



Courage
of Conviction.
Constancy
of Change.

Directors Report

To the shareholders of,

KOTAK MAHINDRA (UK) LIMITED

The directors present their Directors' Report and the audited financial statements of Kotak Mahindra (UK) Limited ("the Company") for the year ended 31 March 2019.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Kotak Mahindra (UK) Limited ("the Company") is authorised and regulated by the UK Financial Conduct Authority ("FCA") as a limited license firm (IFPRU 125K firm) and has several regulatory permissions. The Company's primary business is distribution of funds managed by its affiliates and other third parties and dealing in securities. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company has two branches – Dubai (regulated by the Dubai Financial Services Authority) and Singapore (regulated by the Monetary Authority of Singapore).

The financial year ("FY") 2018-19 was relatively a difficult and challenging year on account of global and domestic headwinds. Debt markets saw periods of volatility due to risk of rising inflation on the back of crude prices, temporary liquidity squeeze after default by a major Non-Banking Financial Company ("NBFC") in India and Foreign Portfolio Investor ("FPI") outflows but recovered towards the end-of-the year as crude prices receded and inflation were subdued owing to low food inflation. In equity markets, the large cap NIFTY index increased 8% in USD terms and out-performed other comparable markets.

On the global front, the past year was dominated by trade negotiations between US and China, volatile crude prices and fragile macro-economic positions in certain emerging markets. On the domestic front, much of focus was on pace of normalization post GST-implementation, impact of rising crude prices on current account deficit and consequent depreciation of INR versus USD, stress in system liquidity after default of a major NBFC and political uncertainty due to upcoming general elections and election in other key states.

On political front, the ruling Government in India lost to the single largest opposition in four key states during the year. This coupled with the upcoming general elections in India may add to volatility in the market due to uncertainty if the current ruling Government will come back to power (with or without majority) post the elections.

While elections are key macro variable from near term perspective, market focus will subsequently shift towards economic fundamentals, overall governmental policies and corporate earnings.

Net Foreign Portfolio Investment ("FPI") flows into the Indian equity markets were USD 1.5 billion during FY 2018-19.

A strong distribution network in Japan helped the Company garner net inflows into the equity funds it distribute during the year. However the debt funds witnessed outflows on account of sub-optimal performance of the debt market. The Company continued to make inroads to new geographies during the year (e.g. South Korea)

The assets under management of the funds distributed by the Company fell from USD 3.8 billion as on 31 March 2018 to USD 3.3 billion as on 31 March 2019 due to negative movement of markets and outflows from debt funds it distributes.

FUTURE OUTLOOK

Global distribution:

The Company will continue to expand its relationships with institutional investors and its distribution network during the next financial year. The Indian economy has been amongst the fastest growing larger economies and with a stable macro-economic factor; however money flow from global investors in equities remained negative for almost half the financial year and became positive during the second half.

The Company expects to witness continued interest in India, however, it also expect the capital markets to be volatile during the next financial year driven by both global factors and local factors. On the global fronts, factors determining the shift of money between developed and developing economies will be the key for flow of capital. Locally, India faces an election and rising political uncertainty can be pose some volatility. Though the implementation of GST during the FY 2017-18 has led to some disruption during the year, the Company expects that this will lead to meaningful long term benefits for the nation.

Though there may be few near term challenges, India is likely to be one of the fastest growing economies in the world and will continue to attract global investor interest across asset classes. This

along with the Company's endeavour to expand its relationships with institutional investors and its distribution network during the next financial year, will help Company grow its business.

Dealing in securities as agent/principal ("dealing"):

The Company expects to augment its dealing volumes during the next financial year by way of the newly added Market Axess electronic trading facility as well as gaining additional access via the SGX Bond Trading terminal & UPIN facilities. This apart, various broker screens were also set up during the current year, enabling access to increased liquidity. Going forward, there would be a higher focus on client & counterparty addition, expanding further into other geographies & also actively participating in primary markets.

Impact of BREXIT:

The main activities of the Company are distribution of funds including funds established under the UCITS regime and dealing in securities. The Company is engaged in the distribution of funds established in Luxembourg under the UCITS regime through a network of sub distributors who are appropriately regulated in Europe. The Luxembourg funds are registered for distribution as required by the local rules in the EU countries where they are marketed. Appropriate notifications have been filed with the UK Financial Conduct Authority under its Temporary Permissions Regime which enable the Company to market the funds in the United Kingdom. Having reviewed the Company's current level of activity in Europe in relation to marketing of funds and dealing in securities, the Company does not expect BREXIT to have any material impact on its current level of business.

