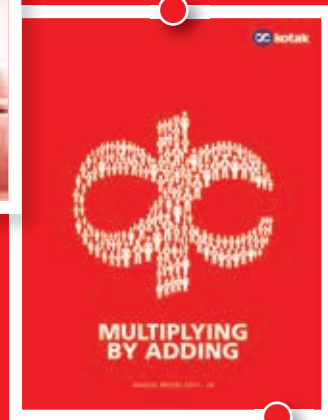


# Actions speak.

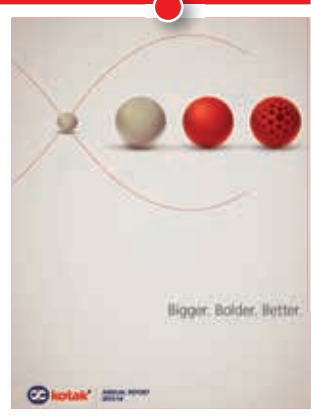
2016-17



2015-16



2014-15



2013-14



2012-13



2011-12



# DIRECTORS REPORT

To the shareholders of

## **KOTAK MAHINDRA INC**

The Directors have pleasure in presenting their annual Report together with the audited accounts of your Company for the year ended March 31<sup>st</sup> 2018.

### **OPERATIONS**

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

### **FINANCIAL RESULTS AND DIVIDENDS**

The Company's loss for the financial year ended March 31<sup>st</sup> 2018 amounted to INR 28,717,569 (Previous Year Loss INR 64,412,310). The Directors do not recommend any dividend for the year under review.

### **BUSINESS MODEL:**

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

### **BUSINESS UPDATE:**

The Company witnessed increase in distribution assets under management due to increased interest by institutional investors. The Company will continue to expand its relationships with these existing institutional investors and acquire new relationships. The Indian economy has been amongst the fastest growing larger economies and with a stable macro-economic factors, due to which it saw keen interest from global investors both in equities and fixed income investments.

With this renewed interest in Indian stocks and bonds, the company witnessed increase in its revenues. Total revenues increased to INR 223 million compared to INR 162 million in the previous year. Total expenses increased to INR 252 million compared to INR 226 million for last year resulting in a loss of INR 28 million compared to a loss of INR 64 million for the last year.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors state as an averment of their responsibility that:

- a. The Company has, in the preparation of the annual accounts for the year ended March 31<sup>st</sup> 2018, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31<sup>st</sup> 2018, and of the profit/loss of the Company for the financial year ended March 31<sup>st</sup> 2018;
- c. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors have prepared the annual accounts on a going concern basis.

For and on Behalf of the Board of Directors

**Gijo Joseph**

Director

Date:

# INDEPENDENT AUDITOR'S REPORT

To

The Members of

**KOTAK MAHINDRA INC**

The financial statements of KOTAK MAHINDRA INC (the "Company") as at 31<sup>st</sup> March, 2018, being a company registered in the United States of America, are audited by Citrin Cooperman & Company, LLP, Certified Public Accountants, New Jersey and we have been furnished with their audit report dated 12<sup>th</sup> April, 2018.

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

## **REPORT ON THE FINANCIAL STATEMENTS**

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of KOTAK MAHINDRA INC ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2018, the Statement of Profit and Loss, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Management is responsible for the preparation of these Financial Statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our verification.

We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our verification in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**OPINION**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31<sup>st</sup> March, 2018, and its loss and its cash flows for the year ended on that date.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

Place: Mumbai  
Date: 23<sup>rd</sup> April, 2018

**A. N. Shah**  
Partner  
M. No. 042649

# Balance Sheet

as at 31<sup>st</sup> March 2018

Particulars	Note No.	As at	As at
		31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
		₹	₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	3.1	698,645	698,645
(b) Reserves and surplus	3.2	88,446,647	116,894,824
<b>2 Non-current liabilities</b>			
(a) Long-term provisions	3.3	4,453,521	5,535,260
<b>3 Current liabilities</b>			
(a) Trade payables		6,214,044	6,119,173
(b) Short-term provisions	3.4	9,784,505	9,871,524
<b>TOTAL</b>		<b>109,597,362</b>	<b>139,119,427</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
Property, Plant and Equipment	3.5	3,463,947	3,059,207
(b) Non-current investments	3.6	9,776	9,728
(c) Long-term loans and advances	3.7	3,032,757	3,017,634
<b>2 Current assets</b>			
(a) Current investments	3.8	33,966,691	42,568,703
(b) Trade receivables	3.9	13,007,391	17,717,407
(c) Cash and bank balance	3.10	42,521,352	14,579,420
(d) Short-term loans and advances	3.11	13,595,447	58,063,569
(e) Other current assets	3.12	-	103,760
<b>TOTAL</b>		<b>109,597,362</b>	<b>139,119,427</b>
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

