



Courage
of Conviction.
Constancy
of Change.

Directors' Report

To,
The Members of,
Kotak Mahindra Financial Services Ltd.

Your Directors are pleased to present the 9th Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March, 2019. The summarized financial results for the year ended 31st March, 2019 are as under:

FINANCIAL HIGHLIGHTS

Particulars	FY 18-19		FY 17-18	
	Amount in USD	Amount in INR	Amount in USD	Amount in INR
Gross Income	2,793,502	195,325,289	3,669,283	236,510,607
Less : Expenses	2,732,312	191,056,550	3,169,218	204,277,968
Profit/(Loss) Before Tax	61,190	4,268,740	500,064	32,232,639

REVIEW OF OPERATIONS

The company is registered with DIFC, as a category IV investment firm and governed by the rules/by laws of the DFSA. The company predominantly caters to the Non Resident Indian customer, leveraging the strong brand recall of the parent.

Our product offering includes INR Mutual Funds, Platform Products, Structures – Equity Linked Notes etc. In line with the Group, our endeavor has been to position ourselves as a one stop shop for all requirements for our customers. This is possible through the partnerships that we have with various regulated entities.

The Indian Equity markets after witnessing the least volatile year during 2017 (with an annualized volatility of 8.9%) saw an uptick in volatility during 2018, with an annualized volatility of 12.5%.

Factors such as the introduction of long term capital gains on equity, perceived overall higher valuations of Indian equities, increasing interest rates, concern over falling GDP, and lately, the non-banking financial company (NBFC) liquidity crisis kept the market volatile throughout the year.

On the global front, higher oil prices, the U.S.- China trade war and global monetary tightening were the top three drivers of volatility.

Amidst a very challenging and volatile year, KMFSL remains focused on offering best in class products and services to our clients. The client will continue to be at the heart of the decision-making process and we are confident that the franchise that has been created will continue to thrive.

The team strength as on 31st March 2019 is 26.

DIVIDEND

The Board of Directors of the company has not recommended any dividend for the current year.

SHARE CAPITAL

The Company started with a capital of USD 1.69 Mn (1.69 Mn Shares of USD 1 /- each) as on 1st April 2018. The Authorized Share capital is at USD 2 Mn (2 Mn Shares of USD 1 /- each) against which USD 1.69 Mn has been Issued, Subscribed and Paid up. The Company's shares were subscribed and Paid up by Kotak Securities Ltd (India) (73.36%) and by Kotak Mahindra (International) Limited (26.64%) as on 31st Mar 2019.

BUSINESS OUTLOOK

A large part of firm's business is focused on clients from UAE, where the country currently is witnessing headwinds on account of feeble commercial and residential real estate markets due to falling prices and oversupply. Some of the concerns expressed last year like the liquidity crunch in the SME segment and the geo political instability in Middle East still persist.

Economic growth in the first quarter of 2019 appears to have been modest. The non-oil sector should drive growth this year, supported by a large fiscal stimulus in preparation for Expo 2020. Nevertheless, slower global growth, trade protectionism and fragility in Dubai's property markets constitute important downside risks.

The Indian equity markets have always attracted investors based in the GCC and we expect the same to continue driving flows. However, one cannot rule out short term volatility in the markets and stocks on the back of higher-than-expected crude oil prices, an unfavorable outcome of general elections, tighter global monetary conditions and an escalation in China-U.S. trade row.

In the last year the firm successfully launched new product with KMIL which enables the group to aggregate and manage client investments. The firm has also synergized with Business Groups present in India for referring clients based globally. This would be the key driver for client acquisition in the near future.

DIRECTORS

As on the date of this Directors Report, Ms. Shanti Ekambaram, Mr. Amul Sharma, Mr. Gijo Joseph, Mr. Jaideep Hansraj and Mr. Shyam Kumar are the Directors of the Company.

COMMITTEES

The company has the following committees as per the Governance Framework of the company.