Furthermore, after BREXIT or during the transition period, if any, the Company expects the European Commission to initiate an equivalence assessment to determine the effective equivalence of the United Kingdom in relation to the prudential and business conduct framework in the United Kingdom. The Company expects the European Commission to find the United Kingdom to be equivalent which would enable the Company to provide investment services to customers in Europe categorised as Per Se Professional or Eligible Counterparties after being registered with the European Securities and Markets Authority. The Company's customers predominantly belong to these client categories. Accordingly, the Company does not expect to be adversely impacted by BREXIT in the foreseeable future.

RISK MANAGEMENT

The activity profile of the Company is focused on India and hence the Company is significantly exposed to an emerging market economy risk. The Company is registered as a Foreign Portfolio Investor ("FPI") with the Securities Exchange Board of India.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2018: NIL).

FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 March 2019 was ₹ 388,061,871 (2018: ₹ 190,470,881).

The Company declared and paid a dividend of ₹ NIL (2018: ₹ NIL) during the year.

DIRECTORS

The directors as at the date of this Report and who served throughout the period are:

Mr. Ruchit Puri

Mr. Sanjeev Prasad

Mr. Dipak Gupta

Mr. Gaurang Shah

Mr. Hasan Askari

Mr. Shyam Kumar Syamasundaram

Mr. Christopher Daniel

QUALIFYING THIRD PARTY INDEMNITIES

There are no qualifying third party indemnities in force for the benefit of any of the directors and officers at the time of this report.

GOING CONCERN

The directors have considered the Company's ability to continue as a going concern and after due inquiry to the management, believe that the Company has sufficient resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

FIXED ASSETS

Information on the tangible fixed assets of the Company is given in the financial statements.

DIRECTORS DECLARATION

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law in United Kingdom requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of Companies Act, 2013 in India.

AUDITOR

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

For and on behalf of the Board of Directors

Christopher Daniel

Director

Date: 26th April 2019

Independent Auditor's Report

To

The Members of

KOTAK MAHINDRA (UK) LIMITED.

The financial statements of Kotak Mahindra (UK) Limited (the "Company") as at 31st March, 2019, being a company registered in the UK, are audited by KPMG LLP, Chartered Accountants, London, and we have been furnished with their audit report dated 18th 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 (UK) 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 KPMG LLP, Chartered Accountants, London 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

Place: Mumbai
Date: 26th April, 2019

A. N. Shah
Partner
M. No. 042649

Balance Sheet

as at 31st March, 2019

Particulars	Note No.	As at	As at
		31 March 2019	31 March 2018
		₹	₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	70,078,422	70,078,422
(b) Reserves and surplus	3.2	2,668,949,067	2,151,388,261
2 Non-current liabilities			
(a) Long-term borrowings	3.3	4,507,177	4,567,138
(b) Long-term provisions	3.4	74,874,660	44,724,827
(c) Deferred tax liability		1,640,471	625,502
3 Current liabilities			
(a) Trade payables		5,001,138,875	1,622,256,180
(b) Other current liabilities	3.5	12,499,733	20,584,162
(c) Short-term provisions	3.6	105,844,582	87,910,444
TOTAL		7,939,532,987	4,002,134,936
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.7	6,474,824	9,007,979
(b) Long-term loans and advances	3.8	14,029,805	148,830,593
2 Current assets			
(a) Trade receivables	3.9	4,970,769,176	1,548,011,290
(b) Cash and cash equivalent	3.10	2,914,665,024	2,268,357,607
(c) Short-term loans and advances	3.11	20,586,982	16,997,908
(d) Other current assets	3.12	13,007,176	10,929,559
TOTAL		7,939,532,987	4,002,134,936
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 26th April, 2019

