

Actions speak.

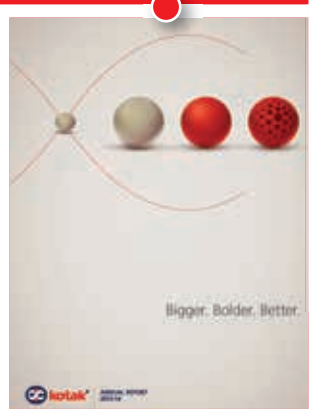
2016-17



2015-16



2014-15



2013-14



2012-13



2011-12

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 2018.

1. FINANCIAL HIGHLIGHTS

(₹ in Lakh)

| | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|---|--|--|
| Gross income | 247.51 | 221.95 |
| Profit /(Loss) before Tax | (4.92) | (21.52) |
| Provision for Tax | - | - |
| Profit after Tax | (4.92) | (21.52) |
| Balance of Loss from previous years | (266.03) | (244.51) |
| Loss carried forward to the Balance Sheet | (270.95) | (266.03) |

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.

Request for Proposal (RFP) for selection of Pension Funds for NPS Private Sector Schemes in conjunction with PFRDA (Pension Fund) Regulations, 2015 dated September 9, 2016 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. An application was made by the Kotak Mahindra Bank Ltd 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 with a validity period of nine months, from October 17, 2016. Extension of the application, was sought by PFRDA for a further period of three months from the original date of expiry of the validity period which has expired on October 17, 2017.

KMAMC would continue to act as the Sponsor of KMPFL vide letter dated June 24, 2016 until fresh selection process is initiated by PFRDA under Pension Fund Regulatory and Development Authority (Pension Funds) Regulations 2015.

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 and Karvy Computershare). The assets are under the custody of the NPS Trustee appointed custodian viz., Stock Holding Corporation of India Limited.

Your Company manages nine schemes. The combined assets under management (AUM) on March 31, 2018 were ₹ 536.17 Crores (₹ 312.05 Crores as of March 31, 2017) a growth of 71.82%. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 1,74,560.94 Crores as on March 31, 2017 to ₹ 234,579.00 Crores as on March 31, 2018, a growth of 34.38% and the private sector industry AUM has grown from ₹ 3,085.47 Crores as on March 31, 2017 to ₹ 5,682.47 Crores as on March 31, 2018, a growth of 84.17%.

The scheme wise assets under management are as under:

| Scheme | ₹ in Crores) | |
|--|--|--|
| | AUM as on 31 st March, 2018 | AUM as on 31 st March, 2017 |
| NPS Trust A/c Kotak Pension Fund Scheme E | 175.25 | 93.30 |
| NPS Trust A/c Kotak Pension Fund Scheme C | 121.28 | 67.51 |
| NPS Trust A/c Kotak Pension Fund Scheme G | 154.08 | 88.79 |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II | 16.14 | 8.42 |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II | 10.02 | 6.09 |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II | 12.30 | 7.67 |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | 46.55 | 40.20 |
| NPS Trust A/c Kotak Pension Fund Scheme A | 0.55 | 0.05 |
| NPS Trust A/c Kotak Pension Fund Scheme A Tier II | - | 0.01 |
| | 536.17 | 312.05 |

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

| Equity Schemes | Benchmark | Last 1 year return (%) (Schemes) | Benchmark Return (1 year)(%) | Return | |
|--|-----------------------------------|----------------------------------|------------------------------|--------------------------------|--------------------------------------|
| | | | | since launch of the scheme (%) | Benchmark since Launch of the scheme |
| NPS Trust A/c Kotak Pension Fund Scheme E | NIFTY 100 TRI* | 11.20% | 12.09% | 10.79% | 13.36% |
| NPS Trust A/c Kotak Pension Fund Scheme C | NPS – Corporate Bond Index | 6.48% | 5.35% | 10.69% | 9.04% |
| NPS Trust A/c Kotak Pension Fund Scheme G | NPS – Government Securities Index | 4.70% | 3.50% | 8.61% | 7.38% |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II | NIFTY 100 TRI* | 11.08% | 12.09% | 9.95% | 9.43% |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II | NPS – Corporate Bond Index | 6.22% | 5.35% | 9.47% | 9.18% |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II | NPS – Government Securities Index | 4.66% | 3.50% | 8.43% | 8.28% |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | NPS – Government Pattern Index | 6.31% | 5.21% | 10.46% | 9.72% |
| NPS Trust Scheme A Tier I | | 7.70% | | 6.78% | |

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. Nilesh Dhirajlal Shah (DIN 01711720) will retire by rotation at the Ninth 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 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

In terms of Section 139 of the Companies Act, 2013, Khimji Kunverji & Co, Chartered Accountants, (Firm Reg. No. 105146W) were appointed as statutory auditors of the Company for a period of three years from the conclusion of the eighth Annual General Meeting until the conclusion of the eleventh Annual General Meeting of the Company subject to the ratification by the members every year. The approval of the members for ratification is being sought at the ensuing 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 2018.