1. Board
2. Country Management Committee (CMC)
3. Governance, Risk, Audit and Compliance Committee (GRAC Committee)
 - a. Sub-committee - Disciplinary Committee
4. Nomination, Remuneration and Promotions Committee

AUDITORS

The Board had appointed M/s Ernst & Young, Chartered Accountants UAE as the auditors for the financial year ending 2019. The Company's auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on representation from the management, the Directors state,

- I. the Company has, in the preparation of the annual accounts for the year ended 31st March 2019, 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 the Company as at 31st March 2019 and of the profit of the Company for the financial year ended 31st March 2019.
- 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 the Company and for preventing and detecting fraud and other irregularities; and
- IV. the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to thank the Dubai International Financial Corporation, Dubai Financial Services Authority, Dubai Government and the Company's Bankers for the assistance, Co-operation and encouragement they extended to the Company. The Directors commend the employees of the Company for their dedicated efforts.

For and on behalf of the Board of Directors

Amul Sharma

Place: Dubai

Dated: 22nd April 2019

Independent Auditor's Report

To
The Members of
Kotak Mahindra Financials Services Limited

The financial statements of **Kotak Mahindra Financials Services Limited** (the "Company") as at 31st March, 2019, being a company registered in the United Arab Emirates (U.A.E), are audited by Ernst & Young, Middle East, Dubai, United Arab Emirates and we have been furnished with their audit report dated 22nd April, 2019.

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

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of **Kotak Mahindra Financials Services Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2019, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2019, and its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTERS

We state that there are no key audit matters to communicate in our report.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY

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

As stated hereinabove we have relied upon the audit conducted by Ernst & Young, Middle East, Dubai, United Arab Emirates and based thereon we state that:

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

A. N. Shah
Partner
M. No. 042649

Place : Mumbai
Date: 27th April, 2019

Balance Sheet

as at 31st March 2019

(₹)

Particulars	Note No.	As at 31 March 2019	As at 31 March 2018
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	84,455,743	84,455,743
(b) Reserves and surplus	3.2	(393,555)	(6,336,575)
2 Non-current liabilities			
(a) Long-term borrowings	3.3	20,746,500	19,552,500
(b) Long-term provisions	3.4	21,805,706	27,973,307
3 Current liabilities			
(a) Trade payables		3,548,406	11,657,507
(b) Other current liabilities	3.5	3,468,933	9,069,248
(c) Short-term provisions	3.6	2,820,367	6,027,986
TOTAL		136,452,099	152,399,716
II. ASSETS			
Non-current assets			
1 (a) Property, Plant & Equipment	3.7	362,744	218,115
(b) Long-term loans and advances	3.8	4,521,143	4,281,394
2 Current assets			
(a) Trade receivables	3.9	22,373,891	73,991,991
(b) Cash and Cash Equivalent	3.10	95,907,841	59,392,177
(c) Short-term loans and advances	3.11	10,397,266	10,508,822
(d) Other current assets	3.12	2,889,215	4,007,217
TOTAL		136,452,099	152,399,716

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V . C. Shah & Co.Chartered Accountants
Firm Registration No. 109818W**For and on Behalf of the Board of Directors****A.N. Shah**Partner
Membership No. 042649**Shanti Ekambaram**

(Director)

Jaideep Hansraj

(Director)

MumbaiDated: 27th April 2019Dated: 22nd April 2019

Statement of Profit and loss

for the year ended 31st March 2019

Particulars	Note No.	For the year ended 31 March 2019	For the year ended 31 March 2018
I. Revenues from operations			
Income from services		194,062,788	235,696,534
II. Other income	3.13	1,458,964	929,521
III. Total Revenue		195,521,752	236,626,055
IV. Expenses:			
Employee Benefit Expenses	3.14	167,302,410	177,939,157
Finance Costs	3.15	1,089,938	1,058,357
Depreciation and Amortisation Expense	3.7	182,087	216,247
Other Expenses	3.16	25,761,681	23,887,368
Total expenses		194,336,116	203,101,129
V. PROFIT / (LOSS) BEFORE TAX		1,185,636	33,524,926
VI. Tax expense		-	-
VII. PROFIT / (LOSS) FOR THE PERIOD		1,185,636	33,524,926
VIII. Earnings per equity share:			
Basic and Diluted	3.19	0.70	19.85