**For V . C. Shah & Co.**

Chartered Accountants

Firm Registration No.: 109818W

**A. N. Shah**

Partner

Membership No.: 042649

Mumbai

Dated: April, 2018

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

**Gijo Joseph**

Director

**Gaurang Shah**

Director

Dated: April, 2018

# Statement of Profit and loss

for the year ended 31<sup>st</sup> March 2018

Particulars	Note No.	For the year ended	For the year ended
		31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017
		₹	₹
<b>I. Revenues from operations</b>			
(a) Revenue from research distribution		16,343,161	15,228,630
(b) Referral Fee Income		91,640,339	61,410,625
(c) Service fee income		107,515,368	83,339,659
II. Other income	3.13	8,077,012	2,724,312
<b>III. Total Revenue</b>		<b>223,575,879</b>	<b>162,703,225</b>
<b>IV. Expenses:</b>			
Expenses:			
Employee Benefit Expenses	3.14	208,972,559	188,882,910
Depreciation and Amortisation expense	3.5	971,987	1,072,510
Other expenses	3.15	42,079,848	36,691,489
<b>Total expenses</b>		<b>252,024,394</b>	<b>226,646,909</b>
<b>V. PROFIT/(LOSS) BEFORE TAX</b>		<b>(28,448,515)</b>	<b>(63,943,683)</b>
<b>VI. Tax expense:</b>			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		239,855	396,778
- Adjustment of tax relating to earlier periods		29,199	71,848
(b) Deferred tax		269,054	468,626
		<b>(28,717,569)</b>	<b>(64,412,310)</b>
<b>VII. PROFIT/(LOSS) FOR THE YEAR</b>		<b>620,052,919</b>	<b>529,606,299</b>
<b>VIII. Earnings / (loss) per equity share (in ₹):</b>			
Basic & Diluted	3.23	(18.76)	(42.08)
Significant accounting policies and notes to the financial statements	2 & 3		

In terms of our report of even date

**For V . C. Shah & Co.**

Chartered Accountants  
Firm Registration No.: 109818W

**A. N. Shah**

Partner  
Membership No.: 042649

Mumbai

Dated: April, 2018

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

**Gijo Joseph**

Director

**Gaurang Shah**

Director

Dated: April, 2018

# Statement of Cash Flows

for the year ended 31<sup>st</sup> March 2018

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017
	₹	₹
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before taxation</b>	<b>(28,448,515)</b>	<b>(63,943,683)</b>
<b>Adjustments for:</b>		
- Interest	(649,190)	(766,180)
- Reinvestment of Dividend income	(1,748,135)	(641,647)
- Profit on sale of investments	(5,677,263)	(1,305,875)
- Loss on sale of fixed asset	-	-
- Exchange Adjustments	162,905	(447,959)
- Depreciation and Amortisation Expense	971,987	1,072,510
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(35,388,210)</b>	<b>(66,032,833)</b>
Adjustments for:		
(Increase) / Decrease in Trade Receivable	4,710,015	(9,666,884)
Increase / (Decrease) in Long-term provisions	(1,081,739)	1,805,931
(Increase) / Decrease in Long-term loans and advances	(15,123)	65,378
Increase / (Decrease) in Short term provisions	(71,455)	4,614,578
(Increase) / Decrease in Short-term loans and advances	(7,411,878)	(725,877)
(Increase) / Decrease in Other Current assets	-	-
Increase / (Decrease) in Trade payables	94,870	2,196,660
<b>Cash Generated from Operations</b>	<b>(39,163,521)</b>	<b>(67,743,046)</b>
Direct taxes (paid)/ refund	(284,618)	(510,505)
<b>NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)</b>	<b>(39,448,139)</b>	<b>(68,253,552)</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(1,357,105)	(581,035)
Proceeds from sale of Investments	16,114,226	12,980,396
Loan to fellow subsidiary	51,880,000	14,375,000
Interest received	752,950	764,563
<b>NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)</b>	<b>67,390,070</b>	<b>27,538,924</b>
<b>Cash Flow from Financing Activities</b>	-	-
<b>NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)</b>	<b>-</b>	<b>-</b>
Net Increase in Cash and Cash Equivalents (A + B)	27,941,932	(40,714,627)
Cash and Cash Equivalents at the beginning of the year	14,579,420	55,294,048
Cash and Cash Equivalents at the end of the year	42,521,352	14,579,420
	<b>27,941,932</b>	<b>(40,714,628)</b>