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 2018 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 2018 and of Profit/Loss of your Company for the financial year ended 31st March 2018;
- 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 thanks 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 takes 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 23, 2018

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, 2018**

[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 | 27 BKC, Plot No. C - 27, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051, Maharashtra, INDIA Tel No. : (022) 61152100 Fax No.: (022) 67082213 |
| 6. Whether listed Company (Yes/No) | No |
| 7. Name, Address and Contact details of Registrar and Transfer Agent, if any | Not Applicable |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

| Sr. 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 –

| Sr. No | Name and Address of the Company | CIN/GIN | Holding/ Subsidiary of the Company | % of shares held | Applicable Section |
|--------|--|-----------------------|------------------------------------|------------------|--------------------|
| 1. | Kotak Mahindra Bank Limited Address: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | L65110MH1985PLC038137 | Holding Company | 4.29 | 2(46) |
| 2. | Kotak Mahindra Asset Management Company Limited Address: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | U65991MH1994PLC080009 | Holding Company | 95.71 | 2(46) |

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|------------|------------|-------------------|---|------------|------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh | - | - | - | - | - | - | - | - | - |
| ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh | - | - | - | - | - | - | - | - | - |
| c) Others (specify) | - | - | - | - | - | - | - | - | - |
| Sub-total (B)(2):- | - | - | - | - | - | - | - | - | - |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | - | - | - | - | - | - | - | - | - |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | - | 28,000,000 | 28,000,000 | 100 | - | 28,000,000 | 28,000,000 | 100 | - |

(ii) Shareholding of Promoters

| Sr No | Shareholder's Name | Shareholding at the beginning of the year | | | Share holding at the end of the year | | | % change in share holding during the year |
|-------|---|---|----------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|---|
| | | No. of Shares | % of total Shares of the company | Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | Pledged / encumbered to total shares | |
| 1. | Kotak Mahindra Bank Limited | 12,00,000 | 4.29 | - | 12,00,000 | 4.29 | - | - |
| | 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

| Sr No | | Share holding 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):

| Sr No | | Share holding 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 | - | - | - | - |

(v) Shareholding of Directors and Key Managerial Personnel:

| For Each of the Directors and KMP | | Share holding 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. | 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 Share holding during the year | - | - | - | - |
| | At the End of the year | 10 | # | 10 | # |

| For Each of the Directors and KMP | Share holding 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. | 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 Share holding during the year | - | - | - | - |
| At the End of 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 |
|--|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | | | | |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | - | - | - | - |
| Change in Indebtedness during the financial year | | | | |
| • Addition | | | | |
| • Reduction | | | | |
| Net Change | - | - | - | - |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | | | | |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | - | - | - | - |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL –

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

(₹ In Lakhs)

| Sl. no. | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount |
|---------|---|-----------------------------|--|--------------|
| | | Mr. Vinod A.N. – Manager | | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 * | 50.23 | | 50.23 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 2.36 | | 2.36 |
| | (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 | - | | - |
| | Total (A) | 52.59 | | 52.59 |
| | Ceiling as per the Act# | - | | - |

@ 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 1.47 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 Lakhs)

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

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

(₹ In Lakhs)

| Sl. no. | Particulars of Remuneration | Key Managerial Personnel | | Total |
|---------|---|--------------------------|----------|--------------|
| | | Company Secretary | CFO | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 36.26 | - | 36.26 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 0.65 | - | 0.65 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | - |
| 2 | Stock Option | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | - | - | - |
| | - as % of profit | | | |
| | - others, specify... | - | - | - |
| 5 | Others, please specify | - | - | - |
| | Total | 36.91 | - | 36.91 |

* 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) |
|-------------------------------------|------------------------------|-------------------|--|----------------------------|------------------------------------|
| A. COMPANY | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| B. DIRECTORS | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Gaurang Shah

Balan Wasudeo

INDEPENDENT AUDITOR'S REPORT

TO
THE MEMBERS OF
KOTAK MAHINDRA PENSION FUND LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kotak Mahindra Pension Fund Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; 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 audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements, that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of 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.

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 March 31, 2018, its profit and its cash flows for the year ended on that date.

