profit / (Loss) for the year                 | (2,151,994)         | 2,950,791           |
| <b>Balance as at the end of the year</b>          | <b>(26,602,770)</b> | <b>(24,450,776)</b> |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 5. LONG TERM PROVISIONS

|  | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--|------------------------|------------------------|
|  | Amount (₹)             | Amount (₹)             |
| Provision for employee benefits          |                        |                        |
| Provision for Gratuity (Refer Note - 21) | 1,027,264              | 879,635                |
| Provision for Compensated Absences       | 505,309                | 479,026                |
| Provision for Stock Appreciation Rights  | 66,747                 | 14,797                 |
|  | <b>1,599,320</b>       | <b>1,373,458</b>       |

### 6. TRADE PAYABLES

|   | As at<br>31 March 2017 | As at<br>31 March 2016 |
|---|------------------------|------------------------|
|   | Amount (₹)             | Amount (₹)             |
| Dues to micro and small enterprises (Refer Note - 28) | -                      | -                      |
| Others  | 886,476                | 547,306                |
|   | <b>886,476</b>         | <b>547,306</b>         |

### 7. OTHER CURRENT LIABILITIES

|                        | As at<br>31 March 2017 | As at<br>31 March 2016 |
|------------------------|------------------------|------------------------|
|                        | Amount (₹)             | Amount (₹)             |
| Statutory dues payable | 260,969                | 244,101                |
| Others                 | -                      | -                      |
|                        | <b>260,969</b>         | <b>244,101</b>         |

### 8. SHORT TERM PROVISIONS

|  | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--|------------------------|------------------------|
|  | Amount (₹)             | Amount (₹)             |
| Provision for employee benefits          |                        |                        |
| Provision for Leave Travel Allowance     | 109,861                | 46,667                 |
| Provision for Gratuity (Refer Note - 21) | 75,641                 | 61,954                 |
| Provision for Compensated Absences       | 62,014                 | 55,453                 |
| Provision for Stock Appreciation Rights  | 61,975                 | 12,550                 |
| Provision for Annual Incentive           | 2,000,000              | 1,000,000              |
| Provision for Tax                        | -                      | 448,000                |
|  | <b>2,309,491</b>       | <b>1,624,624</b>       |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### Note 9 : FIXED ASSETS

Rupees in Lacs

| Description              | GROSS BLOCK                |                |               |                             | DEPRECIATION               |                |               | NET BLOCK                   |                             |
|--------------------------|----------------------------|----------------|---------------|-----------------------------|----------------------------|----------------|---------------|-----------------------------|-----------------------------|
|                          | As on<br>1st April<br>2016 | Additions      | Deductions    | As on<br>31st March<br>2017 | As on<br>1st April<br>2016 | For the year   | Deductions    | As on<br>31st March<br>2017 | As on<br>31st March<br>2017 |
| <b>Intangible Assets</b> |                            |                |               |                             |                            |                |               |                             |                             |
| Software                 | -                          | 601,250        | -             | 601,250                     | -                          | 45,021         | -             | 45,021                      | 556,229                     |
| <b>Tangible Assets</b>   |                            |                |               |                             |                            |                |               |                             |                             |
| Vehicles                 | 1,669,630                  | -              | -             | 1,669,630                   | 1,391,740                  | 277,890        | -             | 1,669,630                   | -                           |
| Computers                | 117,582                    | 71,868         | -             | 189,450                     | 82,380                     | 40,195         | -             | 122,575                     | 66,875                      |
| Office Equipments        | 84,940                     | -              | 70,690        | 14,250                      | 52,223                     | 15,981         | 59,185        | 9,019                       | 5,231                       |
| <b>Total</b>             | <b>1,872,152</b>           | <b>673,118</b> | <b>70,690</b> | <b>2,474,580</b>            | <b>1,526,343</b>           | <b>379,087</b> | <b>59,185</b> | <b>1,846,245</b>            | <b>628,335</b>              |