**Notes:**

- 1 The Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 and other relevant provisions of the Companies Act, 2013.
- 2 Figures in brackets indicate cash outflow.
- 3 The previous year's figures have been re-grouped, wherever necessary in order to conform to this year's presentation.

In terms of our report of even date

**For V . C. Shah & Co.**

Chartered Accountants  
Firm Registration No.: 109818W

**A. N. Shah**

Partner  
Membership No.: 042649

Mumbai

Dated: April, 2018

**For and on Behalf of the Board of Directors****Gijo Joseph**

Director

**Gaurang Shah**

Director

Dated: April, 2018



# NOTES

AS AT 31<sup>st</sup> March, 2018

## 1 ORGANISATION AND NATURE OF BUSINESS

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES:

#### 2.1 Basis of Preparation

- i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 and relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter, if any.
- ii) All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

#### 2.2 Conversion to Indian Rupees

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

#### 2.3 Use of estimates

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

#### 2.4 Revenue Recognition

The Company receives referral fees for referring clients to fellow subsidiaries of the Company. The Company also receives fees for providing research to clients and records the income at the time the services are provided. The Company also receives service fee income from its affiliate Kotak Securities Limited, Kotak Mahindra Asset Management (Singapore) Pte. Ltd., Kotak Mahindra Asset Management (UK) Ltd. and Kotak Mahindra (International) Ltd. as compensation for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934.

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. For quoted securities this is usually the ex-dividend date. For unquoted equity securities, this is usually the date when the shareholders have approved the payment of a dividend.

### 2.5 Fixed Assets

#### Property, Plant and Equipment

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

Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

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

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

### 2.6 Investments

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

### 2.7 Leases

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

### 2.8 Cash and cash equivalents

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

### 2.9 Taxes

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

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

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

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 2.10 Earnings per share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.11 Provisions and Contingencies

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

Contingent Liabilities are not recognized but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

### 2.12 Employee Share based payments

Cash-settled scheme:

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

# NOTES

Forming Part of The Financial Statement For The Year Ended 31 March, 2018

## 3 NOTES TO ACCOUNTS

### 3.1 (a) Share Capital

	As at 31 <sup>st</sup> March 2018	As at 31 <sup>st</sup> March 2017
<b>Authorised shares</b>		
2,000,000 (31 <sup>st</sup> March 2016: 2,000,000) equity shares of USD 0.01 each	\$20,000	\$20,000
<b>Issued, Subscribed and fully Paid up</b>		
1,530,621 (31 <sup>st</sup> March 2016: 1,530,621) Equity Shares of USD 0.01 each	698,645	698,645
<b>Total</b>	<b>698,645</b>	<b>698,645</b>

### (b) Equity shares

Reconciliation of number of shares	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	1,530,621	698,645	1,530,621	698,645
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	<b>1,530,621</b>	<b>698,645</b>	<b>1,530,621</b>	<b>698,645</b>

### (c) Terms/rights attached to equity shares

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

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

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

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

Number of equity share	As at 31 <sup>st</sup> March 2018	As at 31 <sup>st</sup> March 2017
Kotak Mahindra Bank Limited, the holding company	780,620	780,620
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	750,000
Kotak Mahindra (International) Limited, fellow subsidiary	1	1

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

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

Equity shares of USD 0.01 fully paid up

Particulars	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
	Number of shares	% holding	Number of shares	% holding
Kotak Mahindra Bank Limited, holding company	780,620	51.00%	780,620	51.00%
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	48.99%	750,000	48.99%