OTHER MATTER

The numbers and details for the previous year ended/ as at March 31, 2017 of the financial statements and relevant notes for the said period have been traced from the Audited Financial Statements for the year ended on that date vide the audit report dated April 21, 2017 of the erstwhile auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we further report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the aforesaid financial statements comply with the applicable 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 March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
 - (i) The Company does not have any pending litigations which would impact its financial position.
 - (ii) The Company did not have any long-term contracts including derivative contracts as at Balance sheet date for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **Khimji Kunverji & Co**
Chartered Accountants
Firm Registration No 105146W

Hasmukh B Dedhia
Partner (F - 033494)

Place: Mumbai
Date: April 23, 2018

Annexure 'A'

TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 of our Report of even date)

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As explained to us, fixed assets have been physically verified by the management at regular intervals; and no material discrepancies were noticed on such verification;
- (c) Since the company doesn't have any immovable property as their asset, this clause is not applicable.
- (ii) The nature of business of the Company does not require it to have any inventory. Hence, the requirement of clause 3 (ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, the requirement of clause 3 (iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us, and the records of the Company examined by us, the Company has not granted any loans covered under Section 185 and 186 of the Act. Accordingly, clause 3(iv) of the Order is not applicable to the Company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public and hence in our opinion, the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 and other relevant provisions of the Act and the rules framed thereunder are not applicable.
- (vi) The Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Act read with Companies (Cost Records and Audit) Rules, 2014 (as amended) for the services rendered by the Company. Accordingly, the requirement of clause 3 (vi) of the Order is not applicable to the Company.
- (vii) (a) According to the information and explanations given to us and based on the records of the Company examined by us, the Company is regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, value added tax, Custom Duty, Excise Duty, Cess, Goods and Service tax and other material statutory dues, as applicable, with the appropriate authorities in India;
- (b) According to the information and explanations given to us and based on the records of the Company examined by us, there are no dues of Income Tax, Service Tax, value added tax, Sales Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any disputes except the following:

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

- (viii) According to the information and explanations given to us and based on the records of the Company examined by us, the Company does not have any loan or borrowing from a financial institution or bank or government or debenture holder. Accordingly, the requirement of clause 3 (viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the requirement of clause 3 (ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the company, carried in accordance with the

auditing standards generally accepted in India, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees noticed or reported during the course of our audit nor have we been informed of any such instance by the Management.

- (xi) According to the information and explanations given to us and records of the Company examined by us, the Company has complied with the provisions of Section 197 read with schedule V of the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the clause 4(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on the records examined by us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013 and applicable rules, where applicable for all transactions with related parties and the details of the related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of preference shares or fully or partly convertible debentures during the year under review. Accordingly, clause 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and the records of the Company examined in course of our audit, the Company has not entered in any non-cash transactions with directors or persons connected with them. Accordingly, the provisions of Section 192 of the Act are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company is not engaged in the business of non-banking financial institution and hence it is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Khimji Kunverji & Co**
Chartered Accountants
Firm Registration No 105146W

Hasmukh B Dedhia
Partner (F - 033494)

Place: Mumbai

Date: April 23, 2018

Annexure 'B'

TO THE 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, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively 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 Act.

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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 are established and maintained and whether 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 in 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

Internal financial control over financial reporting is a process designed by the Company 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. Further, 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 owing to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate or for other reasons

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, 2018, 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.

For **Khimji Kunverji & Co**
Chartered Accountants
Firm Registration No 105146W

Hasmukh B Dedhia
Partner (F - 033494)

Place: Mumbai
Date: April 23, 2018

Balance Sheet

as at 31st March, 2018

(Amount in ₹)

| Particulars | Note | As at March 31, 2018 | As at March 31, 2017 |
|--|------|-------------------------|-------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' Funds: | | | |
| (a) Share Capital | 3 | 280,000,000 | 280,000,000 |
| (b) Reserves and Surplus | 4 | (27,094,649) | (26,602,770) |
| 2. Non-current liabilities | | | |
| (a) Long term Provisions | 5 | 2,047,262 | 1,599,320 |
| 3. Current liabilities | | | |
| (a) Trade Payables | 6 | 1,076,269 | 886,476 |
| (b) Other current Liabilities | 7 | 215,706 | 260,969 |
| (c) Short term Provisions | 8 | 3,339,610 | 2,309,491 |
| Total | | 259,584,198 | 258,453,486 |
| II. ASSETS | | | |
| 1. Non-current assets | | | |
| (a) Fixed Assets | 9 | | |
| (i) Tangible Assets | | 35,727 | 72,106 |
| (ii) Intangible Assets | | 355,832 | 556,229 |
| (b) Non Current Investments | 10 | 257,354,963 | 255,701,194 |
| (c) Long term Loans & Advances | 11 | 139,642 | 88,201 |
| 2. Current assets | | | |
| (a) Trade Receivables | 12 | 132,322 | 62,662 |
| (b) Cash & Bank Balances | 13 | 1,301,995 | 1,833,324 |
| (c) Short Term Loans & Advances | 14 | 252,864 | 129,688 |
| (d) Other Current Assets | 15 | 10,853 | 10,082 |
| Total | | 259,584,198 | 258,453,486 |
| 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 Khimji Kunverji & Co