| Description            | GROSS BLOCK                |           |            |                             | DEPRECIATION               |                |            | NET BLOCK                   |                             |
|------------------------|----------------------------|-----------|------------|-----------------------------|----------------------------|----------------|------------|-----------------------------|-----------------------------|
|                        | As on<br>1st April<br>2015 | Additions | Deductions | As on<br>31st March<br>2016 | As on<br>1st April<br>2015 | For the year   | Deductions | As on<br>31st March<br>2016 | As on<br>31st March<br>2016 |
| <b>Tangible Assets</b> |                            |           |            |                             |                            |                |            |                             |                             |
| Vehicles               | 1,669,630                  | -         | -          | 1,669,630                   | 974,332                    | 417,408        | -          | 1,391,740                   | 277,890                     |
| Computers              | 117,582                    | -         | -          | 117,582                     | 43,190                     | 39,190         | -          | 82,380                      | 35,202                      |
| Office Equipments      | 84,940                     | -         | -          | 84,940                      | 35,235                     | 16,988         | -          | 52,223                      | 32,717                      |
| <b>Total</b>           | <b>1,872,152</b>           | <b>-</b>  | <b>-</b>   | <b>1,872,152</b>            | <b>1,052,757</b>           | <b>473,586</b> | <b>-</b>   | <b>1,526,343</b>            | <b>345,809</b>              |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 10. NON CURRENT INVESTMENTS

|  | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--|------------------------|------------------------|
|  | Amount (₹)             | Amount (₹)             |
| <b>Non-trade investments (valued at cost unless stated otherwise)</b>  |                        |                        |
| Unquoted Mutual Fund   |                        |                        |
| 7,78,961.3057 (31 March 2016: 7,78,961.3057) Units of ₹10 each fully paid-up of Kotak Floater Long Term - Growth             | 10,995,039             | 10,995,037             |
| 84,170.4157 (31 March 2016: 64,091.2171) Units of ₹1000 each fully paid-up of Kotak Floater Short Term - Direct Pan - Growth | 196,059,927            | 144,059,927            |
| 26,481.0552 (31 March 2016: 55,700.3182) Units of ₹1000 each fully paid-up of Kotak Floater Short Term - Growth              | 48,646,228             | 102,322,603            |
|  | <b>255,701,194</b>     | <b>257,377,567</b>     |
| Aggregate amount of unquoted investments (Market value of ₹315,508,144) (31 March 2016: ₹316,431,359)                        | 255,701,194            | 257,377,567            |

### 11. LONG TERM LOANS & ADVANCES

|                                      | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--------------------------------------|------------------------|------------------------|
|                                      | Amount (₹)             | Amount (₹)             |
| <b>Other Loans and Advances</b>      |                        |                        |
| Advance Tax (Tax deducted at source) | 88,201                 | 42,098                 |
|                                      | <b>88,201</b>          | <b>42,098</b>          |

### 12. TRADE RECEIVABLES

|  | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--|------------------------|------------------------|
|  | Amount (₹)             | Amount (₹)             |
| <b>Unsecured, considered good unless stated otherwise</b>                          |                        |                        |
| Outstanding for a period exceeding 6 months from the date they are due for payment | -                      | -                      |
| Other Receivables  | 62,662                 | 33,661                 |
|  | <b>62,662</b>          | <b>33,661</b>          |

### 13. CASH AND BANK BALANCES

|   | As at<br>31 March 2017 | As at<br>31 March 2016 |
|---|------------------------|------------------------|
|   | Amount (₹)             | Amount (₹)             |
| <u>Cash and cash equivalents</u>                      |                        |                        |
| <u>Balances with banks:</u>                           |                        |                        |
| – On current accounts                                 | 653,147                | 364,689                |
| – Deposits  | 1,180,177              | 1,096,451              |
|   | <b>1,833,324</b>       | <b>1,461,140</b>       |
| Kept as margin money with bank against bank guarantee | 1,000,000              | 1,000,000              |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 14. SHORT TERM LOANS & ADVANCES

|                                 | As at<br>31 March 2017 | As at<br>31 March 2016 |
|---------------------------------|------------------------|------------------------|
|                                 | Amount (₹)             | Amount (₹)             |
| <b>Other Loans and Advances</b> |                        |                        |
| Prepaid Expenses                | 129,688                | 68,874                 |
|                                 | <b>129,688</b>         | <b>68,874</b>          |

### 15. OTHER CURRENT ASSETS

|                                    | As at<br>31 March 2017 | As at<br>31 March 2016 |
|------------------------------------|------------------------|------------------------|
|                                    | Amount (₹)             | Amount (₹)             |
| Interest accrued on fixed deposits | 10,082                 | 9,564                  |
|                                    | <b>10,082</b>          | <b>9,564</b>           |