### 3.2 Reserves and Surplus

Particulars	As at	As at
	31 March 2018	31 March 2017
	₹	₹
<b>a. Securities Premium Reserve</b>		
Opening Balance	34,033,725	34,033,725
<b>Closing Balance</b>	<b>34,033,725</b>	<b>34,033,725</b>
<b>b. Translation Reserve</b>		
Opening Balance	100,391,150	102,141,927
Additions/(deductions) during the period	269,392	(1,750,777)
<b>Closing Balance</b>	<b>100,660,542</b>	<b>100,391,150</b>
<b>c. Surplus in the statement of profit and loss</b>		
Opening balance	(17,530,051)	46,882,259
Net Loss For the current year	(28,717,569)	(64,412,310)
Less: Appropriations		
Dividend on equity shares for the year	-	-
<b>Closing Balance</b>	<b>(46,247,620)</b>	<b>(17,530,051)</b>
<b>Total</b>	<b>88,446,647</b>	<b>116,894,824</b>

### 3.3 Long-term provisions

Particulars	As at	As at
	31 March 2018	31 March 2017
	₹	₹
<b>Provision for employee benefits</b>		
Stock Appreciation Rights (refer note 3.27)	4,453,521	5,535,260
<b>Total</b>	<b>4,453,521</b>	<b>5,535,260</b>

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 3.4 Short-term Provisions

Particulars	As at	As at
	31 March 2018	31 March 2017
	₹	₹
<b>Provision for employee benefits</b>		
Provision for Stock Appreciation Rights (refer note 3.27)	9,784,505	9,855,960
<b>Others</b>		
Provision for taxes	-	15,564
<b>Total</b>	<b>9,784,505</b>	<b>9,871,524</b>

### 3.5 Property, Plant and Equipment

	Gross Block				Accumulated Depreciation			Net Block		
	Balance as at 1 <sup>st</sup> April, 2017	Additions	Deduction / Adjustment*	Balance as at 31 <sup>st</sup> March, 2018	Balance as at 1 <sup>st</sup> April, 2017	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31 <sup>st</sup> March, 2018	Balance as at 31 <sup>st</sup> March, 2018	Balance as at 31 <sup>st</sup> March, 2017
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>Property, Plant and Equipment</b>										
Furniture and Fixtures	3,155,157	322,009	1,350,557	2,126,609	1,704,121	315,319	1,357,902	661,537	1,465,072	1,451,036
Office equipment	775,743	742,453	9,413	1,508,783	192,138	211,326	18,255	385,208	1,123,575	583,606
Leasehold Improvements	472,267	-	-2,367	474,634	102,136	73,574	-1,332	177,041	297,592	370,131
Computer & Software	1,058,395	292,643	157,855	1,193,183	403,961	371,768	160,254	615,476	577,707	654,434
<b>Total</b>	<b>5,461,562</b>	<b>1,357,105</b>	<b>1,515,458</b>	<b>5,303,209</b>	<b>2,402,355</b>	<b>971,987</b>	<b>1,535,079</b>	<b>1,839,263</b>	<b>3,463,947</b>	<b>3,059,207</b>
<b>Previous Year</b>	<b>5,006,043</b>	<b>581,035</b>	<b>125,516</b>	<b>5,461,562</b>	<b>1,395,162</b>	<b>1,072,510</b>	<b>65,317</b>	<b>2,402,355</b>	<b>3,059,207</b>	<b>3,610,881</b>

\* Deduction / adjustments includes effect of Translation Reserve of ₹ 25,326 (Previous Year ₹106,159) under Gross Block and ₹ 5,703 (Previous Year ₹ 65,317) under Accumulated Depreciation

Description	Gross Block				Depreciation			Net Block		
	As at 01-04-2017	Additions	Deductions	As at 31-03-2018	As at 01-04-2017	For the Period	Deductions	As at 31-03-2018	As at 31-03-2018	As at 31-03-2017
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Office Equipment	11,962	11,519	331	23,150	2,963	3,279	331	5,910	17,239	8,999
Computers	16,321	4,540	2,553	18,307	6,229	5,768	2,553	9,443	8,864	10,092
Furniture & Fixtures	48,653	4,996	21,020	32,629	26,278	4,892	21,020	10,150	22,479	22,375
Leasehold Improvements	7,282			7,282	1,575	1,141	-	2,716	4,566	5,708
<b>Total</b>	<b>84,218</b>	<b>21,054</b>	<b>23,904</b>	<b>81,369</b>	<b>37,045</b>	<b>15,080</b>	<b>23,904</b>	<b>28,220</b>	<b>53,149</b>	<b>47,174</b>