Chartered Accountants
Firm Reg No.105146W

Hasmukh B Dedhia

Partner
Mem No.F-033494

Mumbai, 23rd April, 2018

Manager

Chief Financial Officer

Director

Director

Company Secretary

Statement of Profit and Loss

for the year ended 31st March, 2018

(Amount in ₹)

| Particulars | Note | Year Ended 31 st March, 2018 | Year Ended 31 st March, 2017 |
|--|------|--|--|
| Revenue from Operations | 16 | 412,950 | 232,648 |
| Other Income | 17 | 24,337,745 | 21,962,231 |
| Total Revenue | | 24,750,695 | 22,194,879 |
| Employee benefits expense | 18 | 13,849,629 | 11,371,193 |
| Depreciation | 9 | 236,775 | 379,087 |
| Other Expenses | 19 | 11,156,170 | 12,596,593 |
| Total Expense | | 25,242,574 | 24,346,873 |
| Profit /(Loss) before tax | | (491,879) | (2,151,994) |
| Tax Expense | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Net Profit / (Loss) for the year | | (491,879) | (2,151,994) |
| Earnings per equity share [nominal value of share ₹10 Basic & Diluted | 27 | (0.02) | (0.08) |
| 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 Khimji Kunverji & Co

Chartered Accountants

Firm Reg No.105146W

Hasmukh B Dedhia

Partner

Mem No.F-033494

Mumbai, 23rd April, 2018

Manager

Chief Financial Officer

Director

Director

Company Secretary

Cash Flow Statement

FOR THE YEAR ENDED 31st MARCH 2018

(Amount in ₹)

| Particulars | Year Ended 31 st March, 2018 | Year Ended 31 st March, 2017 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (Loss) Before Tax | (491,879) | (2,151,994) |
| Adjustments for: | | |
| Depreciation | 236,775 | 379,087 |
| (Profit) / Loss on sale of tangible asset (Net) | - | 11,504 |
| Interest on Fixed Deposits | (100,964) | (93,605) |
| Net (gain)/ loss on sale of Non-current investments | (24,236,781) | (21,868,626) |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | (24,592,849) | (23,723,634) |
| Movements in working capital : | | |
| Increase/ (decrease) in trade payables | 189,793 | 339,170 |
| Increase / (decrease) in long/short-term provisions | 1,478,061 | 920,608 |
| Increase/ (decrease) in other current liabilities | (45,263) | 16,868 |
| Decrease / (increase) in trade receivables | (69,660) | (29,001) |
| Decrease / (increase) in short-term loans and advances | (123,176) | (60,814) |
| Decrease / (increase) in other current assets | 10,096 | (518) |
| CASH USED IN OPERATIONS | (23,152,998) | (22,537,321) |
| Direct Taxes Paid | (51,441) | (46,103) |
| NET CASH USED IN OPERATING ACTIVITIES (A) | (23,204,439) | (22,583,424) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (673,118) |
| Non-current investments | | |
| Purchase | (50,300,000) | (52,000,000) |
| Proceeds from sale | 72,883,012 | 75,545,000 |
| Interest received | | - |
| NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B) | 22,583,012 | 22,871,882 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B) | (621,427) | 288,458 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 653,147 | 364,689 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 31,720 | 653,147 |
| Components of cash and cash equivalents | | |
| With banks- on current account | 31,721 | 653,147 |
| - on deposit account | - | - |
| Total cash and cash equivalents (Refer Note -13) | 31,721 | 653,147 |
| 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.

As per our report of even date attached

For and on behalf of the Board of Directors

For Khimji Kunverji & Co

Chartered Accountants
Firm Reg No.105146W

Hasmukh B Dedhia

Partner
Mem No.F-033494

Mumbai, 23rd April, 2018

Manager

Chief Financial Officer

Director

Director

Company Secretary

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

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 to comply with the accounting standards specified under section 133 and the relevant provision of the Companies Act, 2013. 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

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.

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 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:

Asset

Useful life in Years

| | |
|-----------------------------|---|
| Motor vehicles | 4 |
| Office Equipment | 5 |
| Computers | 3 |
| Intangible Assets -Software | 3 |

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

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.

