**Kotak Mahindra Asset Management Company Limited**
Annual Report 2019-20

# Persevere.
# Pioneer.
# Prosper.

# Board’s Report

To The Members of

**Kotak Mahindra Asset Management Company Limited**

Your Directors present their Twenty Sixth Annual Report together with the Audited Financial Statements of the Company for the financial year ended March 31, 2020.

## 1. FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

| | Year ended 31st March, 2020 | Year ended 31st March, 2019 |
|---|---|---|
| Gross income | 63,355 | 67,419 |
| Profit before Depreciation and Tax | 43,274 | 36,118 |
| Depreciation and Amortization | 1,258 | 975 |
| Profit before Tax | 42,016 | 35,143 |
| Profit after Tax | 31,174 | 22,900 |
| Other Comprehensive Income | 2 | (34) |
| Balance of Profit from previous years | 40,569 | 17,703 |
| Amount available for appropriation | 71,745 | 40,569 |
| **Appropriations** | | |
| Less: Dividend paid | 2,384 | - |
| Less: Tax on equity dividend paid | 490 | - |
| Less: Effect on adoption of IND AS - 116 Leases | 146 | |
| **Surplus carried forward to the Balance Sheet** | **68,725** | **40,569** |

The Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws [Amendment] Ordinance, 2019 dated September 20, 2019. Accordingly, the Company has recognized Provision for Income Tax for the year ended March 31, 2020 and re-measured its net Deferred Tax Liabilities basis the rate prescribed in the said section and recognized the impact of the above changes up to March 31, 2020 in the financial statements for the year ended March 31, 2020.

## 2. DIVIDEND

Your Directors do not recommend any dividend for financial year ended March 31, 2020.

**Transfer to reserves:**

Your Directors have not recommended any transfer of profits to the General Reserves of the Company.

**SHARE CAPITAL**

The issued, subscribed and paid up share capital of the Company is Rs.29,80,00,000/- divided into 2,98,00,000 Equity Shares of Rs.10/- each. There has been no change in the share capital during the year.

## 3. REVIEW OF OPERATIONS OF THE COMPANY

The Company is a wholly owned subsidiary of Kotak Mahindra Bank Limited (KMBL) and is the Asset Manager for Kotak Mahindra Mutual Fund (KMMF) which is a trust set up under the provisions of The Indian Trusts Act, 1882.

The industry registered a growth of 10.39% YOY in Q4 FY20 over Q4 FY19 with the Quarterly Average Assets under Management (QAAUM) for Q4 FY20 at Rs.27.03 Lakh cr.

During the same period, on the basis of percentage growth in QAAUM, KMAMC was amongst the fourth fastest growing Mutual Fund House . The QAAUM which stood at Rs.1,86,088 cr for Jan-Mar 2020 has seen growth of around 24% in Q4 FY20 over Q4 FY19 and 102% over last 3 years. KMAMC jumped one rank and is now the 6th largest Fund House in the country in terms of QAAUM as on March 31,2020 vis-à-vis March 31, 2019. Market Share in QAAUM has grown to 6.89% in Q4FY20 from 6.13% in Q4 FY19 and 5.04%, 3 years back. The cumulative number of non-gold SIPs with the mutual fund stood at 16.28 Lakhs in Mar 20 as compared to 11.92 Lakhs in Mar 19.

KMAMC has 21.17 Lakhs unique investors basis the RTA data against 18.75 lakhs in Mar 19.

The portfolio management business witnessed a drop in AUM, given the turbulence in the market, especially in the small and mid-cap space. Resultantly, the Company ended the year Mar 31, 2020 with discretionary AUM of Rs 1,594cr against Rs.3,328 cr as on March 31, 2019.

The annual AAUM of the Company for FY20 was Rs.1,73,394 cr against Rs.1,38,215 cr in FY19, a growth of 25%. There was a regulatory change in the total expense ratio to be charged to schemes wef Apr 19. Also all scheme expenses could be charged only to schemes and could not be borne by AMC and no upfront commission could also be paid from Oct 18.

Consequently, Fee & Commission Income decreased by 9% to Rs 596 cr in FY 20 from Rs.651.08cr in FY19. The overall costs also reduced by 34% to Rs 213 cr in FY 20 from Rs.323 cr in FY19. Hence, the overall profit before tax has increased to Rs.420 cr in FY20 compared to Rs.351 cr in FY19, a growth of 20%.

**New Schemes Launched in FY 20**

- The first NFO of FY 20 was launched in May 2019 Kotak Floating Rate Fund which collected INR 151 Cr.
- Kotak Focused Equity Fund was launched in July 2019, which garnered a total of INR 1216 Cr.
- Kotak Pioneer Fund was launched in October 2019 which collected INR 662 Cr.

**Digitization initiatives:**

Investor Related Key Developments

1. Business Hub platform for distributors to view business report, business opportunity, co brand marketing materials and access prostart for the distributors
2. Corporate login to View Investment details, Download Account statement and capital gain statement
3. Credit brief modules for product team for updating the credit paper rational in an user friendly manner for the investors
4. Daily and Weekly Market Update module for the investors
5. Video based monthly business report card for distributors
6. SIP Pause for Investors
7. Insta Redemption facility launched in Kotak Website
8. Created industry first AI Bot to answer all SIP related queries for Mr SIP Campaign and the same was available on Website, Whatsapp, Google Assist and Amazon Alexa

Total Digital AUM during the period had increase by 106%. Total distributors using the Business hub property reached over 70000 Users

**Market influences:**

**Equity Market Overview:**

FY20 will be a year to remember. While most of the fiscal year, we witnessed wide polarization of market movement with the market breadth being extremely narrow, the month of March 2020 changed it all. The Covid -19 pandemic which started out mainly in China and parts of Asia, quickly spread to the rest of the world, severely impacting Europe and USA.

India, too, has not been spared from the contagion. The Indian government was quick to respond, announcing a complete lockdown in the entire country starting March 25, 2020 in the hope that it may help ‘flatten the curve’ for India and prevent its medical system from being overwhelmed by a large outbreak of Covid-19 cases.

Both the Government and RBI (Reserve Bank of India) have responded by announcing a string of fiscal and monetary measures to counter the impact of the lockdown. The large liquidity infusion by RBI, rate cuts and the announced fiscal measures will likely aid the revival of the economy albeit at a slow and steady pace. The fiscal measures announced by the Government focus on economic revival over the medium term and the measures are intended to aid the SME and the rural segments with the key theme of achieving self-reliance but through integration and not isolation.

The silver lining in the present situation is the fall in crude oil prices. With oil prices appearing to remain benign, we expect that the overall Balance of Payments situation in India may remain under control. Every USD10/bbl decline in oil prices lowers India's Current Account Deficit (CAD) by ~0.5%. Further the RBI has amassed forex reserves in the last year which resulted in the overall forex reserves now standing at ~USD487bn.

The situation is clearly evolving and it is therefore possible, further policy action may be warranted. The execution of these measures already announced would be the key to determine the trajectory of revival of the Indian economy. The current market outlook is evolving in nature and a lot would depend on the pace of the spread of the virus in India and globally. The key to watch out for would be the advancements towards finding a cure and vaccine for the disease.

Despite sharp market volatility, domestic mutual fund flows were resilient throughout FY20 and that provided some support to the markets. The flows into mutual funds proved to be sticky with investors adopting the SIP (Systematic Investment Plan) route for their investment requirements.

Given this backdrop, we continue with our disciplined approach to investing and follow our investment philosophy of Growth at a Reasonable Price (GARP). We are focusing on companies with (a) low leverage (b) strong balance sheets and cash position (c) low fixed cost structures and (d) good quality management and governance. With the current disruption, it is also likely that the pace of consolidation across industries picks up pace and we would see strong market share shifts towards a few companies.

We advise investors to keep investing through mutual funds in a systematic manner for the medium to long-term keeping in mind individual risk profile and return expectations.

**Debt Market Overview**

2019 was the year of the general elections (May 2019) that saw the ruling party coming back to power with an even greater majority. The year saw several landmark financial and non-financial bills passed in the parliament including IBC amendment Act, The Companies Amendment Act and the Taxation Amendment Bills.

On the global front, we saw an unprecedented coordinated move by Central banks across the world to tackle the economic uncertainty due to the novel Coronavirus (Covid 19). The pandemic has not only been a health crisis but now has led to a full blown economic crisis as well. A good part of the calendar year 2019 was US and China reaching 'phase one' deal to halt trade war in December 2019. Crude oil prices which peaked in early January 2020 has crashed to $29 post the emergence of the Covid19. India is well positioned to take advantage of the supply chain disruptions.

On macroeconomic front, our trade deficit was in order, Current account deficit (CAD) was better than expectations (at 1.5% in H1), and Balance of Payments (BOP) was more than comfortable (at USD 433.7 Billion at the end of H1 FY19). This lead to huge Forex inflows largely via Foreign Direct Investments (FDI) followed by portfolio flows in Equity and fixed income markets till February 2020. Headline retail inflation (CPI) showed a peak of 7.59% in Feb 2020 but ended the year at 6.59%.India's Forex reserves stood at an all-time high of $450 Billion in Jan 2020. The GDP growth rate slowed down to 4.7% in Q3.

The year was quite eventful from a credit market perspective too. Barely were the markets returning to normalcy post IL&FS and DHFL credit events, we saw a 30 days moratorium (of 30 days) imposed on Yes Bank. Given the medical situation due to Covid19 and its likely impact on the economy already fighting a slowdown, several monetary and fiscal tools have been used. This year was unprecedented in terms of conventional and unconventional tools used by the central bank such as operation twist (OT), Long term repo operations (LTRO) and Targeted LTRO (TLTRO). Liquidity remains in surplus mode.