Significant Accounting Policies and Notes to Accounts

2 & 3

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner

Membership No. 042649

Shanti Ekambaram

(Director)

Jaideep Hansraj

(Director)

Mumbai

Dated: 27th April 2019

Dated: 22nd April 2019

Cash Flow Statement

for the year ended 31st March 2019

Particulars	For the Year ended	For the Year ended
	31 st March, 2019	31 st March, 2018
	(₹)	(₹)
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	1,185,636	33,524,926
Adjustments for:		
- Exchange Adjustments	5,939,479	691,157
- Depreciation and Amortisation Expense	182,087	216,247
- Interest on deposits	(1,262,501)	(814,055)
- Interest on borrowings	839,056	773,483
Operating Profit / (Loss) before Working Capital Changes	6,883,757	34,391,758
Adjustments for:		
(Increase) / Decrease in Trade receivables	51,618,101	(46,937,756)
(Increase) / Decrease in Short-term loans and advances	111,556	(3,777,402)
(Increase) / Decrease in Long-term loans and advances	(239,750)	217,200
(Increase) / Decrease in Other current assets	1,148,013	706,573
Increase / (Decrease) in Trade payable	(8,109,102)	2,200,908
Increase / (Decrease) in Short-term provisions	(3,207,619)	1,555,818
Increase / (Decrease) in Other current liabilities	(5,648,074)	1,839,978
Increase / (Decrease) in Long-term provisions	(6,167,601)	4,044,997
Cash Generated / (Used in) from Operations	36,389,281	(5,757,927)
Direct taxes paid	-	-
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	36,389,281	(5,757,927)
Cash Flow from Investing Activities		
Purchase of fixed assets	(314,812)	(93,963)
Fixed Deposits placed during the year	(17,503,774)	(1,005,587)
Interest received	1,232,490	797,819
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	(16,586,096)	(301,731)
Cash Flow from Financing Activities		
Interest paid on borrowings	(791,296)	(704,733)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(791,296)	(704,733)
Net Increase in Cash and Cash Equivalents (A + B + C)	19,011,889	(6,764,391)
Cash and Cash Equivalents at the beginning of the year	18,786,327	25,550,718
Cash and Cash Equivalents at the end of the period	37,798,217	18,786,327
	19,011,889	(6,764,391)

Notes:

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

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

For V . C. Shah & Co.

Chartered Accountants
Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner
Membership No. 042649

Shanti Ekamaram
(Director)

Jaideep Hansraj
(Director)

Mumbai

Dated: 27th April 2019

Dated: 22nd April 2019

Schedules forming part of Balance Sheet and Profit and Loss Account

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra Financial Services Limited (the "Company") is a company limited by shares registered and incorporated in the Dubai International Financial Centre in Dubai, United Arab Emirates on 17 November 2009. The Company's shareholders are Kotak Securities Limited ("majority shareholder"), an entity incorporated in India and Kotak Mahindra International Limited ("minority shareholder"), an entity incorporated in Mauritius. The majority shareholder and the minority shareholder are together referred to as "the shareholders". The ultimate shareholder of the Company is Kotak Mahindra Bank Limited ("ultimate shareholder") / ("the Bank"), an entity incorporated in India and publicly listed on the Bombay Stock Exchange (BSE), National Stock Exchange of India (NSE) and the Luxembourg Stock Exchange. The Company has been granted a prudential "category 4" license by the Dubai Financial Services Authority (DFSA) and is engaged in "advising on financial products", "arranging deals in investments", "arranging custody", "arranging credit and advising on credit" and "insurance intermediation" as per the provisions of the DFSA.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

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

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

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

2.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates and sales tax or duty.

Commission income is recognised when the services have been rendered or in accordance with the terms of the contracts.

Interest income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.5 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost less accumulated depreciation. 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

Schedules

 forming part of Balance Sheet and Profit and Loss Account

based on technical evaluation by management are as follows:

Furniture and Fixtures	4 years
Computers Equipments	4 years
Office Equipment's	4 years
Leasehold Improvements	4 years

2.6 Trade Receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.7 Trade Payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.8 Leases

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss Account on a straight-line basis over the lease term.