For and on behalf of the Board of Directors

Christopher Daniel

Director

Gaurang Shah

Director

Dated: 26th April, 2019

Statement of Profit and loss

for the year ended 31st March 2019

Particulars	Note No.	For the year ended	For the year ended
		31 st March, 2019	31 st March, 2018
		₹	₹
I. Revenues from operations			
Service Income (net)		1,154,990,936	880,112,900
II. Other Interest income	3.13	62,512,198	33,407,793
III. Total Revenue		1,217,503,133	913,520,693
IV. Expenses:			
Employee benefits expense	3.14	553,332,586	480,443,552
Finance cost	3.15	3,195,120	5,427,394
Depreciation and Amortisation expense	3.7	5,089,909	7,915,015
Other expenses	3.16	172,496,579	158,974,840
Total expenses		734,114,194	652,760,801
V. PROFIT/(LOSS) BEFORE TAX		483,388,939	260,759,892
VI. Tax expense:			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		94,339,472	76,761,172
- Adjustment of tax relating to earlier periods			(8,244,172)
(b) Deferred tax		987,596	1,772,011
		95,327,068	70,289,011
VII. PROFIT/(LOSS) FOR THE YEAR		388,061,871	190,470,881
VIII. Earnings / (loss) per equity share (in ₹):			
Basic and Diluted	3.19	404.57	198.57
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 26th April, 2019

For and on behalf of the Board of Directors

Christopher Daniel

Director

Gaurang Shah

Director

Dated: 26th April, 2019

Cash Flow Statement

for the year ended 31 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	483,388,939	260,759,892
Adjustments for:		
Interest Income	(1,082,794)	(3,341,556)
Interest Expenses	2,003,424	4,289,567
Exchange Adjustments	128,854,707	16,688,101
Interest on Fixed deposit	(61,211,444)	(29,730,483)
Depreciation and Amortisation Expense	5,089,909	7,915,015
Operating Profit before Working Capital Changes	557,042,740	256,580,536
Adjustments for:		
(Decrease) / Increase in Long-term loans and advances	(424,509)	1,049,112
Decrease / (Increase) in Trade receivables	(3,422,757,886)	990,638,178
Increase in Short-term loans and advances	(3,589,074)	(3,319,309)
Increase / (Decrease) in Long-term provisions	30,149,833	1,943,391
(Decrease) / Increase in Trade payables	3,378,882,695	(928,509,762)
Increase / (Decrease) in Other current liabilities	(8,084,429)	722,853
(Decrease) / Increase in Short-term provisions	7,988,923	10,906,481
Cash Generated from Operations	539,208,292	330,011,480
Income taxes (refunded) / paid	(84,366,883)	(80,596,896)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	454,841,409	249,414,584
Cash Flow from Investing Activities		
Fixed deposits redeemed/(placed)	(31,391,994)	(403,331,044)
Purchase of Fixed Assets	(1,972,486)	(9,243,876)
Interest on Fixed deposit	59,133,827	23,802,194
Interest Income on Term Loan	1,082,794	3,341,556
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	26,852,141	(385,431,170)
Cash Flow from Financing Activities		
Interest Expenses	(2,003,424)	(4,289,567)
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)	(2,003,424)	(4,289,567)
Net Increase in Cash and Cash Equivalents (A + B + C)	479,690,126	(140,306,153)
Cash and Cash Equivalents at the beginning of the year	483,357,836	623,663,989
Cash and Cash Equivalents at the end of the year	963,047,962	483,357,836
	479,690,126	(140,306,153)

Notes:

- The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 "Cash Flow Statements" specified under section 133 and other relevant provisions 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 to current year's presentation.

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

For and on behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants
Firm Registration No.: 109818W

A.N. Shah

Partner
Membership No.: 042649

Christopher Daniel
Director

Gaurang Shah
Director

Mumbai
Dated: 26th April, 2019

Dated: 26th April, 2019

Schedules

 forming part of Balance Sheet and Profit and Loss Account

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra (UK) Limited ("the Company") is authorised and regulated by the UK Financial Conduct Authority ("FCA") as a limited license firm (IFPRU 125K firm) with effect from 06 September 2016 (a full scope EUR 730K firm until then) and has several regulatory permissions including managing investments, arranging deals in investments, dealing in securities as an agent and principal, advising on investments and safeguarding and administration of assets.

The Company's Dubai branch is regulated by the Dubai Financial Services Authority ("DFSA") as a Category 3A firm and has permissions to advise on financial products or credit, arrange credit or deals in investments, deal in investments as agent and manage assets.

The Company's Singapore branch is regulated by the Monetary Authority of Singapore ("MAS") and holds Capital Markets Services ("CMS") Licenses issued by MAS to conduct the regulated activity of dealing in securities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

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

2.2 Conversion to Indian Rupees

For the purpose of accounts, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities 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. It represents fees and other revenue invoiced (net of value added tax) and is recognised on an accrual basis. Interest income is recognised in the income statement as accrued using effective interest method.