### 16. REVENUE FROM OPERATIONS

|                           | Year Ended<br>31st March, 2017 | Year Ended<br>31st March, 2016 |
|---------------------------|--------------------------------|--------------------------------|
|                           | Amount (₹)                     | Amount (₹)                     |
| Fees from Fund Management | 232,648                        | 129,139                        |
|                           | <b>232,648</b>                 | <b>129,139</b>                 |

### 17. OTHER INCOME

|   | Year Ended<br>31st March, 2017 | Year Ended<br>31st March, 2016 |
|---|--------------------------------|--------------------------------|
|   | Amount (₹)                     | Amount (₹)                     |
| Interest Income on Bank Deposits          | 93,605                         | 185,560                        |
| Profit on sale of Non current investments | 21,868,626                     | 21,125,660                     |
| Interest on Income Tax Refund             | -                              | 9,696                          |
|   | <b>21,962,231</b>              | <b>21,320,916</b>              |

### 18. EMPLOYEE BENEFITS EXPENSE

|   | Year Ended<br>31st March, 2017 | Year Ended<br>31st March, 2016 |
|---|--------------------------------|--------------------------------|
|   | Amount (₹)                     | Amount (₹)                     |
| Salaries and Wages                              | 10,767,401                     | 7,956,091                      |
| Contribution to Provident Funds (Refer Note 21) | 427,028                        | 370,559                        |
| Gratuity (Refer Note 21)                        | 161,316                        | 151,318                        |
| Staff Welfare Expenses                          | 15,448                         | 5,501                          |
|   | <b>11,371,193</b>              | <b>8,483,469</b>               |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 19. OTHER EXPENSES

|  | <b>Year Ended<br/>31st March, 2017</b> | Year Ended<br>31st March, 2016 |
|--|--|--------------------------------|
|  | <b>Amount (₹)</b>                      | Amount (₹)                     |
| Rent   | 3,286,400                              | 3,259,200                      |
| Rates and taxes                              | 1,105,250                              | 886,897                        |
| Travel Expenses                              | 366,970                                | 365,916                        |
| Directors' sitting fees                      | 380,000                                | 400,000                        |
| Payment to Auditors                          |  |                                |
| As auditor:                                  |  |                                |
| Audit Fee (Inclusive of Service Tax)         | 161,320                                | 160,000                        |
| Out of Pocket Expenses                       | 10,745                                 | 10,745                         |
| Legal and Professional Fees                  | 338,939                                | 552,719                        |
| Membership & Subscription                    | 1,136,000                              | 1,108,441                      |
| IT Expenses                                  | 51,517                                 | 20,663                         |
| Filing Fees                                  | 2,850,620                              | 440                            |
| Reimbursement of common administrative costs | 2,250,000                              | 1,800,000                      |
| Pension Fund Expenses                        | 196,250                                | 153,116                        |
| Business Promotion Expenses                  | 11,413                                 | 1,613                          |
| Miscellaneous Expenses                       | 451,169                                | 374,459                        |
|  | <b>12,596,593</b>                      | <b>9,094,209</b>               |

### 20. CONTINGENT LIABILITIES NOT PROVIDED FOR

|                                   | <b>As at<br/>31 March 2017</b> | As at<br>31 March 2016 |
|-----------------------------------|--------------------------------|------------------------|
|                                   | <b>Amount (₹)</b>              | Amount (₹)             |
| <b>Disputed income tax demand</b> | 86,880                         | 86,880                 |
|                                   | <b>86,880</b>                  | <b>86,880</b>          |

### 21. EMPLOYEE BENEFIT SCHEME

#### a.) Defined contribution plan

The Company has contributed ₹427,028 (31st March 2016: ₹370,559) towards provident fund which is defined contribution scheme.

#### b.) Defined Benefit Plan

The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is wholly unfunded. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.

Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.



# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss:

### Net employee benefit expense recognized in the employee cost

| Particulars  | Year Ended       | Year Ended       |
|--|------------------|------------------|
|  | 31st March, 2017 | 31st March, 2016 |
|  | Amount (₹)       | Amount (₹)       |
| Current service cost                               | 51,235           | 83,425           |
| Interest cost on benefit obligation                | 76,467           | 67,866           |
| Expected return on plan assets                     | -                | -                |
| Net actuarial( gain) / loss recognized in the year | 33,614           | 27               |
| Past Service Cost                                  | -                | -                |
| <b>Net benefit expense</b>                         | <b>161,316</b>   | <b>151,318</b>   |
| Actual return on plan assets                       | NA               | NA               |

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

| Particulars                              | As at            | As at          |
|--|------------------|----------------|
|  | 31 March 2017    | 31 March 2016  |
|  | Amount (₹)       | Amount (₹)     |
| Opening defined benefit obligation       | 941,589          | 790,271        |
| Current service cost                     | 51,235           | 83,425         |
| Interest cost                            | 76,467           | 67,866         |
| <b>Benefits paid</b>                     | <b>-</b>         | <b>-</b>       |
| Actuarial (gains) / losses on obligation | 33,614           | 27             |
| Past Service Cost                        | -                | -              |
| Liabilities Assumed on Acquisition       | -                | -              |
| Closing defined benefit obligation       | <b>1,102,905</b> | <b>941,589</b> |

### Experience adjustments amounts for the current and previous periods are as follows:

| Particulars                                | As at            | As at            | As at            | As at            | As at            |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 31st March, 2017 | 31st March, 2016 | 31st March, 2015 | 31st March, 2014 | 31st March, 2013 |
|  | Amount (₹)       | Amount (₹)       | Amount (₹)       | Amount (₹)       | Amount (₹)       |
| Defined benefit obligation                 | 1,102,905        | 941,589          | 790,271          | 630,135          | 571,231          |
| Plan assets                                | -                | -                | -                | -                | -                |
| Deficit                                    | (1,102,905)      | (941,589)        | (790,271)        | (630,135)        | (571,231)        |
| Experience adjustments on plan liabilities | (114)            | (2,746)          | (88,938)         | (8,546)          | (30,875)         |

### The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

| Particulars                       | As at            | As at            |
|-----------------------------------|------------------|------------------|
|                                   | 31st March, 2017 | 31st March, 2016 |
| Discount rate                     | 7.18%            | 7.95%            |
| Expected rate of return on assets | 0.00%            | 0.00%            |
| Salary Escalation Rate            | <b>7.00%</b>     | <b>8.50%</b>     |

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.

The above information is as certified by the Actuary and has been relied upon by the Auditors.

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 22. EMPLOYEE STOCK OPTION SCHEME (ESOS)

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, ("the Bank"), 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 NIL

(Previous year Nil) during the year on account of such costs and the same is forming part of Employee costs and included under the head Reimbursement of ESOP cost" under the note no-18 i.e. " Employee benefits expense".

### 23. Cash Settled Employee Stock Option Scheme - 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 0.33 to 2.71 years.

Detail of activity under SARs is summarized below:

| Particulars                              | As on March 31 2017 | As on March 31 2016 |
|--|---------------------|---------------------|
| Outstanding at the beginning of the year | 100.00              | -                   |
| Granted during the year                  | 250.00              | 430.00              |
| Bonus during the year                    | -                   | 430.00              |
| Exercised during the year                | 30.00               | 760.00              |
| Expired during the year                  | -                   | -                   |
| Forfeited during the year                | -                   | -                   |
| Outstanding at the end of the year       | <b>320.00</b>       | <b>100.00</b>       |

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.

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

| Year ended 31st March,   | 2017    | 2016    |
|--|---------|---------|
| Total Employee Compensation Cost pertaining to share-based payment plans | 125,267 | 535,317 |
| Closing balance of liability for cash-settled options                    | 128,722 | 27,348  |

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 higher by ₹30 (Previous year ₹ NIL) and the profit before tax would have been higher by same amount. Consequently the basic and diluted EPS would have been lower by ₹ Nil (Previous year ₹ NIL).

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

### 24. Disclosure on Specified Bank Notes (SBN):

| Particulars  | SBNs | Other Denominations | Total |
|--|------|---------------------|-------|
| Closing Cash in hand as on 8 Nov 16 with entity/ entity branches | -    | -                   | -     |
| Add: Permitted Receipts  | -    | -                   | -     |
| Less: Permitted Payments   | -    | -                   | -     |
| Less: Amount Deposited in Bank                                   | -    | -                   | -     |
| Closing Cash in hand as on 30 Dec 16                             | -    | -                   | -     |

\* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated the 8th November, 2016.