The 10 year benchmark India government bond rallied by about 100 bps (1%) from 7.36% since the start of the calendar year 2019 and ended FY 20 about 125 bps lower at 6.12%.

**Scheme Performance:**

The snapshot of the performance for FY-20 of the key schemes is as under:

| Equity Schemes | Benchmark | FY20 Returns (%) | Benchmark Returns (%) | Performance (%) |
|---|---|---|---|---|
| Kotak Bluechip Fund | Nifty 50 TRI | -21.47% | -24.85% | 3.38% |
| Kotak Equity Hybrid | Nifty 50 Hybrid Composite Debt 70:30 Index | -17.42% | -12.78% | -4.63% |
| Kotak India EQ Contra Fund | Nifty 100 TRI | -25.02% | -24.76% | -0.26% |
| Kotak Emerging Equity Scheme | Nifty Midcap 100 TRI | -23.90% | -34.83% | 10.93% |

| Equity Schemes | Benchmark | FY20 Returns (%) | Benchmark Returns (%) | Performance (%) |
|---|---|---|---|---|
| Kotak Equity Arbitrage Fund | Nifty 50 Arbitrage Index | 6.26% | 6.04% | 0.22% |
| Kotak Small cap Fund | Nifty Small cap 100 TRI | -26.90% | -45.03% | 18.13% |
| Kotak Equity Opportunities Fund | Nifty 200 TRI | -20.97% | -25.91% | 4.93% |
| Kotak Standard Multicap Fund | Nifty 200 TRI | -23.70% | -25.91% | 2.21% |
| Kotak Taxsaver | Nifty 500 TRI | -21.27% | -26.44% | 5.17% |
| Kotak Equity Savings Fund | 75% Nifty 50 Arbitrage Index and 25% Nifty 50 TRI | -5.85% | -2.01% | -3.84% |
| Kotak Infrastructure and Economic Reform Fund | India Infrastructure Index (Customized Index by IISL) | -30.95% | -31.80% | 0.85% |
| Kotak Balanced Advantage Fund | NIFTY 50 Hybrid Composite Debt 50:50 Index | -10.75% | -7.37% | -3.38% |
| Debt Schemes | Benchmark | FY20 Returns (%) | Benchmark Returns (%) | Performance (%) |
| Kotak Banking and PSU Debt Fund - Regular - Growth | CRISIL Banking and PSU Debt Index | 10.51% | 10.91% | -0.40% |
| Kotak Bond Scheme - Regular – Growth | NIFTY Medium to Long Duration Debt Index | 11.08% | 12.25% | -1.17% |
| Kotak Bond Short Term Plan - Regular – Growth | NIFTY Short Duration Debt Index | 9.04% | 8.80% | 0.25% |
| Kotak Dynamic Bond Fund – Regular – Growth | Nifty Composite Debt Index | 10.68% | 11.76% | -1.09% |
| Kotak Money Market Scheme – Regular - Growth | Nifty Money Market Index | 7.24% | 6.71% | 0.53% |
| Kotak Mahindra Gilt Unit Scheme 98-Investment Plan– Regular – Growth | Nifty All Duration G-Sec Index | 12.27% | 13.08% | -0.81% |
| Kotak Credit Risk Fund | CRISIL Composite AA Short Term Bond Index | 7.88% | 9.23% | -1.35% |
| Kotak Mahindra Liquid Scheme - Regular - Growth | Nifty Liquid Index | 6.02% | 6.04% | -0.02% |
| Kotak Savings Fund - Regular – Growth | NIFTY Ultra Short Duration Debt Index | 7.06% | 7.36% | -0.30% |
| Kotak Medium Term Fund – Regular- Growth | NIFTY Medium Duration Debt Index | 6.59% | 10.49% | -3.90% |
| Kotak Corporate Bond Fund Regular – Growth | CRISIL Corporate Bond Composite Index | 8.88% | 11.48% | -2.60% |
| Kotak Low Duration Fund – Regular – Growth | NIFTY Low Duration Debt Index | 7.77% | 7.66% | 0.10% |
| Kotak Debt Hybrid – Regular – Growth | CRISIL Hybrid 85+15 - Conservative Index | 0.54% | 6.44% | -5.89% |
| Kotak Overnight Fund - Regular – Growth | NIFTY 1D Rate Index | 5.16% | 5.27% | -0.10% |

**Awards:**

During FY20, the Company has won number of awards,

- Business Today Money Today Financial Awards 2020
  - ➢ Best Fund Manager - Deepak Agarwal
  - ➢ Best Fund House (Debt)
  - ➢ Best Fund House (Overall)

**Impact of Covid-19 on operations**

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. The outbreak was identified in China and on March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently indeterminable. Various governments have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 19 days across the country to contain the spread of virus. Thereafter, a partial lockdown with relaxed rules was implemented till May 31, 2020 which has been further extended to June 30, 2020 in the state of Maharashtra.

Due to uncertainty around the course of the COVID-19 pandemic, we do not have visibility into the extent to which it will impact the Company's results and it will depend upon on future developments. The impact of the global health pandemic may be different from that estimated as at the date of approval of Company's financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

**Investor Awareness Program:**

To increase awareness about mutual fund investments, KMAMC becomes the first in the industry to launch a conversational Voice Bot – "Mr SIP", which aims to address queries related to Systematic Investment Plan (SIPs).To introduce "Mr. SIP" to Indian Consumers, KMAMC roll out a pan-India marketing campaign on television and digital platform.

KMAMC took a radical new approach with the television commercial (TVC) where SIP was personified as a fictional character named "Mr SIP", who demystifies the myths related to Systematic Investment Plan (SIPs). The social media campaign approach was different from the traditional BFSI communication as it was developed using anecdotes from 'cricket' to explain queries related to SIP in a simplified manner in a series of videos by Mr. SIP.

Further, KMAMC has been conducting investor awareness programs throughout India as an efforts to educate and make prospective investors aware about Mutual Funds. During the year ended 31st March, 2020, 93 Investor Awareness Programs were conducted across India which were attended by approximately 11,260 investors. During these investor meets various booklets, leaflets, newsletters, etc. were distributed explaining the concepts of Mutual Funds with an aim to educate investors.

## 4. SUBSIDIARY

Kotak Mahindra Pension Fund Limited (KMPFL), a subsidiary of the Company 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. However, the validity period for this RFP lapsed on October 17, 2017.

KMAMC continues 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 recent press reports, the Pension Fund Regulatory and Development Authority (PFRDA) is set to issue guidelines on foreign direct investment (FDI) in the sector. PFRDA may also allow higher commission for financial institutions and permit post offices to sign up subscribers for pension products and the commission for pension fund managers is tied to new RFP (Request for proposal) which is proposed to be initiated.

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.

The Company manages eight schemes. During the year, the general business environment has been good for Pension Funds with the industry keeping up the momentum in line with the previous financial year. KMPFL manages eight schemes. The combined assets under management (AUM) on 31st March, 2020 were 976 crore (₹ 784 crore as of 31st March, 2019) a growth of 19.6 %. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 3,18,214 crore as on 31st March, 2019 to ₹ 4,17,477 crore as on 31st March, 2020, a growth of 31.2 % and the private sector industry AUM has grown from ₹ 9827 crore as on 31st March, 2019 to ₹ 13,239 crore as on 31st March, 2020, a growth of 25.8 %.

At the current stage of pension fund business, considering the low rates of management fees, Loss before tax including revenue generated from the investment management activity for March 31, 2020 is Rs.116.19 Lakhs (Previous year – loss Rs.28.81 Lakhs)

## 5. KEY SEBI CIRCULARS

- SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/101dated September 20, 2019 had issued Risk management framework for Liquid and Overnight Funds.
- SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 had issued guidelines for Valuation of money market and debt securities
- SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019 had stated review of investment norms for mutual funds for investment in Debt and Money Market Instruments.
- SEBI circular dated November 7, 2019 permit creation of segregated portfolio of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments
- SEBI circular dated December 10, 2019 has stated on Review of investment norms for mutual funds for investment in Debt and Money Market Instruments
- SEBI circular dated December 16, 2019 stated that AMCs may provide management and advisory services in terms of Regulation 24(b) to FPIs

## 6. UPDATES ON KEY EVENTS:

- Kotak Mahindra Asset Management Company Limited (AMC) has been served a Show Cause Notice (SCN) by SEBI, vide its letter No. SEBI/HO/IMD/DF2/OW/P/2019/11854/1 dated May 10, 2019, and Supplementary Show Cause Notice vide SEBI's letter No. SEBI/HO/IMD/DF2/OW/P/2019/014772/1 dated June 12, 2019, issued under Section 11(1), 11B and 11B(2) of Securities and Exchange Board of India Act, 1992 read with provisions of SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Asset Management Co. Ltd. The alleged charge is, that on maturity date of Kotak FMP Series 127 and 183, close ended debt schemes, investors were not paid full proceeds on the declared NAV due to pending recovery of dues from Essel Group of Companies.

  The AMC vide its letter dated August 29, 2019, had filed its reply to the aforesaid show cause notice and supplementary show cause notice.

  A personal hearing on the matter was held on October 16, 2019 before Hon'ble Whole Time Member-SEBI. AMC had also filed its written submission with SEBI post hearing. Order from SEBI is awaited.

  Further, Kotak Mahindra Trustee Company Limited (Trustee Company) and few officials of Kotak Mahindra Asset Management Company Limited, had been served a Show Cause Notice by SEBI on the aforesaid matter, vide its Letter no. EAD/EAD5/MC/CB/2019/13787/4 dated May 31, 2019 under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, Section 15I, Section 15D and Section 15HB of Securities and Exchange Board of India Act, 1992 read with provisions of SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Mutual Fund.

  The reply of the letter dated May 31, 2019, was filed with SEBI by Trustees on October14, 2019, and by required officials of AMC on October 23, 2019.