2.9 Cash and cash equivalent

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

2.10 Earnings per share

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

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

2.11 Provisions and Contingencies

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

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

2.12 Employee's end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2.13 Employee Share based payments

Cash-settled scheme:

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

Schedules forming part of Balance Sheet and Profit and Loss Account

3 NOTES TO ACCOUNTS

3.1(a) Share capital

Share capital	As at 31 March 2019	As at 31 March 2018
Authorised shares		
2,000,000 (Previous year 2,000,000) Ordinary shares of USD 1 each	\$2,000,000	\$2,000,000
Issued, Subscribed and fully Paid up		
1,689,000 (Previous year 1,689,000) Equity Shares of USD 1 each	84,455,743	84,455,743
Total	84,455,743	84,455,743

(b) Equity shares

Reconciliation of equity share capital	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018	As at 31 March 2018
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	1,689,000	84,455,743	1,689,000	84,455,743
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	1,689,000	84,455,743	1,689,000	84,455,743

(c) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of USD 1 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in US dollars. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

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

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

Number of equity share	As at 31 March 2019	As at 31 March 2018
Kotak Securities Limited	1,239,000	1,239,000
Kotak Mahindra (International) Limited	450,000	450,000

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

Equity shares of USD 1 fully paid up

	As at 31 March 2019		As at 31 March 2018	
	number	% holding	number	% holding
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	1,239,000	73.36%	1,239,000	73.36%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	450,000	26.64%	450,000	26.64%

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.2 Reserves and Surplus

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
a. Translation Reserve		
Opening Balance	10,711,377	10,117,377
Additions/(deductions) during the period	4,757,384	594,000
Closing Balance	15,468,761	10,711,377
b. Surplus in the statement of profit and loss		
Opening balance	(17,047,952)	(50,572,878)
Net Profit / (Loss) for the current year	1,185,636	33,524,926
Closing Balance	(15,862,317)	(17,047,952)
Total	(393,555)	(6,336,575)

3.3 Long-term borrowings

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured		
Loans and advances from related parties	20,746,500	19,552,500
Total	20,746,500	19,552,500

Loan from a Related Party

During 2012, the Company obtained a loan of ₹ 20,746,500 from a related party, now a share holder, Kotak Mahindra International limited (Mauritius). The loan carries an interest rate at 4% per annum (Previous Year - 4% per annum) and is repayable on either party giving a notice of 5 years, to the other party. This loan has been subordinated as a tier 2 capital in the calculation of the Company's capital resources and can be repaid only after approval of the DFSA. Accordingly, the loan has been classified as non-current in the Balance Sheet as at 31 March 2019. During the year, the Company incurred a finance cost of ₹ 839,056 in respect of this loan (Previous year ₹ 773,483).

3.4 Long-term provisions

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.21)	1,233,253	3,978,306
Provision for Gratuity	18,340,047	21,450,157
Provision for compensated Absences	2,232,406	2,544,844
Total	21,805,706	27,973,307

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.5 Other current liabilities

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Interest accrued and due	829,860	782,100
VAT Payable	447,902	1,841,457
Income received in advance	462,296	-
Other Payable	1,728,875	6,445,690
Total	3,468,933	9,069,248

3.6 Short-term Provisions

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Provision for employee benefits:		
Provision for Stock Appreciation Rights (refer note 3.21)	2,792,036	6,000,253
Provision for LTA	28,330	27,733
Total	2,820,367	6,027,986