### 25. SEGMENTAL REPORTING

The Company's operations predominantly relate to providing investment management services to the Pension Fund Schemes of the National Pension System Trust and hence, there are no separate reportable business / geographic segments.

### 26. RELATED PARTY DISCLOSURES

#### Names of related parties and related party relationship

#### Related parties where control exists

|                          |  |
|--------------------------|--|
| Holding company          | Kotak Mahindra Asset Management Company Limited  |
| Ultimate holding company | Kotak Mahindra Bank Limited                      |
| Fellow subsidiary        | Kotak Mahindra Old Mutual Life Insurance Limited |
| Key Management personnel | Vinod A.N  |

#### Notes:

- The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS) - 18 'Related Party Disclosures' and the same have been relied upon by the auditors.
- The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year, except where control exist, in which case the relationships have been mentioned irrespective of transactions with the relatives.

#### Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

| Particulars                 | Amount (₹)               |                          |                 |                           |
|-----------------------------|--------------------------|--------------------------|-----------------|---------------------------|
|                             | Key management personnel | Ultimate Holding Company | Holding Company | Fellow Subsidiary Company |
| <b>Balances Outstanding</b> |                          |                          |                 |                           |
| Bank Balance                | -                        | 650,019                  | -               | -                         |
|                             | (-)                      | (361,446)                | (-)             | (-)                       |
| Fixed Deposit               | -                        | 1,180,177                | -               | -                         |
|                             | (-)                      | (1,096,451)              | (-)             | (-)                       |
| Interest accrued on FD      | -                        | 10,082                   | -               | -                         |

# NOTES

## FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2017

| Particulars   | Amount (₹)               |                          |                 |                           |
|---|--------------------------|--------------------------|-----------------|---------------------------|
|   | Key management personnel | Ultimate Holding Company | Holding Company | Fellow Subsidiary Company |
|   | (-)                      | (9,564)                  | (-)             | (-)                       |
| Trade payable                                       | -                        | 355,697                  | -               | 196,876                   |
|   | (-)                      | (59,287)                 | (-)             | (-)                       |
| Other receivable                                    | -                        | -                        | -               | -                         |
|   | -                        | (-)                      | (-)             | (-)                       |
| Non Current Investment - Investments in Mutual Fund | -                        | -                        | -               | -                         |
|   | (-)                      | (-)                      | (-)             | (-)                       |
| <b>Transactions during the year</b>                 |                          |                          |                 |                           |
| Bank Charges  | -                        | 10                       | -               | -                         |
|   | (-)                      | (129)                    | (-)             | (-)                       |
| Interest on Fixed Deposit                           | -                        | 93,605                   | -               | -                         |
|   | (-)                      | (185,560)                | (-)             | (-)                       |
| Fixed Deposit Placed                                | -                        | -                        | -               | -                         |
|   | (-)                      | (1,096,451)              | (-)             | (-)                       |
| Fixed Deposit Matured                               | -                        | -                        | -               | -                         |
|   | (-)                      | (1,174,970)              | (-)             | (-)                       |
| Issue of shares                                     | -                        | -                        | -               | -                         |
|   | (-)                      | (-)                      | (-)             | (-)                       |
| <b>Remuneration to key managerial personnel</b>     |                          |                          |                 |                           |
| Vinod A.N , Manager                                 | 4,346,915                | -                        | -               | -                         |
|   | (3,760,117)              | (-)                      | (-)             | (-)                       |
| <b>Reimbursement of Expenses</b>                    |                          |                          |                 |                           |
| Rent  | -                        | 3,286,400                | -               | -                         |
|   | (-)                      | (3,259,200)              | (-)             | (-)                       |
| Reimbursement of common administrative costs        | -                        | -                        | -               | 2,250,000                 |
|   | (-)                      | -                        | (-)             | (1,800,000)               |
| Reimbursement of opex cost                          | -                        | 453,463                  | -               | -                         |
|   | (-)                      | (352,961)                | (-)             | (-)                       |
| Reimbursement of ESOP cost                          | -                        | -                        | -               | -                         |
|   | (-)                      | -                        | (-)             | (-)                       |

Figures in brackets relate to the previous year.

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.