2.5 Expenses

Expenses are accounted for in the profit and loss on the accrual basis.

2.6 Property, Plant and Equipment

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

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

Schedules forming part of Balance Sheet and Profit and Loss Account

Furniture and Fixtures	3 years
Computer & Software	3 years
Other Equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

2.7 Employee Benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Provision for employees' end of service benefits represents the liability that would arise if the employment of all eligible staff of the branch office in Dubai were terminated as of the reporting date and is calculated in accordance with the UAE Federal Labour Law.

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 Taxes

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

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

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

2.11 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.

2.12 Provisions and Contingencies

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Schedules

forming part of Balance Sheet and Profit and Loss Account

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 straight-line 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

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Authorised shares		
1,000,000 (Previous year 1,000,000) Ordinary shares of ₹ 1 each	₹ 1,000,000	₹ 1,000,000
Issued, Subscribed and fully Paid up		
959,200 (Previous year 959,200) Equity Shares of ₹ 1 each	70,078,422	70,078,422
Total	70,078,422	70,078,422

(b) Equity shares

Reconciliation of equity share capital	As at		As at	
	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	959,200	70,078,422	959,200	70,078,422
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	959,200	70,078,422	959,200	70,078,422

(c) Terms/rights attached to equity shares

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

Each share holder is entitled to receive dividend as may be approved by Board / 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	As at
	31 March 2019	31 March 2018
Kotak Mahindra Bank Limited, the holding company	489,200	489,200
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	470,000

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

Equity shares of ₹ 1 fully paid up

Particulars	As at 31 March 2019		As at 31 March 2018	
	Number	% holding	Number	% holding
Kotak Mahindra Bank Limited, holding company	489,200	51.00%	489,200	51.00%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	49.00%	470,000	49.00%

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	413,978,262	397,826,990
Additions/(deductions) during the period	129,498,935	16,151,272
Closing Balance	543,477,197	413,978,262
b. Surplus in the statement of profit and loss		
Opening balance	1,737,409,999	1,546,939,118
Net Profit / (Loss) For the year	388,061,871	190,470,881
Closing Balance	2,125,471,870	1,737,409,999
Total	2,668,949,067	2,151,388,261

3.3 Long-term borrowings

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured		
Loans from fellow subsidiary	4,507,177	4,567,138
Total	4,507,177	4,567,138

The long-term borrowing represents a long-term subordinated loan of ₹ 4,507,177 (Previous year ₹ 4,567,138) from the fellow subsidiary company, Kotak Mahindra (International) Limited. The loan is unsecured and interest-free and constitutes regulatory capital as approved by the Regulatory Authority - Financial Conduct Authority. It was initially repayable upon giving or receiving two years notice to or from the fellow subsidiary company. However, during the current year, the notice period was waived in agreement with the lender subject to regulatory approval.

3.4 Long-term provisions

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Provision for employee benefits		
Provision for gratuity	21,966,177	18,040,548
Stock Appreciation Rights (refer note 3.25)	52,908,483	26,684,279
Total	74,874,660	44,724,827

3.5 Other current liabilities

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Other payable	12,499,733	20,584,162
Total	12,499,733	20,584,162

Schedules forming part of Balance Sheet and Profit and Loss Account

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 3.25)	53,453,587	48,164,718
Provision for Leave Encashment	6,148,913	4,309,151
Payable to statutory funds	5,149,660	4,289,368
Other Provisions:		
Provision for taxes (net of advance tax ₹ 125,359,029)	41,092,422	31,147,207
Total	105,844,582	87,910,444

3.7 Property, Plant and Equipment

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 st April, 2018	Additions	Deduction / Adjustment*	Balance as at 31 st March, 2019	Balance as at 1 st April, 2018	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31 st March, 2019	Balance as at 31 st March, 2019	Balance as at 31 st March, 2018
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets										
Computer & Software	69,307,772	1,927,179	(4,211,252)	75,446,203	64,941,079	2,844,584	3,934,541	71,720,204	3,725,999	4,366,693
Furniture and Fixtures	59,467,789	-	(3,631,481)	63,099,270	55,482,393	1,862,124	3,367,700	60,712,217	2,387,053	3,985,395
Office equipment	8,114,883	45,307	(495,050)	8,655,240	7,458,992	383,201	451,275	8,293,468	361,772	655,891
Total	136,890,444	1,972,486	(8,337,783)	147,200,713	127,882,465	5,089,909	7,753,515	140,725,889	6,474,824	9,007,979
Previous Year	127,118,315	9,243,876	(528,253)	136,890,444	119,400,167	7,915,015	567,283	127,882,465	9,007,979	7,718,148

* Deduction / adjustments include effect of translation reserve of ₹ - 8,337,783/- (Previous year - ₹ 318,794/-) in Gross block & ₹ 7,753,515 (Previous year - ₹ 685,228) in accumulated depreciation.