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 TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

| Particulars | As at | As at | As at | As at |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 st March, 2018 | 31 st March, 2018 | 31 st March, 2017 | 31 st March, 2017 |
| | Number of Shares | Amount (₹) | Number of Shares | Amount (₹) |
| 3. SHARE CAPITAL | | | | |
| Authorised : | | | | |
| Equity shares of ₹10 each. | 60,000,000 | 600,000,000 | 60,000,000 | 600,000,000 |
| Issued,Subscribed and Paid Up: | | | | |
| Equity shares of ₹10 each fully paid up. | 28,000,000 | 280,000,000 | 28,000,000 | 280,000,000 |
| Total issued, subscribed and fully paid-up share capital | 28,000,000 | 280,000,000 | 28,000,000 | 280,000,000 |
| (a) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period | | | | |
| 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) Shares held by holding and ultimate holding company | | | | |
| 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 |

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

| Particulars | As at | As at | As at | As at |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 st March, 2018 | 31 st March, 2018 | 31 st March, 2017 | 31 st March, 2017 |
| | 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

| Particulars | As at | As at |
|--|---------------------|---------------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 4. RESERVES AND SURPLUS | | |
| Surplus/(Deficit) in Statement of Profit and Loss | | |
| Balance as at the beginning of the year | | |
| Add: Profit / (Loss) for the year | (26,602,770) | (24,450,776) |
| Balance as at the end of the year | (491,879) | (2,151,994) |
| | (27,094,649) | (26,602,770) |

| Particulars | As at | As at |
|--|------------------|------------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 5. LONG TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Provision for Gratuity (Refer Note - 21) | 1,417,970 | 1,027,264 |
| Provision for Compensated Absences | 440,666 | 505,309 |
| Provision for Stock Appreciation Rights | 188,626 | 66,747 |
| | 2,047,262 | 1,599,320 |

| Particulars | As at | As at |
|---|------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 6. TRADE PAYABLES | | |
| Dues to micro and small enterprises (Refer Note - 28) | - | - |
| Others | 1,076,269 | 886,476 |
| | 1,076,269 | 886,476 |

| Particulars | As at | As at |
|-------------------------------------|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 7. OTHER CURRENT LIABILITIES | | |
| Statutory dues payable | 215,706 | 260,969 |
| | 215,706 | 260,969 |

| Particulars | As at | As at |
|--|------------------|------------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 8. SHORT TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Provision for Leave Travel Allowance | 62,037 | 109,861 |
| Provision for Gratuity (Refer Note - 21) | 261,246 | 75,641 |
| Provision for Compensated Absences | 289,961 | 62,014 |
| Provision for Stock Appreciation Rights | 226,366 | 61,975 |
| Provision for Annual Incentive | 2,500,000 | 2,000,000 |
| | 3,339,610 | 2,309,491 |

NOTE 9 : FIXED ASSETS

Amount (₹)

| Description | GROSS BLOCK | | | As on 31 st March 2018 | As on 1 st April 2017 | DEPRECIATION | | NET BLOCK | |
|------------------------|--|-----------|------------|---|--|-----------------|------------|---|---|
| | As on 1 st April 2017 | Additions | Deductions | | | For the year | Deductions | As on 31 st March 2018 | As on 31 st March 2018 |
| Tangible Assets | | | | | | | | | |
| Vehicles | 1,669,630 | - | - | 1,669,630 | 1,669,630 | - | - | 1,669,630 | - |
| Computers | 189,450 | - | - | 189,450 | 122,575 | 33,529 | - | 156,104 | 33,346 |
| Office Equipments | 14,250 | - | - | 14,250 | 9,019 | 2,850 | - | 11,869 | 2,381 |
| Total | 1,873,330 | - | - | 1,873,330 | 1,801,224 | 36,379 | - | 1,837,603 | 35,727 |

Amount (₹)

| Description | GROSS BLOCK | | | As on 31 st March 2018 | As on 1 st April 2017 | DEPRECIATION | | NET BLOCK | |
|--------------------------|--|-----------|------------|---|--|-----------------|------------|---|---|
| | As on 1 st April 2017 | Additions | Deductions | | | For the year | Deductions | As on 31 st March 2018 | As on 31 st March 2018 |
| Intangible Assets | | | | | | | | | |
| Software | 601,250 | - | - | 601,250 | 45,021 | 200,397 | - | 245,418 | 355,832 |
| Total | 601,250 | - | - | 601,250 | 45,021 | 200,397 | - | 245,418 | 355,832 |

Amount (₹)

| Description | GROSS BLOCK | | | As on 31 st March 2017 | As on 1 st April 2016 | DEPRECIATION | | NET BLOCK | |
|------------------------|--|---------------|---------------|---|--|-----------------|---------------|---|---|
| | As on 1 st April 2016 | Additions | Deductions | | | For the year | Deductions | As on 31 st March 2017 | As on 31 st March 2016 |
| Tangible Assets | | | | | | | | | |
| 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 |
| Total | 1,872,152 | 71,868 | 70,690 | 1,873,330 | 1,526,342 | 334,067 | 59,185 | 1,801,224 | 72,106 |