Schedules forming part of Balance Sheet and Profit and Loss Account

3.7 PROPERTY, PLANT & EQUIPMENT

Particulars	Gross Block			Accumulated Depreciation			Net Block		
	Balance as at 1 April 2018	Additions	Deductions / Adjustments*	Balance as at 31 March 2019	Balance as at 1 April 2018	Depreciation charge for the year	Deductions / Adjustments*	Balance as at 31 March 2019	Balance as at 31 March 2018
Tangible Assets	₹	₹	₹	₹	₹	₹	₹	₹	₹
Leasehold Improvement	9,539,889	-	(582,566)	10,122,455	9,539,889	-	(582,566)	10,122,455	-
Office equipment	492,542	-	(30,078)	522,620	492,542	-	(30,078)	522,620	-
Furniture and Fixtures	1,841,262	-	(112,439)	1,953,701	1,743,958	40,699	(106,051)	1,890,708	97,304
Computers	2,282,006	314,812	(135,944)	2,732,762	2,161,195	141,389	(130,427)	2,433,011	120,811
Total	14,155,699	314,812	(861,027)	15,331,538	13,937,584	182,087	(849,123)	14,968,794	218,115
Previous Year	13,990,573	93,963	(71,163)	14,155,699	13,650,517	216,247	(70,820)	13,937,584	340,056

* Deductions/ adjustments include effect of Translation Reserve of ₹ -861,027 (2018 ₹ -71,163) under Gross Block and ₹ -849,123 (2018: ₹ -70,820) under Accumulated Depreciation

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.8 Long Term Loans and Advances

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Deposits	4,521,143	4,281,394
Total	4,521,143	4,281,394

3.9 Trade Receivables

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment	-	3,258,750
Others	22,373,891	70,733,241
Total	22,373,891	73,991,991

3.10 Cash and cash equivalent

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Balances with banks:		
On Current accounts	37,779,239	18,714,228
Cash on hand	18,978	72,099
	37,798,217	18,786,327
Other Bank Balances:		
Deposits with residual maturity of less than 12 months	58,109,624	40,605,850
Total	58,109,624	40,605,850

3.11 Short-term Loans and Advances

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Prepaid expenses	10,288,946	10,407,703
Staff Loan	108,320	101,119
Total	10,397,266	10,508,822

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.12 Other current assets

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Receivable from group company	2,795,222	3,303,412
Interest accrued on deposit	93,992	63,982
VAT Receivables		639,823
Total	2,889,215	4,007,217

3.13 Other Income

Particulars	For the year ended	For the year ended
	31 st March, 2019	31 st March, 2018
	₹	₹
Foreign Exchange Gain	196,463	115,466
Interest income on fixed deposits	1,262,501	814,055
Total	1,458,964	929,521

3.14 Employee Benefit Expenses

Particulars	For the year ended	For the year ended
	31 st March, 2019	31 st March, 2018
	₹	₹
Salaries, bonus and allowances	158,840,166	162,679,945
Reimbursement of employee stock option expenses	-	-
Provision for Gratuity	5,660,234	4,839,490
Expenses on stock appreciation rights	2,536,678	10,419,723
Staff Welfare	265,332	-
Total	167,302,410	177,939,157

3.15 Finance Costs

Particulars	For the year ended	For the year ended
	31 st March, 2019	31 st March, 2018
	₹	₹
Bank Charges	250,882	284,874
Interest on borrowings	839,056	773,483
Total	1,089,938	1,058,357

Schedules forming part of Balance Sheet and Profit and Loss Account

3.16 Other expenses

Particulars	For the year ended 31 st March, 2019	For the year ended 31 st March, 2018
	₹	₹
Auditor's Remuneration	1,435,641	1,220,144
- For Statutory Audit Fee	1,223,598	1,033,219
- For Other Services	174,803	161,142
- For Reimbursement of Expenses	37,240	25,783
Rent and Electricity	12,775,279	11,680,947
Advertising, Business Promotion and Entertainment	728,678	581,188
Professional and legal fees	2,683,441	2,946,391
Communication expenses	3,606,171	3,353,759
Printing and stationery	185,242	157,106
Repairs and maintenance - others	1,052,240	781,221
Travel expenses	2,810,849	2,522,835
Insurance	10,948	10,099
Other Membership Fees	2,209,578	2,249,814
Miscellaneous expenses	622,194	600,086
Less: Recovery of Expenses	(2,358,580)	(2,216,222)
Total	25,761,681	23,887,368

3.17 The Company's shareholder is Kotak Securities Limited ("parent") and Kotak Mahindra International Limited ("shareholder"). The ultimate holding Company is Kotak Mahindra Bank Limited, Company incorporated in India. The accounts have been prepared and audited for the purpose of attachment to the accounts of the holding Company to comply with the provisions of the Indian Companies Act, 2013.