  The Hearing for letter dated May 31, 2019 was held on November 19, 2019 before Adjudicating Officer of SEBI.

  Order from SEBI is awaited in this regard.

  In early September 2019, part payment of the pending dues, was also paid to all unitholders of the respective schemes. On September 25, 2019, balance payment along with accrued interest was paid off to the unitholders of the respective schemes.

- Show cause notice received from Ministry of Corporate Affairs (MCA)-Compliance Monitoring system. The copy of the said notice was also marked to Directors on Board for the FY 2016 – 2017, Chief Financial Officer and Company Secretary. The notice was with respect to non-complying the provisions of section 204(1) of the Companies Act, 2013, thereby not attaching the secretarial audit report in Form AOC-4 (form for filling annual financials of the Company) filed by the Company for the financial year ended March 2017. The reply stating the above facts was submitted to MCA on November 19, 2019 and reply from MCA is awaited

## 7. DIRECTORS AND KEY MANAGERIAL PERSONNEL

**Directors retiring by rotation**

Mr. Uday Kotak (DIN 00007467) would retire by rotation at the Twenty Sixth Annual General Meeting (AGM) and, being eligible, has offered himself for re-appointment.

The Board of Directors recommend re-appointment of Mr. Uday Kotak (DIN 00007467), as Director at the ensuing AGM.

**Directors appointed during the year**

Mr. Krishnakumar Natarajan (DIN 00147772) was appointed as Non-Executive Independent Director of the Company w.e.f. October 25, 2019.

In the opinion of the Board, Mr. Krishnakumar Natarajan (DIN 00147772) possess integrity, expertise and experience for his appointment as an Independent Non-Executive Director of the Company and is independent of the Management.

Pursuant to rule 2 of Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, Mr. Krishnakumar Natarajan is exempted form online proficiency self-assessment test conducted by IICA. The Board is of the opinion that Mr. Krishnakumar Natarajan possess enough proficiency to make adequate contribution towards Company's growth.

**Cessation during the year**

During the year under review, Mr. Sukant Kelkar (DIN 00015883) ceased to Independent Director of the Company w.e.f November 30, 2019 due to completion of his tenure The Company places on record its appreciation and gratitude for the invaluable contributions made by him during his tenure as member of the Board.

**Board Evaluation**

A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for the year 2019 - 2020. The evaluation was done using individual questionnaires, covering various aspect of performance, including composition, relationship among Directors, director competency, contribution to risk management compliance roles and responsibilities, board procedures, processes, functioning and effectiveness.

As part of the evaluation process, the performance of non-independent Directors, the Chairman and the Board was done by the independent Directors. The performance evaluation of the respective Committees and that of independent and non-independent Directors was done by the Board, excluding the Director being evaluated. Based on the Board evaluation summary, the Directors were satisfied with the results of the performance evaluation of the Board and its Committees, the Chairman and the individual Directors.

**Key Managerial Personnel (KMPs)**

In terms of the provisions of Section 203 of the Companies Act, 2013, read with Rule 8 of the Companies (Appointment of Remuneration of Managerial Personnel) Rules, 2014, Mr. Nilesh Shah – Managing Director, Mr. Krishnan Ramchandran – Chief Financial Officer (CFO) and Ms. Jolly Bhatt – Company Secretary, are the Key Managerial Personnel of the Company.

**Appointment and Remuneration Policy for Directors and Key Managerial Personnel**

The Nomination and Remuneration Committee of the Board of Directors has formulated criteria for appointment of Key Managerial Personnel and Senior Management personnel and all other employees. Based on the criteria set, it recommends to the Board the appointment of Key Managerial Personnel and Senior Management personnel. The Committee considers the qualifications, positive attributes as per the suitability of the role and independent status as may be required of the nominee before such appointment.

The Board has adopted a Remuneration Policy for Managerial Personnel and Senior Management personnel and all other employees. The policy is in line with the Compensation Policy of Kotak Mahindra Bank Ltd., the holding company, which is based on the Guidelines issued by the 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 Key Managerial Personnel

- o Senior Management i.e. (personnel of the Company who are members of its core management team, excluding the Board of Directors, comprising all members of management one level below the executive directors, including the functional heads)
- o All other employees

- Compensation structure is broadly divided into Fixed, Variable and ESOPs
  - o Fixed Pay – Total cost to the Company i.e. Salary, Retrials 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 Stock Appreciation Rights (SARs) : These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time.
  - o ESOPs– Employee Stock Options (ESOP) of Kotak Mahindra Bank Ltd. granted on a discretionary basis to employees 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.
- Claw back clauses applicable on Deferred Variable Pay.
- The criteria for payment of commission to Independent Directors have been included in the Remuneration Policy.

Approval of the shareholders for payment of profit based commission to Independent Directors and Non-Executive Director (i.e. directors who are not in employment of Kotak Bank or its subsidiaries) of the Company for FY-20 is being sought at the ensuing Annual General Meeting of the Company.

Remuneration to KMPs is as per the terms of their employment.

## 8. NUMBER OF BOARD MEETINGS

Board Meetings

During the year ended 31st March 2020, 8 meetings of the Board of Directors were held.

**Declaration from Independent Directors**

The Board has received declarations from all the 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.

Independent Directors have registered themselves on Independent Director's Databank and have complied with sub rule 1 and sub rule 2 of rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 as amended form time to time.

## 9. COMMITTEES

### (A) AUDIT COMMITTEE

In terms of the requirement of Section 177 of Companies Act, 2013, the Audit Committee presently consists of Mr. Nalin M. Shah – Chairman, Mr. C. Jayaram and Ms. Anjali Bansal with any two members forming the quorum.

During the year ended March 31, 2020, 10 meetings of the Committee were held. There was no case where recommendation of the Audit Committee was not accepted by the Board of Directors.

### (B) NOMINATION AND REMUNERATION COMMITTEE

In terms of the requirement of Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee presently consists of. Mr. Sanjiv Malhotra, Ms. Anjali Bansal, Mr. C. Jayaram and Mr. Gaurang Shah, with any two members forming the quorum.

During the year ended March 31, 2020, 4 meetings of the Committee were held.

**(C) CSR COMMITTEE**

In terms of the requirement of Section 135 of the Companies Act, 2013, the CSR Committee presently consists of, Mr. Sanjiv Malhotra, Mr. Krishnakumar Natarajan, Mr. C. Jayaram and Mr. Gaurang Shah, with any two members forming the quorum.

During the year ended March 31, 2020, 2 meetings of the Committee were held.

**(D) INFORMATION TECHNOLOGY STRATEGY COMMITTEE**

During the year, the Company has constituted Board level "Information Technology Strategy Committee in accordance with Sebi Circular SEBI/HO/IMD/DF2/CIR/P/2019/57 dated April 11, 2019, Technology Committee for Mutual Funds/ Asset Management Companies with members being Mr. Krishnakumar Natarajan (Chairman), Ms. Anjali Bansal and Mr. Nilesh Shah.

## 10. AUDITORS

**Statutory Auditors**

In terms of Section 139 of the Companies Act, 2013, M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, were appointed as the Statutory Auditors of your Company for a period of five years from the conclusion of the Annual General Meeting of FY 14-15 until the conclusion of the Annual General Meeting of FY 19-20 of the Company, subject to ratification by the members every year. The term of M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, will expire in the ensuing Annual General Meeting of the Company

The Statutory Auditors' report does not contain any qualifications, reservations or adverse remarks.

Further, no frauds have been reported by the Auditors under Section 143(12) of the Companies Act, 2013.

The Board at its meeting held on June 11, 2020 approved and recommended to the shareholders, the appointment of Price Waterhouse Chartered Accountants LLP, (Firm Registration No. 012754N/N500016) as statutory auditors of the Company for a period of five years with effect from ensuing Annual General Meeting of the Company. The Auditors have confirmed that, their appointment would be in accordance with section 139 of the Act, and the rules made thereunder and that they are not disqualified in terms of section 141 of the Act.

**Secretarial Auditors**

Pursuant to Section 204 of the Companies Act, 2013, The Company has appointed M/s. Parikh & Associates, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the year ended March 31, 2020 is annexed to this Report.

The Secretarial Auditor's report does not contain any qualifications, reservations or adverse remark.

## 11. INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that there are internal financial controls with reference to Financial Statements in place and that such controls are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

## 12. 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) of the Companies Act, 2013, 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 Standard 18 are reported in Notes to the Financial Statements.

## 13. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

## 14. WHISTLE BLOWER POLICY

The Company has also put in place a 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 law. During the year, no employee was denied access to the Audit Committee.

## 15. CORPORATE SOCIAL RESPONSIBILITY

Kotak Mahindra Asset Management Company Limited (KMAMC) further referred to as your Company, has constituted a Board Corporate Social Responsibility Committee (CSR Committee) and consists of the following Directors:

1. Mr. Sanjiv Malhotra
2. Mr. Krishnakumar Natarajan
3. Mr. Chengalath Jayaram
4. Mr. Gaurang Shah

Your Company's CSR Committee is responsible to monitor, review and approve CSR initiatives and expenditure. It also makes recommendations to the Board on CSR Policy and related matters. It is the CSR Committees role to oversee the implementation of all the CSR activities of the Company.

The CSR approach of your Company is charted out in its Board approved CSR policy. This policy sets out your Company's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India. It also demonstrates your Company's contribution towards the economic, environmental and social growth of the nation and is also committed to contribute towards United Nation's (UN) Sustainable Development Goals (SDGs).

The Company's CSR policy is available on the Company's website viz. URL: assetmanagement.kotak.com

The CSR policy, projects, programmes and the CSR expenditure are all compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India's notifications issued from time-to-time.

The average net profit U/S 198 of the Company for the last three financial years preceding 31st March, 2020 is ₹ 174.69 Crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2019-20 is ₹ 3.49 Crore.