Amount (₹)

| Description | GROSS BLOCK | | | As on 31 st March 2017 | As on 1 st April 2016 | DEPRECIATION | | NET BLOCK | |
|--------------------------|--|----------------|------------|---|--|-----------------|------------|---|---|
| | As on 1 st April 2016 | Additions | Deductions | | | For the year | Deductions | As on 31 st March 2017 | As on 31 st March 2016 |
| Intangible Assets | | | | | | | | | |
| Software | - | 601,250 | - | 601,250 | - | 45,021 | - | 45,021 | 556,229 |
| Total | - | 601,250 | - | 601,250 | - | 45,021 | - | 45,021 | 556,229 |

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

| Particulars | As at | As at |
|--|--------------------|--------------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 10. NON CURRENT INVESTMENTS | | |
| Non-trade investments (valued at cost unless stated otherwise) | | |
| Unquoted Mutual Fund | | |
| 7,78,961.3057 (31 March 2017: 7,78,961.3057) Units of ₹10 each fully paid-up of Kotak Floater Long Term - Growth | 10,995,039 | 10,995,039 |
| 102,389.465 (31 March 2017: 84,170.4157) Units of ₹1000 each fully paid-up of Kotak Floater Short Term - Direct Pan - Growth | 246,359,924 | 196,059,927 |
| NIL (31 March 2017: 26,481.0552) Units of ₹1000 each fully paid-up of Kotak Floater Short Term - Growth | - | 48,646,228 |
| | 257,354,963 | 255,701,194 |
| Aggregate amount of unquoted investments (Market value of ₹313,660,316) (31 March 2017: ₹315,508,144) | 257,354,963 | 255,701,194 |

| Particulars | As at | As at |
|---|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 11. LONG TERM LOANS & ADVANCES | | |
| Other Loans and Advances | | |
| Advance Tax (Tax deducted at source) | 139,642 | 88,201 |
| | 139,642 | 88,201 |

| Particulars | As at | As at |
|--|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 12. TRADE RECEIVABLES | | |
| Unsecured, considered good unless stated otherwise | | |
| Outstanding for a period exceeding 6 months from the date they are due for payment | - | - |
| Other Receivables | 132,322 | 62,662 |
| | 132,322 | 62,662 |

| Particulars | As at | As at |
|---|------------------|------------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 13. CASH AND BANK BALANCES | | |
| Cash and cash equivalents | | |
| Balances with banks: | | |
| – On current accounts | 31,721 | 653,147 |
| – Deposits | 1,270,274 | 1,180,177 |
| | 1,301,995 | 1,833,324 |
| Kept as margin money with bank against bank guarantee | 1,000,000 | 1,000,000 |

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

| Particulars | As at | As at |
|--|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 14. SHORT TERM LOANS & ADVANCES | | |
| Other Loans and Advances | | |
| Prepaid Expenses | 252,864 | 129,688 |
| | 252,864 | 129,688 |

| Particulars | As at | As at |
|------------------------------------|----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| | Amount (₹) | Amount (₹) |
| 15. OTHER CURRENT ASSETS | | |
| Interest accrued on fixed deposits | 10,853 | 10,082 |
| | 10,853 | 10,082 |

| Particulars | Year Ended | Year Ended |
|------------------------------------|------------------|------------------|
| | 31st March, 2018 | 31st March, 2017 |
| | Amount (₹) | Amount (₹) |
| 16. REVENUE FROM OPERATIONS | | |
| Fees from Fund Management | 412,950 | 232,648 |
| | 412,950 | 232,648 |

| Particulars | Year Ended | Year Ended |
|---|-------------------|-------------------|
| | 31st March, 2018 | 31st March, 2017 |
| | Amount (₹) | Amount (₹) |
| 17. OTHER INCOME | | |
| Interest Income on Bank Deposits | 100,964 | 93,605 |
| Profit on sale of Non current investments | 24,236,781 | 21,868,626 |
| | 24,337,745 | 21,962,231 |

| Particulars | Year Ended | Year Ended |
|---|-------------------|-------------------|
| | 31st March, 2018 | 31st March, 2017 |
| | Amount (₹) | Amount (₹) |
| 18. EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and Wages | 12,724,692 | 10,767,401 |
| Contribution to Provident Funds (Refer Note 21) | 531,364 | 427,028 |
| Gratuity (Refer Note 21) | 587,214 | 161,316 |
| Staff Welfare Expenses | 6,359 | 15,448 |
| | 13,849,629 | 11,371,193 |