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 3.6 Non Current Investments

Particulars	Face Value	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
		Quantity	₹	Quantity	₹
Other Non-current Investments					
National Association of Security Dealers	\$0.50	300	9,776	300	9,728
<b>Total Non Current Investments</b>			<b>9,776</b>		<b>9,728</b>
Aggregate amount of quoted investments			9,776		9,728

### 3.7 Long-term loans and advances

	As at	As at
	31 March 2018	31 March 2017
	₹	₹
Unsecured, considered good		
Deposits	3,032,757	3,017,634
<b>Total</b>	<b>3,032,757</b>	<b>3,017,634</b>

### 3.8 Current Investments

Particulars	Face Value	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
		Quantity	₹	Quantity	₹
Unquoted					
Alps Kotak India Growth Fund	\$10.00	50,447	33,966,691	64,499	42,568,703
<b>Total Current Investments</b>			<b>33,966,691</b>		<b>42,568,703</b>

### 3.9 Trade Receivables

	As at	As at
	31 March 2018	31 March 2017
	₹	₹
<b>Unsecured, considered good</b>		
Outstanding for a period less than six months from the date they are due for payment	13,007,391	17,717,407
<b>Total</b>	<b>13,007,391</b>	<b>17,717,407</b>

### 3.10 Cash and bank balances

	As at	As at
	31 March 2018	31 March 2017
	₹	₹
<b>Cash and cash equivalents</b>		
Balances with banks:		
On Current accounts	42,521,352	14,579,420
<b>Total</b>	<b>42,521,352</b>	<b>14,579,420</b>

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 3.11 Short-term Loans and Advances

	As at 31 March 2018	As at 31 March 2017
	₹	₹
<b>Loans and advances to related parties</b>		
(Unsecured, considered good)	-	51,880,000
<b>Others</b>	-	<b>51,880,000</b>
(Unsecured, considered good)		
Security deposit	120,658	294,484
Other Advances	8,048,717	-
Prepaid expenses	5,426,072	5,487,493
Loan to employees		401,592
<b>Total</b>	<b>13,595,447</b>	<b>6,183,569</b>
<b>Total</b>	<b>13,595,447</b>	<b>58,063,569</b>

In February 2017, the Company advanced a ₹ 51,880,000 one year loan to Kotak Mahindra International, a stockholder. This note was provided at interest rate of 2.4%. Interest income of ₹ 645,858 (Previous year ₹ 742,838) related to the fresh note was earned during the year ended 31<sup>st</sup> March, 2017, which is included in interest income in the accompanying profit and loss account of which interest income receivable of ₹ Nil (Previous Year ₹ 103,760) was included in Other Current Assets in the accompanying Balance Sheet.

### 3.12 Other current assets

	As at 31 March 2018	As at 31 March 2017
	₹	₹
Interest accrued on loan	-	103,760
<b>Total</b>	-	<b>103,760</b>

### 3.13 Other Income

	For the year ended 31 <sup>st</sup> March, 2018	For the year ended 31 <sup>st</sup> March, 2017
	₹	₹
Interest income on fixed deposits	2,424	10,610
Interest income on loans	649,190	766,180
Dividend Income	1,748,135	641,647
Profit on sale of investments	5,677,263	1,305,875
<b>Total</b>	<b>8,077,012</b>	<b>2,724,312</b>



# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 3.14 Employee Benefit Expenses

	For the year ended 31 <sup>st</sup> March, 2018	For the year ended 31 <sup>st</sup> March, 2017
	₹	₹
Salaries, bonus and allowances	168,273,079	148,412,480
Expenses on Stock Appreciation Rights	14,498,910	16,335,835
Staff welfare expenses	26,200,570	24,134,595
<b>Total</b>	<b>208,972,559</b>	<b>188,882,910</b>

### 3.15 Other expenses

	For the year ended 31 <sup>st</sup> March, 2018	For the year ended 31 <sup>st</sup> March, 2017
	₹	₹
Rent, rates & taxes	8,821,501	8,442,926
Communication expenses	5,257,283	5,056,716
Advertising, Business Promotion and Entertainment	2,001,213	1,806,215
Repairs and maintenance	1,715,118	1,699,964
Travel expenses	12,701,839	5,823,013
Conference Expenses	546,593	-
Insurance	1,157,155	1,240,760
Professional and legal fees	4,253,573	6,247,483
Auditor's remuneration		
- Statutory audit fees	1,933,707	2,331,875
- Taxation related	-	16,100
Miscellaneous expenses	1,439,627	1,363,085
- Licensing Charges	2,252,239	2,663,352
<b>Total</b>	<b>42,079,848</b>	<b>36,691,489</b>

**3.16** The Company is the subsidiary of Kotak Mahindra Bank Limited (KMBL). The accounts have been prepared and audited to attach with the accounts of KMBL, the holding company to comply with the provisions of the Indian Companies Act, 2013.