The CSR expenditure incurred for the period 1st April 2019 to 31st March 2020 under Section 135 of Companies Act, 2013 amounts to ₹ 1.75 Crore as against ₹ 0.71 Crore CSR spend for the same period in FY 2018-19. The unutilised CSR Expenditure, for FY 2019-20, from the prescribed CSR expenditure requirement amount U/S 135 ₹ 1.74 Crore, and the deficit of the unutilised CSR Expenditure from the prescribed CSR expenditure amount U/S 135 of the Companies Act, 2013 for FY 2019-20, is ₹ 1.74 Crore.

CSR expenditure of ₹ 1.75 Crore in FY 2019-20 as a percentage of average net profit U/S 198 of the Company for the last three financial years preceding 31st March, 2020 at ₹ 174.69 Crore is 1.00%.

It's the constant endeavour of the Company to enhance its CSR capabilities by adopting a purpose driven CSR approach, focusing on sustainable and scalable programmes, spreading in focused geographies and aligning to SDGs and the national narrative.

The implementation of the CSR projects and programmes is done directly and /or through selected partner who may be either governmental agencies, NGOs and/or other institution, having a proven track record to implement cost and process efficient CSR projects and/or programmes that are scalable, sustainable, and have measurable social outcomes and impact. Also, the implementation is done through employee volunteering. The Company's CSR footprint has been consistently increasing over the years. The Company is committed to stepping-up its CSR programmes and expenditure in the years ahead. Foremost reason for underutilisation of the Company's CSR expenditure is the NGOs' inability to utilise large CSR expenditure allocated under the Company's CSR Programmes.

Your Company does not consider "administrative overheads" as a part of its CSR expenditure.

The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The details of CSR programes and Expenditure U/S 135 of the Companies Act, 2013, for FY 2019-20, are annexed to this report.

**Risk Management**

SEBI circular MFID/CIR/15/19133/2002 dated September 30, 2002 governs Mutual Funds on Risk Management. The said circular details guidelines in the areas of Fund Management, Operations, Customer Service, Marketing and Distribution and other business risks. These practices are being audited by the Internal Auditors and the audit report on risk management is presented to the Boards of the Company and Kotak Mahindra Trustee Company Limited, every six months. Over and above this, SEBI has mandated a system audit for mutual funds to be conducted once every two years, by an independent auditor. The same has been implemented by the Company.

Risk Management function is operational at two levels. The first level is an integral part of the concerned functions like Fund Management, Information Technology, Operations and Treasury; while the internal operational and regulatory functions like the investment positions are managed at the floor level.

The risks in Fund Management are managed by the Investment Committee which is appointed by the Board and is responsible for monitoring the credit and interest rate risks, whereas, the Risk Management Committee oversees the operational risk function.

The Company has robust risk management policy and practices in all the above related areas of functioning to check the adequacy of the risk management systems.

The Company has in place, Cyber Security and Cyber Resilience framework in accordance with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2019/12 dated 10th January 2019.

**Liquidity Management**

The 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. 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 / Overnight and money market Schemes of the 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. The Company also has Manual of Policies and Procedures for expenditure management (including capital and revenue). All expenses during the year were in accordance with the policy. Additionally, the Company has invested in the growth option of all its open ended schemes in accordance with the guidelines as specified under SEBI (Mutual Fund) Regulations, 1996.

## 16. EMPLOYEES

The employee strength of your Company was 470 as of March 31, 2020.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has formulated a Policy on Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal). No such instance was reported during the year.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

In accordance with the provisions of Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees are set out in the Annexure to the Board's Report. In terms of the proviso to Section 136(1) of the Companies Act, 2013, the Board's Report is being sent excluding the aforesaid annexure. The Annexure is available for inspection at the Registered Office of the Company during the business hours on working days.

## 17. DEPOSITS

The 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, 2019.

## 18. CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since, the Company does not undertake any manufacturing facility, the provisions pertaining to Section 134(3) (m) of the Companies Act, 2013 regarding conservation of energy and technological absorption are not applicable to the Company.

During the year ended March 31, 2019 the Company's foreign exchange income was Rs.5.76cr (Previous year Rs.4.58cr), while the outgo was Rs.0.36cr (Previous year Rs.0.66cr).

## 19. 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 the 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.

## 20. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS/COURTS/TRIBUNAL

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

## 21. 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. The Company has, in the preparation of the annual financial statements for the financial year ended March 31, 2020, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

ii. The Directors had 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 March 31, 2020 and of the Profit of the Company for the year ended March 31, 2020;

iii. The Directors had 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;

iv. The Directors had prepared the annual financial statements on a going concern basis; and

v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## 22. SECRETARIAL STANDARDS

The Company complies with the applicable Secretarial Standards issued by the 'Institute of Company Secretaries of India'.

## 23. CHANGE IN THE NATURE OF BUSINESS

The Company has not undergone any changes in the nature of the business during the Financial Year.

**ANNEXURES**

Following statements/documents/reports are set out as Annexures 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).

(b) Report on CSR activities pursuant to the provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – B).

(c) Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013(Annexure C).

**ACKNOWLEDGEMENT**

The Board would like to place on record its gratitude for the valuable guidance received from the Government of India, the Securities and Exchange Board of India, the Reserve Bank of India, the Association of Mutual Funds of India and other Government and Regulatory agencies, investors in the mutual fund schemes and to the shareholders for their continued support extended to the Company. The Board expresses its sincere appreciation to all the employees for the commendable teamwork, outstanding performance, enthusiastic contribution and dedication of the Company's employees at all levels.

The Directors also express their gratitude for the unstinted support and guidance received from Kotak Bank and other group companies.

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

**UDAY KOTAK**
(DIN 00007467)
CHAIRMAN

Mumbai
Dated: June 11, 2020

**FORM NO. MGT-9**

**EXTRACT OF ANNUAL RETURN**
**as on the financial year ended on March 31, 2020**
[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 | U65991MH1994PLC080009 |
| 2. | Registration Date | August 2, 1994 |
| 3. | Name of the Company | Kotak Mahindra Asset Management Company 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,<br>G Block, Bandra Kurla Complex,<br>Bandra East, Mumbai – 400051,<br>Maharashtra, INDIA<br>Tel No. : (022) 61152100<br>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:-

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/ service | % to total turnover of the company |
|---|---|---|---|
| 1 | Management of Mutual Funds | 66301 | 81.96% |

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. No. | Name and Address of the Company | CIN/GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | Kotak Mahindra Bank Limited<br>**Address:** 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | L65110MH1985PLC038137 | Holding Company | 100% | 2(46) |
| 2 | Kotak Mahindra Pension Fund Limited<br>**Address:** 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | U67200MH2009PLC191144 | Subsidiary Company | 95.71 | 2(87) |

## IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of total equity)

### i) Category-wise Share Holding

**Kotak Mahindra Asset Management Company is 100 % subsidiary of Kotak Mahindra Bank Ltd.**

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A. Promoters** | | | | | | | | | |
| **1) Indian** | | | | | | | | | |
| a) Individual / HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt | - | - | - | - | - | - | - | - | - |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp | - | - | - | - | | - | - | - | - |
| e) Banks/FI | - | 2,98,00,000 | 2,98,00,000 | 100 | - | 2,98,00,000 | 2,98,00,000 | 100 | - |
| f) Any Other | - | - | - | - | - | - | - | - | - |
| **Sub total (A) (1)** | **-** | **2,98,00,000** | **2,98,00,000** | **100** | **-** | **2,98,00,000** | **2,98,00,000** | **100** | **-** |
| **2) Foreign** | | | | | | | | | |
| a) NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| b) Other – Individuals | - | - | - | - | - | - | - | - | - |
| c) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| d) Banks / FI | - | - | - | - | - | - | - | - | - |
| e) Any Other…. | - | - | - | - | - | - | - | - | - |
| **Sub total (A) (2)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total shareholding of Promoter (A) = (A)(1)+(A)(2)** | **-** | **2,98,00,000** | **2,98,00,000** | **100** | **-** | **2,98,00,000** | **2,98,00,000** | **100** | **-** |
| **B. Public Shareholding** | | | | | | | | | |
| **1. Institutions** | | | | | | | | | |
| a) Mutual Funds | - | - | - | - | - | - | - | - | - |
| b) Banks / FI | - | - | - | - | - | - | - | - | - |
| c) Central Govt | - | - | - | - | - | - | - | - | - |
| d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIIs | - | - | - | - | - | - | - | - | - |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) others | - | - | - | - | - | - | - | - | - |
| **Sub-total (B)(1):-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **2. Non-Institutions** | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | - | - | - | - | - | - | - | - | - |
| ii) Overseas | - | - | - | - | - | - | - | - | - |

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| 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)** | - | 2,98,00,000 | 2,98,00,000 | 100 | - | 2,98,00,000 | 2,98,00,000 | 100 | - |

### ii) Shareholding of Promoters

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding 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 | 2,98,00,000 | 100 | - | 2,98,00,000 | 100 | - | - |

### iii) Change in Promoters' Shareholding

| Sl. 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 |
| | 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 / | - | - | - | - |

iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

| Sr. No. | Name of the Shareholder | For Each of the Top 10 Shareholders | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| - | - | - | - | - | - | - |

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

| Sr. No. | For Each of the Top 10 Shareholders | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1. | Mr. Gaurang Shah **(as nominee of Kotak Mahindra Bank Ltd)** | | | | |
| | At the beginning of the year | 19 | 0.0001% | 19 | 0.0001% |
| | Date wise Increase/ Decrease in Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - |
| | At the End of the year | 19 | 0.0001% | 19 | 0.0001% |