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

| Particulars | Year Ended 31 st March, 2018 | Year Ended 31 st March, 2017 |
|--|--|--|
| | Amount (₹) | Amount (₹) |
| 19. OTHER EXPENSES | | |
| Rent | 3,438,660 | 3,286,400 |
| Rates and taxes | 349,173 | 1,105,250 |
| Travel Expenses | 151,502 | 366,970 |
| Directors' sitting fees | 380,000 | 380,000 |
| Payment to Auditors | | |
| As auditor: | | |
| Audit Fee | 175,000 | 161,320 |
| Out of Pocket Expenses | 12,065 | 10,745 |
| Legal and Professional Fees | 526,964 | 338,939 |
| Membership & Subscription | 1,170,000 | 1,136,000 |
| IT Expenses | 39,239 | 51,517 |
| Filing Fees | - | 2,850,620 |
| Reimbursement of common administrative costs | 2,615,002 | 2,250,000 |
| Pension Fund Expenses | 36,000 | 196,250 |
| Business Promotion Expenses | 1,933 | 11,413 |
| Miscellaneous Expenses | 2,260,632 | 451,169 |
| | 11,156,170 | 12,596,593 |

20. CONTINGENT LIABILITES NOT PROVIDED FOR

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 |
|----------------------------|---------------------------------------|---------------------------------------|
| | Amount (₹) | Amount (₹) |
| Disputed income tax demand | 86,880 | 86,880 |
| | 86,880 | 86,880 |

21.EMPLOYEE BENEFIT SCHEME

a.) Defined contribution plan

The Company has contributed ₹ 531,364 (31st March 2017: ₹427,028) 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 TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years years of employment with the Group subject to a maximum of ₹ 20 Lakhs (Previous year: ₹10 Lakhs). There is no ceiling on gratuity payable to directors and and certain categories of employees subject to service regulations and service awards.

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 |
|--|------------------------------|------------------------------|
| | 31 st March, 2018 | 31 st March, 2017 |
| | Amount (₹) | Amount (₹) |
| Current service cost | 57,823 | 51,235 |
| Interest cost on benefit obligation | 80,625 | 76,467 |
| Expected return on plan assets | - | - |
| Net actuarial(gain) / loss recognized in the year | 138,522 | 33,614 |
| Past Service Cost | 310,244 | - |
| Net benefit expense | 587,214 | 161,316 |
| 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 st March, 2018 | 31 st March, 2017 |
| | Amount (₹) | Amount (₹) |
| Opening defined benefit obligation | 1,102,905 | 941,589 |
| Current service cost | 57,823 | 51,235 |
| Interest cost | 80,625 | 76,467 |
| Benefits paid | - | - |
| Actuarial (gains) / losses on obligation | 138,522 | 33,614 |
| Past Service Cost | 310,244 | - |
| Benefits paid | (10,903) | - |
| Closing defined benefit obligation | 1,679,216 | 1,102,905 |

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, 2018 | 31st March, 2017 | 31st March, 2016 | 31st March, 2015 | 31st March, 2014 |
| Defined benefit obligation | 1,679,216 | 1,102,905 | 941,589 | 790,271 | 630,135 |
| Plan assets | - | - | - | - | - |
| Deficit | (1,679,216) | (1,102,905) | (941,589) | (790,271) | (630,135) |
| Experience adjustments on plan liabilities | 111,826 | (114) | (2,746) | (88,938) | (8,546) |
| Experience adjustments on plan assets | - | - | - | - | - |

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

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

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 |
|------------------------|--|--|
| | Amount (₹) | Amount (₹) |
| Mortality table | Indian Assured Lives Mortality (2006-08) Ult Table | Indian Assured Lives Mortality (2006-08) Ult Table |
| Discount rate | 7.90% | 7.18% |
| Salary Escalation Rate | 7.00% | 7.00% |

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.

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:

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

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

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

Consequent to the above, the Bank has granted stock options to employees of the Company in accordance with the SEBI Guidelines and the guidance note on

"Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank NIL (Previous year Nil) during the year on account of such costs 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 0.25 to 2.79 years.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

Detail of activity under SARs is summarized below:

| Particulars | As at | As at |
|--|------------------------------|------------------------------|
| | 31 st March, 2018 | 31 st March, 2017 |
| | Amount (₹) | Amount (₹) |
| Outstanding at the beginning of the year | 320.00 | 100.00 |
| Granted during the year | 590.00 | 250.00 |
| Bonus during the year | - | - |
| Exercised during the year | 105.00 | 30.00 |
| Expired during the year | - | - |
| Forfeited during the year | - | - |
| Outstanding at the end of the year | 805.00 | 320.00 |

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

| Year ended 31 st March, | 2018 | 2017 |
|--|------------|------------|
| | Amount (₹) | Amount (₹) |
| Total Employee Compensation Cost pertaining to share-based payment plans | 393,506 | 125,267 |
| Closing balance of liability for cash-settled options | 414,992 | 128,722 |

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 ₹3,02,098 (Previous year higher by ₹ 87,109) and the profit before tax would have been lower by same amount. Consequently the basic and diluted EPS would have been lower by ₹ Nil (Previous year ₹ NIL).