**3.17** The transactions are in local currency (US Dollars), which have been converted into Indian Currency (Indian Rupees) for reporting and the rate applied is as per para 2.2 of the significant accounting policies

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

**3.18** The Company received referral fees from two fellow subsidiaries namely, Kotak Mahindra International Limited and Kotak Mahindra (UK) Limited who managed accounts referred to them by the Company. The Company had referral fees from these two fellow subsidiaries of approximately ₹ 70,722,755 (Previous year ₹ 54,001,681) for the year ended 31<sup>st</sup> March, 2018. Amounts due from these two fellow subsidiaries at 31<sup>st</sup> March, 2018 were approximately ₹ 6,940,681 (Previous year ₹ 9,041,322)

**3.19** During the year, the Company received service fee income of ₹ 68,004,285 (Previous year ₹ 67,060,447) from its fellow subsidiary Kotak Securities Limited, for providing Chaperoning Services under Rule 15a-6 of the securities Exchange Act, 1934, for trades executed by its clients in India through Kotak Securities Limited. As at 31<sup>st</sup> March, 2018, the amount due from this subsidiary for service fees was ₹ 5,307,200 (Previous year ₹ 7,435,571).

**3.20** During the year, the Company received service fee income from its affiliate, Kotak Mahindra Asset Management (Singapore) Pte. Ltd. for providing liasoning services to certain investment advisors who have been investing with the affiliate. Such fees amounted to ₹16,606,353 (Previous year NIL) for the year ended March 31, 2018. Apart from this, the Company also received service fee income for providing wholesaling services to this affiliate. Such fees amounted to ₹3,720,968 (Previous year NIL) for the year ending March 31, 2018. At March 31, 2018, the amount due from this affiliate for service fees was ₹ 2,188,902.(Previous year NIL)

During the year, the Company received service fee income from its affiliate, Kotak Mahindra (International) Ltd., for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934. Such fees amounted to ₹ 18,536,838 (Previous year NIL), for the year ended March 31, 2018. At March 31, 2018, the amount due from this affiliate for service fees was ₹ 2,964,485.(Previous year NIL)

During the year, the Company received service fee income from its affiliate, Kotak Mahindra (UK) Ltd., for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934. Such fees amounted to ₹ 646,889 (Previous year NIL) for the year ended March 31, 2018, which make up 38% of the total revenue. At March 31, 2018, the amount due from this affiliate for service fees was ₹ 68,108.(Previous year NIL)

During the year, the Company paid referral fees to its affiliates Kotak Mahindra (International) Ltd and Mahindra (UK) Ltd for sub distributing the funds. Such fees amounted to ₹8,621,304 (Previous year NIL) for the year ended March 31, 2018. At March 31, 2018, the amount due to these affiliate for sub distribution was ₹4,787,299. (Previous year NIL)

During the year, the Company received service fee income form its fellow subsidiary Kotak Mahindra UK for providing liasoning services to certain investment advisors who have been investing with the fellow subsidiary. Such fees amounted to Nil (Previous year ₹ 16,279,181). At March 31, 2018 the amount due from the subsidiary for service fees was Nil (Previous year ₹18,677). Also the amount due from the subsidiary for expenses incurred on their behalf was ₹ Nil (Previous year ₹117,054).

**3.21** During the year, one employee was transferred from its fellow subsidiary Kotak Securities to the Company. The amount due from the subsidiary for unvested stock compensation for this employee was ₹ Nil (Previous year ₹ 109,337)

### 3.22 Income Taxes

As at 31<sup>st</sup> March, 2018, the Company had net operating loss carry forwards of approximately ₹ 241,147,500 and ₹ 397,567,500 for federal and state income tax purposes, respectively. No deferred tax assets as at 31<sup>st</sup> March, 2018 has been recognisd on account of carry forward of losses as there is no virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised. On December 22, 2017, the Tax Cuts and Jobs Act (the "2017 Tax Reform Act") was signed into law. The 2017 Tax Reform Act significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate from 35% to 21% beginning in 2018.