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 crs)

| Sl. no. | Particulars of Remuneration | Name of MD/ WTD | Total Amount |
|---|---|---|---|
| | | Mr. Nilesh Shah | |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 4.413 | 4.413 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 0.005 | 0.005 |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | - | - |
| 2 | Stock Option | 2.887 | 2.887 |
| 3 | Sweat Equity | - | - |
| 4 | Commission | - | - |
| | - as % of profit | - | - |
| | - others, specify... | - | - |
| 5 | Others, please specify | - | - |
| | Total (A) | 7.310 | 7.310 |
| | Ceiling as per the Act# | | |

# Remuneration payable to Managing Director shall not exceed 11% of the net profit of the Company

### B. Remuneration to other directors:

| Sl. No. | Particulars of Remuneration | Mr. Sukant Kelkar | Mr. Nalin Shah | Mr. Sanjiv Malhotra | Ms. Anjali Bansal | Mr. Krishnakumar Natrajan | Total Amount |
|---|---|---|---|---|---|---|---|
| | 4. Independent Directors | | | | | | |
| | • Fee for attending board / committee meetings | 0.052 | 0.062 | 0.040 | 0.035 | 0.014 | 0.203 |
| | • Commission* | | | | | | |
| | • Others, please specify | 0.038 | 0.050 | 0.050 | 0.050 | 0.025 | 0.213 |
| | **Total (1)** | **0.090** | **0.112** | **0.090** | **0.085** | **0.039** | **0.416** |
| | 4. Other Non-Executive Directors | Mr. Chengalath Jayaram | - | - | - | - | |
| | • Fee for attending board committee meetings | 0.063 | - | - | - | | 0.063 |
| | • Commission | | | | | | |
| | • Others, please specify- | 0.050 | | | | | 0.05 |
| | **Total (2)** | **0.113** | **-** | **-** | **-** | | **0.113** |
| | **Total (B) = (1 + 2)** | **-** | **-** | **-** | **-** | **-** | **0.529** |
| | Total Managerial Remuneration | - | - | - | - | - | - |
| | Overall Ceiling as per the Act# | | | | | | |

** Payment of Commission is subject to approval of members at the AGM of 2019 – 2020.*

*#Remuneration payable shall not exceed 1% of the net profit of the Company.*

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

(₹ in crs)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | |
|---|---|---|---|---|
| | | Company Secretary | CFO | Total |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 0.459 | 2.081 | 2.54 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | | |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | |
| 2 | Stock Option | 0.003 | 2.082 | 2.085 |
| 3 | Sweat Equity | - | - | |
| 4 | Commission | - | - | |
| | - as % of profit | | | |
| | - others, specify... | | | |
| 5 | Others, please specify | - | | |
| | **Total** | **0.462** | **4.163** | **4.625** |

## 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** | **-** | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| **B. DIRECTORS** | | | | | |
| Penalty | - | - | - | - | |
| Punishment | - | - | - | - | |
| Compounding | - | - | - | - | |
| **C. OTHER OFFICERS IN DEFAULT** | | | | | |
| Penalty | - | - | - | - | |
| Punishment | - | - | - | - | |
| Compounding | - | - | - | - | |

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

**UDAY KOTAK**
CHAIRMAN
(DIN NO.00007476)

## FORM NO. MR-3

## SECRETARIAL AUDIT REPORT
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020**

(Pursuant to section 204 (1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
**KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Company for the financial year ended on 31st March, 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (Not applicable to the Company during the audit period)

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not applicable to the Company during the audit period)

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not applicable to the Company during the audit period)

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time; (Not applicable to the Company during the audit period);

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the audit period)

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the audit period)

   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and

   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 and amendments from time to time; (Not applicable to the Company during the audit period)

(iv) Other Regulations applicable specifically to the Company namely:-

   a) The Securities and Exchange Board of India (Mutual funds) Regulations, 1996 as amended;

   b) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board and general meetings.

   During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. mentioned above.

The Company have received a show cause notice dated May 10, 2019 and additional show cause notice dated June 12, 2019 which was replied to on August 29, 2019, w.r.t to delayed payment of part proceeds in certain FMP's, on account of delay in realization from underlying investments in Essel Group of Companies by these FMPs. The Company has appropriately responded to these notices in consultation with the lawyers. No order have been received there against till date.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

**Decisions at the Board Meetings were taken unanimously.**

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, standards, guidelines etc.

**For Parikh & Associates**
Company Secretaries

Signature

**Jigyasa N. Ved**
Partner
FCS No: 6488 CP No: 6018
Udin: F006488B000333738

Place: Mumbai
Date: June 11, 2020

*This Report is to be read with our letter of even date which is annexed as Annexure A and Forms an integral part of this report.*

**'Annexure A'**

To,
The Members
**KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management Representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Parikh & Associates**
Company Secretaries

Signature
**Jigyasa N. Ved**
Partner
FCS No: 6488 CP No: 6018
Udin: F006488B000333738

Place: Mumbai
Date: June 11, 2020

**Details of CSR activities and expenditure U/S 135 of The Companies Act, 2013**

| Sl. No | CSR project/ activity identified | Sector in which the project is covered | Area of project implementation (Name of the District / s, State / s where project / programme was undertaken | Programme / project wise budgeted amount (₹ Lakh) | Programme / project wise actual spend during the year – Direct expenditures (₹ Lakh) | Programme / project wise actual spend during the year – Overheads (₹ Lakh) | Cumulative Expenditure upto reporting period (since FY 2014-15) (₹ Lakh) | Amount spent Dierct or through implementing agency (₹ Lakh) |
|---|---|---|---|---|---|---|---|---|
| 1 | Education & Livelihood | Promoting education and employment enhancing vocation skills | Mumbai, Amednagar - Maharashtra,<br>Bhopal - Madhya Pradesh, Raipur – Chhatisgarh | 322.0 | 108.8* | 19.2* | 256.0 | Implementing Agency – 148.0 |
| 2 | Healthcare | Promoting health care including preventive health care | Lucknow, Lakhimpur, Sitapur, Kanpur, Kannauj, Etawah, Allahabad, Fatehpur, Agra, Mathura,Aligarh, Varanasi, Gorakhpur, Deoria, Azamgarh, Mau, Noida,Ghaziabad, Meerut, Basti, Jhansi, Mirzapur, Sonbhadra, Barielly, Ayodhya, Moradabad, Bahraich,Gonda, Banda,Saharanpur - Uttar Pradesh | 27.0 | 18.6** | 0.0** | 27.0 | Implementing Agency – 27.0 |

*Out of ₹ 148.0 Lakh CSR Expenditure payment made to partner NGOs by the Company under its CSR Programme on Education & Livelihood in FY 2019-20, ₹ 20 Lakh was unspent by the NGOs, as of 31st March, 2020. The NGOs have assured that they will utilise these unspent CSR funds towards the Company's Programmes in FY2020-21.

**Out of ₹ 27.0 Lakh CSR Expenditure payment made to partner NGO by the Company under its CSR Programme on Healthcare in FY 2019-20, ₹ 8.4 Lakh was unspent by the NGO, as of 31st Mar 2020. The NGO has assured that it will utilise these unspent CSR funds towards the Company's Programmes in FY2020-21.

**Education & Livelihood**

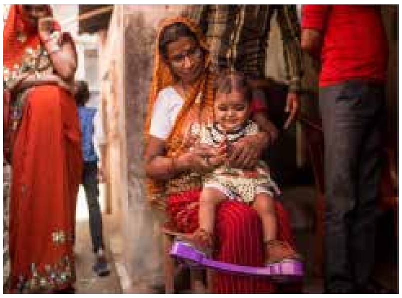
Your Company collaborated with partner NGOs Kotak Education Foundation (KEF) to work in the sector of Education & Livelihood. KEF empowers young people from underprivileged families through various education-based initiatives and also, equips them with employable skills.

KEF works extensively across Mumbai to strengthen the Education system by providing training support to the leaders and teachers of the schools through its LEAD and GURU Programmes, the spoken English programme UMANG works with the children from class 6th onwards. KEF also works on the health aspects of the students by providing nutritious meals through Mid-Day Meal Programme, Kishori Sehat Abhiyan, and Eye-care. PARVARISH Programme works with the parents thereby building their capacities. UNNATI, is the skill training programme which trains youth to become either job ready or self-reliant.

Your Company also partnered with and Pratham Education Foundation (Pratham) to run a dedicated Entrepreneurship Skill Development Programme. Under the programme Entrepreneurship incubation centers were set up in Raipur, Ahmednagar and Bhopal. These centers provide basic entrepreneurship skills training and mentorship support along with linkages for setting up micro-enterprise to youth and adults. The objective of the Programme is to reach the deserving candidate from rural, semi-urban & urban areas and provide them with skill sets that would make them business ready. In FY2019-20, under the Programme 402 youth were trained through these centres of which 49% of were women.