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

3.19 Earnings per equity share

Particulars	As at 31 March 2019	As at 31 March 2018
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	1,185,636	33,524,926
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,689,000	1,689,000
Nominal value of Equity shares	\$1	\$1
Basic and diluted earnings / (loss) per share (₹) A/B	0.70	19.85

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.20 Employee Stock Option Scheme

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

- 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 expense on ESOP Scheme" under Note 3.14 Employee Benefit expense.

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been Lower by ₹ 9,789 (Previous year higher by ₹ 682,791) and the profit after tax would have been higher (Previous year would have been lower) by the same amount.

3.21 Stock appreciation rights (SARs)

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

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1.20 years to 3.67 years.

Detail of activity under SAR is summarized below:

Particulars	No. of SARs	
	For the year ended 31 st March, 2019	For the year ended 31 st March, 2018
	₹	₹
Outstanding at the beginning of the year	43,011	31,368
Granted during the year	18,820	24,110
Additions/Reduction due to transfer of employees	1,815	1,080
Exercised during the year	15,686	11,387
Expired during the year	38,037	-
Outstanding at the end of the year	9,923	43,011

Schedules forming part of Balance Sheet and Profit and Loss Account

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

Year ended March 31,	2019	2018
Total Employee Compensation Cost pertaining to share-based payment plans	2,536,678	10,419,723
Closing balance of liability for cash-settled options	4,025,289	9,978,559

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹ 915,480 (Previous year higher by ₹ 609,569) and the profit after tax would have been higher (Previous year would have been lower) by the same amount.

3.22 Leases

The total annual commitments of the Company under non-cancellable operating leases are as under:

Particulars	As at 31 March 2019	As at 31 March 2018
	₹	₹
Operating leases which expire :		
Within one year	11,526,317	10,341,143
Between one to five years		5,170,539

3.23 Employee's End of Service Benefits

Movements in the provision recognised in the statement of the financial position are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
	₹	₹
At 1st April	21,450,157	18,644,310
Provided during the year	5,660,269	4,839,487
Paid during the year	(10,129,219)	(2,156,985)
Exchange difference	1,358,840	123,345
At 31st March	18,340,047	21,450,157

3.24 Related Party Transaction

Related parties represent associated companies, shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Schedules

 forming part of Balance Sheet and Profit and Loss Account

3.24 Particulars			For the year ended 31 st March, 2019	As at 31 March 2019		For the year ended 31 st March, 2018	As at 31 March 2018	
Related Parties	Nature of relationship	Nature of transactions	Transaction for the year	Receivable	Payable	Transaction for the year	Receivable	Payable
Kotak Securities Limited	Holding Company	Recovery of Expenses	21,440,947	1,776,394		22,673,553	3,303,395	
Kotak Mahindra (International) Limited	Fellow Subsidiary	Interest on Borrowing	839,056		829,800	773,483		773,483
		Loan Outstanding			20,745,000			19,552,500
		Receivable	-	311,797		-	8,006,618	
		Commission Income	12,613,033	-		18,571,451	-	
Kotak Mahindra (UK) Limited	Fellow Subsidiary	Commission Income	-	-		228,898	-	
Kotak Mahindra Bank Limited	Ultimate Holding Company	Mutual Fund Commission Income	50,033,305			45,022,887	-	
		Receivable	-	1,380,234			5,931,381	
Kotak Mahindra Asset Management Company Limited	Fellow Subsidiary	Commission Income	1,872,912			15,116,505		
		Receivable			-		4,421,863	
Directors	KMP	Remuneration	39,114,884	-		33,026,298	-	

During the year Compensation to Key Managerial personnel was ₹ 39,114,884 (FY 18 : 33,026,298)

3.25 Previous years figures have been regrouped, reclassified wherever necessary to conform to figures of the current year.

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No. 109818W

For and on Behalf of the Board of Directors

A.N. Shah

Partner

Membership No. 042649

Shanti Ekambaram

(Director)

Jaideep Hansraj

(Director)

Mumbai

Dated: 27th April 2019

Dated: 22nd April 2019



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