3.8 Long Term Loans and Advances

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Prepaid Expenses	38,952	102,444
Security Deposits	13,990,853	13,502,852
Deposits with residual maturity of more than twelve months	-	135,225,297
Total	14,029,805	148,830,593

Schedules

 forming part of Balance Sheet and Profit and Loss Account

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	802,715	-
Others	4,969,966,461	1,548,011,290
Total	4,970,769,176	1,548,011,290

3.10 Cash and cash equivalent

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Balances with banks:		
On Current accounts*	600,640,606	483,357,836
Deposits with original maturity of less than three months	362,407,356	-
Other Bank Balances:		
Deposits with residual maturity of less than twelve months	1,951,617,062	1,784,999,771
Total	2,914,665,024	2,268,357,607

* Includes client money deposits aggregating to ₹ 46,688,633 (previous year ₹ 75,275,480) earmarked in a separate bank account held in the name of the Company.

3.11 Short-term Loans and Advances

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Loans to employees	1,431,249	1,531,561
Prepaid expenses	15,456,429	14,141,297
VAT Input Credit	3,699,304	1,325,050
Total	20,586,982	16,997,908

3.12 Other current assets

Particulars	As at	As at
	31 March 2019	31 March 2018
	₹	₹
Unsecured, considered good		
Interest accrued on deposits	13,007,176	10,929,559
Total	13,007,176	10,929,559

Schedules forming part of Balance Sheet and Profit and Loss Account

3.13 Other Income

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
	₹	₹
Interest income on loans	1,002,800	3,341,556
Interest income on deposits with banks	61,211,444	29,730,483
Other interest income	79,994	-
Miscellaneous income	217,959	335,754
Total	62,512,198	33,407,793

3.14 Employee benefits expense

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
	₹	₹
Salaries, bonus and allowances	405,114,116	377,621,429
Contribution to provident and other funds	27,400,879	22,493,180
Expenses on stock appreciation rights	117,364,189	80,329,880
Provision for Leave Encashment	1,594,089	(1,808,855)
Staff welfare expenses	1,859,314	1,807,918
Total	553,332,586	480,443,552

3.15 Finance cost

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
	₹	₹
Bank Charges	1,191,697	1,137,827
Interest on borrowings	2,003,424	4,289,567
Total	3,195,120	5,427,394

3.16 Other expenses

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
	₹	₹
Rent, rates & taxes	18,595,930	17,663,211
Communication expenses	10,638,541	10,992,681
Printing and stationery	1,410,121	1,251,246
Repairs and maintenance	3,284,438	11,123,428
Advertising, business promotion and entertainment	6,120,440	5,430,699
Foreign exchange loss (net)	3,193,166	6,072,071
Travel expenses	21,059,041	15,468,250
Insurance	2,119,628	4,583,390

Schedules

 forming part of Balance Sheet and Profit and Loss Account

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
	₹	₹
Electricity expenses	1,053,204	778,578
Professional and legal fees	33,441,591	33,839,069
Membership and subscription	10,468,301	8,762,714
Recruitment expenses	2,878,736	1,277,392
Dealing charges	40,998,594	27,389,824
Auditor's remuneration	10,714,349	9,691,918
- Statutory fees	10,552,243	9,600,397
- Reimbursement of expenses	162,106	91,521
Miscellaneous expenses	6,520,500	4,650,369
Total	172,496,579	158,974,840

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

3.18 The transactions 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)	388,061,871	190,470,881
Weighted average number of equity shares used in computation of basic earnings per share (B)	959,200	959,200
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	405	199

3.20 Leases

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

Land and Building	As at 31 March 2019	As at 31 March 2018
	₹	₹
Operating leases which expire :		
Within one year	11,203,110	17,662,425
Between one to five years	2,726,931	12,774,300

3.21 Contingencies liabilities

During the year the Company's banker have issued a guarantee for ₹ 102,075,000 (Previous year ₹ 99,645,000) in favour of the Monetary Authority of Singapore. No loss is expected on this guarantee at the Balance Sheet date.