**Healthcare**

Your Company has partnered with NGO MiracleFeet Foundation for Eliminating Clubfoot to transform the lives of children born with clubfoot in the state of Uttar Pradesh, India. The Programme imparted training to Healthcare professionals in creating awareness and treatment of Clubfoot. In FY2019-20, under the Programme, 3,145 patients were provided medical services and 374 new patients were registered for the treatment across 31 districts of Uttar Pradesh.



| | | |
|---|---|---|
| **SANJIV MALHOTRA** | **NILESH SHAH** | **UDAY KOTAK** |
| (DIN: 03435955) | (DIN 01711720) | (DIN 00007467) |
| **CHAIRMAN OF CSR COMMITTEE** | **MANAGING DIRECTOR** | **CHAIRMAN** |

## FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures**

**Part A Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

| | | |
|---|---|---|
| 1. | Sl. No. - | **1** |
| 2. | Name of the subsidiary - | **KOTAK MAHINDRA PENSION FUND LIMITED** |
| 3. | The date since when subsidiary was acquired | **March 23, 2009** |
| 4. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period. – | **Reporting period same as holding company** |
| 5. | Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries. - | **INR** |
| 6. | Share capital – | **₹ 2,800 Lacs** |
| 7. | Reserves and surplus – | **102.34 Lacs** |
| 8. | Total assets – | **₹ 3,012.45 Lacs** |
| 9. | Total Liabilities – | **₹ 110.11 Lacs (external liability)** |
| 10. | Investments - | **₹ 2,982.29 Lacs** |
| 11. | Turnover – | **₹ 213.25 Lacs** |
| 12. | Profit before taxation – | **₹ (116.19) Lacs** |
| 13. | Provision for taxation - | **48.78 Lacs** |
| 14. | Profit after taxation - | **₹ (164.97) Lacs** |
| 15. | Proposed Dividend - | **Nil** |
| 16. | Extent of shareholding (in percentage) – | **95.71%** |

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

| | |
|---|---|
| **Nilesh Shah**<br>Managing Director | **Gaurang Shah**<br>Director |
| **Krishnan Ramchandran**<br>Chief Financial Officer | **Jolly Bhatt**<br>Company Secretary |

## PART B ASSOCIATES AND JOINT VENTURES

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

| Name of Associates or Joint Ventures | Name 1 | Name 2 | Name 3 |
|---|---|---|---|
| **1. Latest audited Balance Sheet Date** | | | |
| **2. Date on which the Associate or Joint Venture was associated or acquired** | | | |
| **3. Shares of Associate or Joint Ventures held by the company on the year end** | | | |
| No. | | | |
| Amount of Investment in Associates or Joint Venture | | | |
| Extent of Holding (in percentage) | | | |
| **4. Description of how there is significant influence** | | | |
| **5. Reason why the associate/joint venture is not consolidated** | | | |
| **6. Networth attributable to shareholding as per latest audited Balance Sheet** | | | |
| **7. Profit or Loss for the year** | | | |
| i. Considered in Consolidation | | | |
| ii. Not Considered in Consolidation | | | |

1. Names of associates or joint ventures which are yet to commence operations.

2. Names of associates or joint ventures which have been liquidated or sold during the year.

**Note:** This Form is to be certified in the same manner in which the Balance Sheet is to be certified".

# Independent Auditor's Report

To the Members of
**Kotak Mahindra Asset Management Company Limited**

## REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

### OPINION

We have audited the accompanying standalone Ind AS financial statements of **Kotak Mahindra Asset Management Company Limited** ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including, 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 standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### BASIS FOR OPINION

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS 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 Act 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 audit opinion on the standalone Ind AS financial statements.

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

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 the 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, the Board of Directors 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## 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 1" 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 report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact pending litigations on its financial position in its financial statements - Refer Note 27 to the financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Rutushtra Patell**
Partner
Membership Number: 123596

UDIN: 20123596AAAAIT6534
Place of Signature: Mumbai
Date: June 11, 2020

**ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" ON OUR REPORT OF EVEN DATE**

**RE : KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or debenture holders government.

(ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Rutushtra Patell**
Partner
Membership Number: 123596

UDIN: 20123596AAAAIT6534
Place of Signature: Mumbai
Date: June 11, 2020

## ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMTED

## 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 Asset Management Company Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

## MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Board of Director's are 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 issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO THESE IND AS FINANCIAL STATEMENTS

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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 WITH REFERENCE TO THESE STANDALONE IND AS FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## OPINION

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Rutushtra Patell**
Partner
Membership Number: 123596

UDIN: 20123596AAAAIT6534
Place of Signature: Mumbai
Date: June 11, 2020

# Balance Sheet

As at 31st March, 2020

(Amount in Lakhs)

| Particulars | Note No. | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 2 | 709.82 | 151.69 |
| **Receivables** | | | |
| (I) Trade receivables | 3 | 4,064.93 | 3,839.08 |
| (II) Other receivables | 3 | 45.18 | 17.13 |
| Loans | 4 | 150.93 | 47.44 |
| Investments | 5 | 76,566.31 | 45,344.24 |
| Other Financial assets | 6 | 78.80 | 75.87 |
| **Sub total** | | **81,615.97** | **49,475.45** |
| **Non-financial assets** | | | |
| Current Tax assets (Net) | | 920.80 | 1,475.81 |
| Deferred Tax assets (Net) | | - | 335.30 |
| Property, Plant and Equipment | 7 | 978.88 | 918.12 |
| Intangible assets | 8 | 354.76 | 617.03 |
| Right of use asset | 37 | 1,934.09 | - |
| Intangible assets under development | 9 | 184.83 | 136.31 |
| Other Non-financial assets | 10 | 1,373.24 | 2,165.14 |
| **Sub total** | | **5,746.60** | **5,647.71** |
| **Total Assets** | | **87,362.57** | **55,123.16** |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Financial liabilities** | | | |
| Payables | | | |
| **(I) Trade payables** | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 11 | 2,451.41 | 2,378.39 |
| **(II) Other payables** | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 11 | 2,179.20 | 171.86 |
| Lease liabilities | 37 | 2,117.26 | - |
| Other Financial liabilities | 12 | 850.00 | 1,300.00 |
| **Sub total** | | **7,597.87** | **3,850.25** |
| Non-Financial liabilities | | | |
| Current tax liabilities (Net) | | 297.21 | 48.94 |
| Provisions | 13 | 1,286.32 | 1,832.70 |
| Deferred tax liabilities (Net) | | 603.04 | - |
| Other non-financial liabilities | 14 | 2,353.36 | 2,661.70 |
| **Sub total** | | **4,539.93** | **4,543.34** |
| **EQUITY** | | | |
| Equity Share Capital | 15 | 2,980.00 | 2,980.00 |
| Other equity | 16 | 72,244.77 | 43,749.57 |
| **Sub total** | | **75,224.77** | **46,729.57** |
| **Total Liabilities and Equity** | | **87,362.57** | **55,123.16** |
| Significant Accounting Policies & Notes on Accounts | 1 | | |

As per our report of even date

For **S. R. Batliboi & Co. LLP**
Firm Registration. No. 301003E/E300005
Chartered Accountants

per **Rutushtra Patell**
Partner
Membership No.:123596

Mumbai
Dated: June 11, 2020

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

**Nilesh Shah**
Managing Director

**Gaurang Shah**
Director

**Krishnan Ramchandran**
Chief Financial Officer

**Jolly Bhatt**
Company Secretary

# Statement of Profit And Loss

For the year ended 31st March, 2020

(Amount in Lakhs)

| Sr no. | Particulars | Note No. | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|---|---|
| | **REVENUE FROM OPERATIONS** | | | |
| (i) | Interest income | 17 | 6.57 | 2.17 |
| (ii) | Fees and commission income | 18 | 59,603.85 | 65,107.65 |
| (iii) | Net gain on fair value changes | 19 | 3,392.00 | 2,288.94 |
| **(I)** | **Total revenue from operations** | | **63,002.42** | **67,398.76** |
| **(II)** | **Other income** | 20 | **352.35** | **20.65** |
| **(III)** | **Total income ( I + II )** | | **63,354.77** | **67,419.42** |
| | **EXPENSES** | | | |
| (i) | Finance costs | 21 | 160.46 | 114.18 |
| (ii) | Impairment on financial instruments | 22 | 13.92 | 1.07 |
| (iii) | Employee Benefits expenses | 23 | 9,297.17 | 8,633.04 |
| (iv) | Depreciation, amortization and impairment | 24 | 1,257.56 | 974.79 |
| (v) | Other expenses | 25 | 10,609.31 | 22,553.52 |
| **(IV)** | **Total expenses** | | **21,338.42** | **32,276.60** |
| **(V)** | **Profit before exceptional items and tax (III-IV)** | | 42,016.35 | 35,142.82 |
| **(VI)** | **Exceptional items** | | - | - |
| **(VII)** | **Profit before tax (V -VI )** | | 42,016.35 | 35,142.82 |
| **(VIII)** | **Tax expense** | | | |
| | (1) Current tax | | 9,960.50 | 12,131.61 |
| | (2) Deferred tax charge/(credit) | | 881.40 | 111.24 |
| | **Total tax expense (1+2)** | | **10,841.90** | **12,242.85** |
| (IX) | Profit for the year (VII-VIII) | | 31,174.45 | 22,899.97 |
| **(X)** | **Other comprehensive income** | | | |
| | (i) Items that will not be reclassified to profit or loss | | | |
| | - Remeasurements of the defined benefit plans | | 9.64 | (52.79) |
| | - Income tax relating to items that will not be reclassified to profit or loss | | (7.59) | 18.45 |
| | **Sub-total** | | **2.05** | **(34.35)** |
| | (ii) Income tax relating to items that will not be reclassified to profit or loss | | - | - |
| | **Total (A)** | | **2.05** | **(34.35)** |
| | **Other comprehensive income (A + B)** | | **2.05** | **(34.35)** |
| **(XI)** | **Total Comprehensive Income for the year (IX+X)** | | **31,176.50** | **22,865.62** |
| **(XII)** | **Earnings per equity share Basic and Diluted** | **26** | **104.61** | **76.85** |
| | Significant Accounting Policies & Notes on Accounts | 1 | | |