24. 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.

25. 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 Life Insurance Limited |
| Fellow subsidiary | Kotak Mahindra General Insurance Company Ltd |
| 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

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:

| Nature of Transactions | Key management personnel | Ultimate Holding Company | Holding Company | Amount (₹) | |
|---|--------------------------|--------------------------|-----------------|---------------------------|-----|
| | | | | Fellow Subsidiary Company | |
| Balances Outstanding | | | | | |
| Bank Balance | - | 28,708 | - | - | - |
| | (-) | (650,019) | (-) | (-) | (-) |
| Fixed Deposit | - | 1,270,274 | - | - | - |
| | (-) | (1,180,177) | (-) | (-) | (-) |
| Interest accrued on FD | - | 10,853 | - | - | - |
| | (-) | (10,082) | (-) | (-) | (-) |
| Trade payable | - | 368,481 | 86,400 | 235,350 | |
| | (-) | (355,697) | (-) | (196,876) | |
| Transactions during the year | | | | | |
| Bank Charges | - | - | - | - | - |
| | (-) | (10) | (-) | (-) | (-) |
| Interest on Fixed Deposit | - | 100,964 | - | - | - |
| | (-) | (93,605) | (-) | (-) | (-) |
| Remuneration to key managerial personnel | | | | | |
| Vinod A.N , Manager | 5,259,395 | - | - | - | - |
| | (4,346,915) | (-) | (-) | (-) | (-) |
| Reimbursement of Expenses | | | | | |
| Rent | - | 3,438,660 | - | - | - |
| | (-) | (3,286,400) | (-) | (-) | (-) |
| Reimbursement of common administrative costs | - | - | 80,000 | 2,615,002 | |
| | (-) | - | (-) | (2,250,000) | |
| Reimbursement of opex cost | - | 624,544 | - | - | - |
| | (-) | (453,463) | (-) | (-) | (-) |

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2018

26. EARNINGS PER SHARE (EPS)

| Particulars | 31 st March 2018 | 31 st March 2017 |
|--|-----------------------------|-----------------------------|
| The following reflects the profit and share data used in the basic and diluted EPS computations: | | |
| Net Profit/ (loss) for the year | (491,879) | (2,151,994) |
| Weighted average number of equity shares | 28,000,000 | 28,000,000 |
| Basic & Diluted | (0.02) | (0.08) |

27. DEFERRED INCOME TAXES

In accordance with the Accounting Standard (AS) -22 "Accounting for taxes on Income", the deferred tax assets (net) on account of timing difference up to 31 March 2018 of ₹ 23,786,036 (previous year ₹25,666,055) have been determined. However, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised, deferred tax assets (net) have not been recognised. Major components of deferred tax assets arising as at the year end are as under:

| Particulars | 31 st March 2018 | 31 st March 2017 |
|------------------------------------|-----------------------------|-----------------------------|
| Depreciation | 249,668 | 234,690 |
| Unabsorbed business losses | 22,749,777 | 24,424,610 |
| Unabsorbed depreciation | 402,813 | 428,723 |
| Provision for gratuity | 244,813 | 381,693 |
| Provision for Compensated Absences | 138,965 | 196,339 |
| Total Deferred tax asset | 23,786,036 | 25,666,055 |

28. Based on information available with the Company, there are no amounts payable to Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) as on the balance sheet date. This information has been relied upon by the statutory auditors.
29. The Company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments recognised in the statement of profit and loss is ₹ 3,438,660 (Previous Year ₹32,86,400).
30. Previous Year's figures have been regrouped/reclassified wherever necessary, to correspond with the current year's classification/disclosures.

Signature to Note 1 to 30

As per our report of even date attached

For Khimji Kunverji & Co

Chartered Accountants

Firm Reg No.105146W

Hasmukh B Dedhia

Partner

Mem No.F-033494

Mumbai, 23rd April, 2018

For and on behalf of the Board of Directors

Manager

Director

Director

Chief Financial Officer

Company Secretary



Kotak Mahindra Bank Limited, 27BKC, C 27,
G Block, Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

CIN: L65110MH1985PLC038137