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

### 3.23 Earnings per equity share

Particulars	As at	As at
	31 March 2018	31 March 2017
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (₹) (A)	(28,717,569)	(64,412,310)
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,530,621	1,530,621
Nominal value of Equity shares	\$0.01	\$0.01
Basic and diluted earnings / (loss) per share (₹) (A/B)	(18.76)	(42.08)

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

In addition, the Company entered into short-term lease agreement for its offices in California which expires in September 2018

	FY18	FY17
i) Lease payments for the year	8,821,501	8,442,926
ii) Aggregate future minimum annual rental payments for the years subsequent to 31 <sup>st</sup> March, 2018 are approximately as follows:		

Particulars	Year ending	Year ending
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	₹	₹
Not later than one year	6,517,500	7,120,530
Later than one year but not later than five years	24,968,543	27,113,785
Later than five years	-	4,215,250
Total	31,486,043	38,449,565

The Company's lease provides for a period of free rent. In accordance with AS-19 "Leases", the aggregate of the total minimum lease payments under the lease is being amortized on the straight-line basis over the lease term. The difference between rent expense calculated on the straight-line basis and amounts paid in accordance with the terms of the leases (deferred rent) amounted to ₹ 1,382,427 at 31<sup>st</sup> March, 2018.

### 3.25 Contingencies, other commitments and concentration of credit risk

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

From time to time, the Company maintains its cash in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of ₹ 16,293,750. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

The Company was named as a co-defendant in multiple class action lawsuits and various individual actions related to an initial public offering (“IPO”) in 2015 wherein the Company was one of the several underwriters. The complaints allege, among other things, that the offering material failed to disclose liquidity and debt issues being experienced by the sponsor of the IPO, thereby rendering its business model as not viable. Management of the Company joined with the Underwriters group to vigorously defend its position. Additionally, the issuer of the IPO has granted each of the co-defendants indemnification from virtually all legal fees and any settlements that may result from these matters. During the year ended March 31, 2018, the Company and the majority of the plaintiffs entered into an agreement to settle the action as to all defendants for ₹ 367 crore without contribution from the underwriters, and the parties submitted the settlement for court approval. The settlement was preliminarily approved by the Court on December 20, 2017. A final approval hearing is scheduled for the next financial year. Management believes that the settlement agreement will prevail, and that the indemnification agreement further shields the Company from any material adverse outcome. Accordingly, adjustments, if any that might result from the resolution of this matter have not been reflected in the financial statements

### 3.26 Stock Option Scheme

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 5<sup>th</sup> July, 2007, 21<sup>st</sup> August, 2007 and 29<sup>th</sup> 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.

Had the Company recorded the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been Lower by ₹ 1,205,906 (Previous Higher by ₹ 260,568) with an decrease in after tax loss by ₹ 1,205,906 (Previous year after tax loss would have been higher by ₹ 260,568).

### 3.27 Stock appreciation rights (SARs)

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

# NOTES

## Forming Part of The Financial Statement For The Year Ended 31 March, 2018

Detail of activity under SAR is summarized below:

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017
	₹	₹
Outstanding at the beginning of the year	66,412	59,622
Granted during the year	30,510	28,380
Additions/Reduction due to transfer of employees	-	400
Exercised during the year	28,302	21,990
Expired / Forfeited during the year	10,449	-
<b>Outstanding at the end of the year</b>	<b>58,171</b>	<b>66,412</b>

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

Year ended March 31,	₹	
	2018	2017
Total Employee Compensation Cost pertaining to share-based payment plans	14,498,910	16,335,835
Closing balance of liability for cash-settled options	14,238,025	15,391,220

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 ₹ 229,985 (Previous year Lower by ₹ 183,908) with a Increase in after tax loss by ₹ 229,985 (Previous year after tax loss would have been lower by 183,908).

### 3.28 Exemption from Rule 15c3-3

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

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

In terms of our report of even date

#### For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

#### A. N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: April, 2018

#### For and on Behalf of the Board of Directors

#### Gijo Joseph

Director

#### Gaurang Shah

Director

Dated: April, 2018



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CIN: L65110MH1985PLC038137