As per our report of even date

For **S. R. Batliboi & Co. LLP**
Firm Registration. No. 301003E/E300005
Chartered Accountants

per **Rutushtra Patell**
Partner
Membership No.:123596

Mumbai
Dated: June 11, 2020

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

**Nilesh Shah**
Managing Director

**Gaurang Shah**
Director

**Krishnan Ramchandran**
Chief Financial Officer

**Jolly Bhatt**
Company Secretary

# Cash Flow Statement

As at 31st March, 2020

(Amount in Lakhs)

| | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net Profit before taxation and extraordinary items | 42,016.35 | 35,142.82 |
| **Add / (Less) Adjustments for:** | | |
| Depreciation, amortization and impairment | 1,257.55 | 974.79 |
| Profit on sale of Tangible Asset | (17.26) | (20.65) |
| Fair Valuation of Defined Obligation | 9.64 | (52.79) |
| Interest liability on Lease | 151.40 | - |
| Interest income on security deposits | (0.03) | 3.77 |
| Interest on Income tax refund / paid | (215.53) | 98.49 |
| Fair valuation of ESOP / SARS | 341.17 | 439.22 |
| (Profit) / Loss on Sale of Investments | (352.44) | (368.54) |
| Net gain/(loss) on fair value changes : - Investments | (3,039.56) | (1,920.40) |
| Impairment on financial instruments | 13.92 | 1.07 |
| Fair valuation of Rent | (10.51) | (0.53) |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | **40,154.71** | **34,297.25** |
| **Movements in working capital :** | | |
| Increase/ (decrease) in trade payables | 73.01 | (3,811.62) |
| Increase/ (decrease) in other payables | 2,007.34 | - |
| Increase / (decrease) in provisions | (548.89) | 514.84 |
| Increase / (decrease) in other financial liabilities | (450.00) | - |
| Increase / (decrease) in other non-financial liabilities | (308.35) | (359.51) |
| Decrease / (increase) in trade receivables | (231.56) | 1,854.40 |
| Decrease / (increase) in other receivables | (28.06) | 3.48 |
| Decrease / (increase) in loans and advances | (111.02) | (27.92) |
| Decrease / (increase) in other non financial assets | 745.54 | 1,345.69 |
| Decrease / (increase) in other financial assets | 7.34 | (4.43) |
| | 1,155.36 | (485.07) |
| **CASH GENERATED FROM OPERATIONS** | **41,310.07** | **33,812.18** |
| **Financial Expenses** | | |
| **Payment of Taxes (Net of refund)** | **(8,892.32)** | **(12,079.40)** |
| **NET CASH FLOW FROM OPERATING ACTIVITIES (A)** | **32,417.75** | **21,732.78** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Property plant and equipments | (798.14) | (751.76) |
| Sale of Property plant and equipments | 40.53 | 22.60 |
| Purchase of Intangible assets under development | (48.52) | (136.32) |
| Sale of Investment | 32,444.92 | 41,825.00 |
| Purchase of Investments | (60,275.00) | (63,160.00) |
| **NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)** | **(28,636.21)** | **(22,200.48)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Dividend paid | (2,384.00) | - |
| Tax on equity dividend paid | (490.04) | - |
| Lease Liabilities: | | |
| Interest | (151.40) | - |
| Principal | (197.57) | |
| **NET CASH FLOW FROM FINANCING ACTIVITIES (C)** | **(3,223.01)** | **-** |
| **NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A + B + C)** | 558.53 | (467.70) |
| **CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **151.74** | **619.44** |
| **CASH & CASH EQUIVALENTS AT THE END OF THE YEAR** | **710.27** | **151.74** |
| **CASH & CASH EQUIVALENTS BEFORE IMPAIRMENT PROVISION** | **710.27** | **151.74** |
| IMPAIRMENT LOSS ALLOWANCES | (0.45) | (0.05) |
| **CASH & CASH EQUIVALENTS AS PER BALANCE SHEET** | **709.82** | **151.69** |

As per our report of even date

For **S. R. Batliboi & Co. LLP**
Firm Registration. No. 301003E/E300005
Chartered Accountants

per **Rutushtra Patell**
Partner
Membership No.:123596

Mumbai
Dated: June 11, 2020

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

**Nilesh Shah**
Managing Director

**Gaurang Shah**
Director

**Krishnan Ramchandran**
Chief Financial Officer

**Jolly Bhatt**
Company Secretary

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# Statement of Changes in Equity

For the year ended 31st March, 2020

## A. EQUITY SHARE CAPITAL

(Amount in Lakhs)

| Particulars | Balance at the beginning of the period | Changes in equity share capital during the year | Balance at the end of the period |
|---|---|---|---|
| **Equity shares of ₹ 10 each fully paid up** | | | |
| **As on 1-April-2019** | 2,980.00 | - | 2,980.00 |
| **As on 31-Mar-2019** | 2,980.00 | - | 2,980.00 |
| **As on 31-Mar-2020** | 2,980.00 | - | 2,980.00 |

## B. OTHER EQUITY

(Amount in Lakhs)

| Particulars | Reserves and Surplus | | | | Total |
|---|---|---|---|---|---|
| | Capital redemption reserve | Capital Contribution by parent | General Reserve | Surplus in profit and loss account | |
| **Opening balance as on 1-April-2018** | **1,270.00** | **301.08** | **1,169.25** | **17,703.16** | **20,443.49** |
| Profit for the year | - | - | - | 22,899.97 | 22,899.97 |
| Fair value of Employee Stock option plan | - | 440.47 | - | | 440.47 |
| Remeasurments of defined benefit plans | - | - | - | (34.35) | (34.35) |
| Transfer to Capital redemption reserve | - | - | - | - | - |
| **Changes during the year** | **-** | **440.47** | **-** | **22,865.62** | **23,306.09** |
| **Closing balance as at 31-March-2019** | 1,270.00 | 741.55 | 1,169.25 | 40,568.78 | 43,749.58 |
| **Opening balance as at 31-March-2019** | 1,270.00 | 741.55 | 1,169.25 | 40,568.78 | 43,749.58 |
| | | | | | |
| Profit for the year | - | - | - | 31,174.45 | 31,174.45 |
| Fair value of Employee Stock option plan | - | 338.66 | - | | 338.66 |
| Remeasurments of defined benefit plans | - | | - | 2.05 | 2.05 |
| Dividend paid | | | | (2,384.00) | (2,384.00) |
| Tax on equity dividend paid | | | | (490.04) | (490.04) |
| Effect on adoption of IND AS - 116 Leases | | | | (145.92) | (145.92) |
| **Changes during the year** | **-** | **338.66** | **-** | **28,156.53** | **28,495.20** |
| Closing balance as at 31-March-2020 | 1,270.00 | 1,080.21 | 1,169.25 | 68,725.31 | 72,244.77 |

As per our report of even date

For **S. R. Batliboi & Co. LLP**
Firm Registration. No. 301003E/E300005
Chartered Accountants

per **Rutushtra Patell**
Partner
Membership No.:123596

Mumbai
Dated: June 11, 2020

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

**Nilesh Shah**
Managing Director

**Gaurang Shah**
Director

**Krishnan Ramchandran**
Chief Financial Officer

**Jolly Bhatt**
Company Secretary

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 1.1 CORPORATE INFORMATION

Kotak Mahindra Asset Management Company Limited ('the Company') is a company domiciled in India and incorporated on 2nd August 1994 with its registered office situated at 27 BKC C-27, G Block, Bandra-Kurla Complex, Bandra East, Mumbai. The Company is incorporated to carry on the business of providing management and administrative services to the Kotak Mahindra Mutual Fund and to deploy the funds raised by the Kotak Mahindra Mutual Fund under its various Schemes. The Company also provides portfolio management services and portfolio advisory services.

## 1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A. BASIS OF PREPARATION

**a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other relevant provisions of the Companies Act, 2013 ('the Act").

The standalone financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the standalone financial statements. These standalone financial statements were authorized for issue by the Company's Board of Director's on 11th June 2020.

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. The outbreak was identified in China and on March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently indeterminable. Various governments have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 19 days across the country to contain the spread of virus. Thereafter, a partial lockdown with relaxed rules was implemented till May 31, 2020 which has been further extended to June 30, 2020 in the state of Maharashtra.

Due to uncertainty around the course of the COVID-19 pandemic, we do not have visibility into the extent to which it will impact the Company's results and it will depend upon on future developments. The impact of the global health pandemic may be different from that estimated as at the date of approval of Company's financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

**b) Basis of measurement**

The financial statements have been prepared on a historical cost basis except for the following:

- Certain financial assets and liabilities - measured at fair value (refer accounting policy regarding financial instruments).
- Net defined benefit (asset) / liability: plan assets are measured at fair value less present value of defined benefit obligation;
- Share-based payments - measured at fair value; and
- Assets held for sale: measured at fair value less costs to sell.

### B. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. All the amounts are rounded to the nearest lakhs with two decimals, except when otherwise indicated.

### C. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with Ind AS requires use of judgements, estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and the Statement of Profit and Loss. The actual amounts realized may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

**Judgment, estimates and assumptions are required in particular for:**

**I. Revenue**

**(a) Identifying performance obligation in the contract:**

The Company provides asset management services, portfolio management services and portfolio advisory services. The Company has determined that all the above services are capable of being distinct because the Company can provide those services on stand-alone basis and customer can benefit from those services on its own.

Recognition of revenue over time or at a point in time:

The Company recognizes revenue from all the services over time because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

**II. Determination of estimated useful lives of property, plant, equipment**

Useful lives of property, plant and equipment are based on nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

**III. Recognition and Measurement of defined benefit obligations**

The obligation arising from defined benefit plan is determined on the basis of actuarial valuation. Key actuarial assumptions which form the basis of above valuation include discount rate, trends in salary escalation, demographics and life expectancy. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations. Further details are disclosed in Note 30.

**IV. Recognition of deferred tax assets**

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, depreciation carry-forwards and carry-forwards of business losses. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, depreciation carry-forwards and unused tax credits could be utilized.

**V. Recognition and measurement of provisions and contingencies**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore, vary from the amount included in other provisions.

**VI. Discounting of long-term financial assets/liabilities**

All financial assets/liabilities are required to be measured at fair value on initial recognition. In case of financial assets/liabilities which are required to be subsequently measured at amortized cost, interest is accrued using the effective interest method.