Schedules forming part of Balance Sheet and Profit and Loss Account

3.22 The following amounts are due from directors as at 31st March, 2019.

Mr. Hasan Askari ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 48,390 (Previous Year ₹ Nil)

Mr. Ruchit Puri ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ 284 (Previous Year ₹ 5,144)

Mr. Shyam Kumar ₹ 11,297 (Previous Year ₹ 10,648)

Maximum balance due during the year is ₹ 256,105 (Previous Year ₹ 748,438)

Mr. Christopher Daniel ₹ 115,262 (Previous Year ₹ 39,980)

Maximum balance due during the year is ₹ 121,034 (Previous Year ₹ 39,588)

Mr. Sanjeev Prasad ₹ Nil (Previous Year ₹ Nil)

Maximum balance due during the year is ₹ Nil (Previous Year ₹ 8,697)

3.23 Related Party Transactions

During the year ended 31 March 2019, the Company entered in transactions with related entities. The nature, volume of transactions and balances with the related entities are as follows:

Particulars			Volume of transaction for the year ended		Receivable/(Payable) Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2019	31 st March, 2018	31 st March, 2019	31 st March, 2018
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	20,696,522	18,737,038	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Client Account	-	-	1,034,026,307	-
		Custody fees	10,153	-		
		Dealing in securities	1,403,236	-		
Kotak Securities Limited	Fellow Group Entities	Service fee income	114,974,208	89,948,480	9,223,463	5,784,969
Kotak Mahindra International Limited	Fellow Group Entities	Distribution expense	5,923,677	8,644,536	2,195,125	16,413,411
		Distribution Income	54,335,851	57,487,059	-	-
		Brokerage Income - others	-	219,662	-	-
		Portfolio Management Income	3,199,434	18,306,636	-	-
		Calculation Agency Income	839,056	773,483	-	-
		Interest Income	957,922	3,339,226	-	-
		Client Account	-	-	596,939,446.98	-
		Subordinated Loan taken	-	-	(4,507,177)	(4,567,138)

Schedules

 forming part of Balance Sheet and Profit and Loss Account

₹

Particulars			Volume of transaction for the year ended		Receivable/(Payable) Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2019	31 st March, 2018	31 st March, 2019	31 st March, 2018
Kotak Mahindra Inc	Fellow Group Entities	Distribution expense	49,526,201	43,879,939	(762,061)	(3,243,662)
		FCCB Referral fees	1,209,161	646,917	-	-
		Service Fees Expense	-	43,697	-	-
		Distribution Income	5,495,704	1,787,722	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd	Fellow Group Entities	Distribution Income	1,115,453,967	866,462,873	5,769,588	105,295,860
Kotak Mahindra Financial Services Ltd	Fellow Group Entities	Investment management charges	-	228,897	-	-
			1,374,025,092	1,110,506,166	1,642,884,691	119,683,440
Directors remuneration included in personnel expenses			123,730,286	91,738,754		

During the year compensation to Key Managerial Personnel was ₹ 164.9 million (Previous year ₹ 115.4 million).

3.24 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 cost".

Had the Company reported the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by ₹ 2,733,503 (Previous Year ₹ 2,041,668) with an decrease in after tax profit by ₹ 2,733,503 (Previous Year ₹ 2,041,668).

Schedules forming part of Balance Sheet and Profit and Loss Account

3.25 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 March 2019	For the year ended 31 March 2018
Outstanding at the beginning of the year	303,340	350,492
Granted during the year	196,740	175,570
Additions/Reduction due to transfer of employees	-	114,886
Exercised during the year	132,740	97,787
Expired/Forfeited during the year	-	10,049.00
Outstanding at the end of the year	367,340	303,340

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	117,364,189	80,329,880
Closing balance of liability for cash-settled options	106,362,071	74,848,997

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 ₹ 6,791,938 (Previous year higher by ₹ 2,303,511) and the profit after tax would have been lower by ₹ 5,501,469 (Previous year lower ₹ 1,865,844).

3.26 Events after balance sheet date

There have been no subsequent events after the balance sheet date requiring disclosure.

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

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 26th April, 2019

For and on behalf of the Board of Directors

Christopher Daniel

Director

Gaurang Shah

Director

Dated: 26th April, 2019



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