**VII. Fair value of share-based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Company initially measures the cost of cash-settled transactions with employees using a Black-Scholes valuation model. Key assumptions include expected volatility, expected dividends and discount rate, under this option pricing model. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in the Statement of Profit and Loss. This requires a reassessment of the estimates used at the end of each reporting period.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes model.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 32.

**VIII. Fair value of financial instruments**

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions

# Schedules

forming part of Balance Sheet and Profit and Loss Account

(i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. For further details about determination of fair value please refer Note 32.

**IX. Business model assessment**

Classification and measurement of financial assets depends on the results of the Solely Payments of principal and interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence, including how the performance of the assets is evaluated and its performance measured, the risks that affect the performance of the asset and how these are managed and how the managers of the asset are compensated. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

**X. Effective Interest Rate (EIR) method**

The Company's EIR methodology, recognizes interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognizes the effect of potentially different interest rates at various stages and other characteristics of the product life cycle.

This estimation, by its nature, requires an element of judgment regarding the expected behaviour and life-cycle of the instruments, as well expected changes to benchmark rate and other fee income/expense that are integral parts of the instrument.

**XI. Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost and Fair Value through Other Comprehensive Income (FVOCI) except investment in equity instruments classified as FVOCI. At each reporting date, the Company assesses whether the above financial assets are credit- impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company's ECL calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies such as macroeconomic scenarios.

**XII. Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**XIII. Determination of lease term**

Ind AS 116 – Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

**XIV. Discount rate for lease liability**

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated.

**XV. Estimation uncertainty relating to the global health pandemic on COVID-19**

**a) Revenue recognition**

The Company acts an Asset manager to Kotak Mahindra Mutual Fund and does not foresee any immediate impact due to COVID-19. However, impact assessment due to COVID-19 is a continuous process given the uncertainties associated with its nature and duration.

**b) Impairment of Non-Financial Assets**

The Company basis their assessment believes that recoverability and fair value of non-financial assets is not impacted by COVID-19 pandemic after assessing discount rate, forecasts and budgets for future cash flows. The impact of the global health pandemic may be different from that estimated as at the date of approval of these standalone financial results and the Company will continue to closely monitor any material changes to future economic conditions.

**c) Impairment on Financial Assets**

In assessing the recoverability of loans, investment in debt instruments and trade receivables including unbilled receivables, the Company has considered internal and external information upto the date of approval of these standalone financial statements including credit reports and economic forecasts. Basis the above information, the Company has assessed the staging criteria, macro-economic factors and loss given default. Accordingly, computed the impairment on the financial assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these standalone financial results and the Company will continue to closely monitor any material changes to future economic conditions.

**d) Fair value of financial instruments**

Fair value hierarchy of financial assets which carried at fair value is either at Level 1, Level 2 and Level 3.

Financial assets which are classified as Level 1 is marked to an active market which factors the uncertainties arising out of COVID-19. The financial assets carried at fair value by the Company are mainly investments in liquid debt securities and accordingly, any material volatility is not expected. Financial assets which are classified as Level 2 and Level 3, uncertainties arising out of COVID-19 is incorporated in discounts rates, credit spread and expected cashflows. Accordingly, impact has been considered while fair value the financial assets.

The impact of the global health pandemic may be different from that estimated as at the date of approval of these standalone financial results and the Company will continue to closely monitor any material changes to future economic conditions.

**D. New standards and amendments to existing Ind AS:**

New standard or amendments to the existing standards which would have been applicable from April 1, 2020 has not been notified by Ministry of Corporate Affairs (“MCA”).

## 1.3 SIGNIFICANT ACCOUNTING POLICIES

### A. PROPERTY, PLANT AND EQUIPMENT

**i. Recognition and measurement**

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises:

a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

b. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognized in the Statement of Profit and Loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted and depreciated for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the Statement of Profit and Loss.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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**iii. Depreciation**

Deprecation 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. Estimated useful lives of assets based on technical evaluation by the management are as follows:

| | |
|---|---|
| Computers | 3 years |
| Office Equipment | 5 years |
| Furniture and Fixtures | 6 years |
| Vehicles | 4 years |
| Leasehold Improvements | Over the period of lease subject to a maximum of 6 years |

Assets costing less than INR 5,000 are fully depreciated in the year of purchase.

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

**B. Intangible assets**

**i. Recognition and measurement**

Intangible assets are stated at cost of acquisition less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other non-refundable taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making 'the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

**iii. Amortization**

The intangible assets are amortized over the estimated useful lives as given below:

| | |
|---|---|
| Software (including development) expenditure | 3 years |
| Asset Management Rights | 5 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**C. Leases**

**Company as lessee**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Non-lease component are recognised separately from lease component, unless non-lease component is not significant.

**Company as lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

## D. REVENUE RECOGNITION

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115, Revenue from Contracts with Customers to determine when to recognize revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customer. Revenue from contracts with customer is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

Nature of services - Asset Management Services

The Company principally generates revenue by providing asset management services to Kotak Mahindra Mutual fund.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Investment management fees are recognized an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books.

Fees from Portfolio Advisory Services are recognized on an accrual basis in accordance with the terms of agreement.

Fees from Portfolio Management Services are recognized on an accrual basis in accordance with the terms of agreement.

Dividend income is recognized in the Statement of Profit and Loss on an accrual basis when the right to receive the dividend is established.

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Purchase and sale of investments are recorded on trade date. The profit / loss on sale of investments is recognized in the Statement of Profit and Loss on the trade date, using the weighted average cost method.

Interest income on financial assets is recognized on an accrual basis using effective interest method.

## E. INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in the Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (OCI).

**Current 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. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are offset only if the Company has a legally enforceable right to set off the recognized amounts, and it intends to realize the asset and settle the liability on a net basis or simultaneously.

**Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgment, are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

## F. EMPLOYEE BENEFITS

**Defined Contribution Plan**

Provident Fund/Employee State Insurance Scheme

The Company's contribution to government provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees. The Company has no further obligations.

**Superannuation Fund**

The Company contributes a sum equivalent to 15% of eligible employee's salary subject to a maximum of Rs.1 Lakh per annum per employee to a Superannuation Fund administered by trustees and managed by Kotak Mahindra Life Insurance Company Limited. The Company recognizes such contributions as an expense in the year they are incurred.

**New Pension Scheme**

The Company contributes up to 10% of eligible employees' salary per annum, to the New Pension Fund administered by PFRDA appointed pension fund manager. The Company recognizes such contributions as an expense in the year they are incurred.

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**Defined Benefit Plan**

**Gratuity**

Gratuity - The Company has a defined benefit plan for post-employment benefits in the form of gratuity. The Company has formed a Trust “Kotak Mahindra Asset Management Company Ltd Employees Gratuity Fund” which has taken group gratuity policies with an insurance company which is funded. 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. Remeasurement of all defined benefit plans, which comprise actuarial gains and losses and the effect of asset ceiling, if applicable are recognised immediately in other comprehensive income in the year they are incurred. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in standalone statement of profit and loss.

**Compensated Absences**

Compensated absences which accrue to employees and which are expected to be availed within twelve months immediately following the year end are reported as expenses during the year in which the employees performs the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit, and where the availment or encashment is otherwise not expected to wholly occur within the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

**Other Employee Benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentives.

As per the Company policy, employees of the Company are eligible for an award after completion of a specified number of years of service with the Company. The obligation is measured at the Balance Sheet date on the basis of an actuarial valuation using the projected unit credit method.

## G. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into functional currency at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction and are not retranslated.

## H. BORROWING COSTS

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### I. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are 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 year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

### J. Impairment of non-financial assets

The carrying values of assets (including Right of Use Assets)/cash generating units at each Balance Sheet date are reviewed for impairment if any indication of impairment exists. If any such indication exists and the carrying amount of the assets exceeds the estimated recoverable amount, an impairment is recognized for such excess amount in the Statement of Profit and Loss.

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The recoverable amount is the greater of the fair value less costs of disposal and value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When there is indication that an impairment loss recognized for an asset (other than a revalued asset) in earlier accounting periods which no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets, such reversal is not recognized.

## K. PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when the Company has a present obligation as a result of past events and 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. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but disclosed in the notes.

## L. SHARE BASED PAYMENTS

**Employees Stock Options Plans (“ESOPs”) - Equity settled**

The ultimate holding company of the Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company’s operations. Employees (including whole-time directors) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity settled transactions”).

The cost of equity-settled transactions with employees and directors for grants is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognized on a straight-line basis in the Statement of Profit or Loss, together with a corresponding increase in reserves, representing contribution received from the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the Statement of Profit or Loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

**Stock Appreciation Rights (“SARs”) - Cash Settled**

The fair value of the amount payable to employees in respect of SAR’s, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period the employees unconditionally become entitled to payment. The liability is measured at the end of each reporting date up to and including settlement date, with changes in the fair value recognized in the Statement of Profit and Loss in ‘Provision for Stock Appreciation Rights’ under the head Employee Benefit Expense.

## M. SEGMENT REPORTING

The company’s operating segments are established on the basis of those components of the company that are evaluated regularly by the Executive Committee (the ‘Chief Operating Decision Maker’ as defined in lnd AS 108- ‘Operating Segments’), in deciding how to allocate resources and in assessing performance. These have been identified taking into account the nature of products and services, the differing risks and returns and the internal business reporting systems. Basis of such evaluation, the company concluded it operates in a single reportable segment.

## N. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Recognition and Initial measurement

All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not recorded at fair value through the Statement of Profit or Loss, transaction fees or costs that are directly attributable and incremental to the origination/acquisition of the financial asset unless otherwise specifically mentioned in the accounting policies.

Classification

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held such that it best reflects the way the business is managed and is consistent with the information provided to the Management. The information considered includes:

- the objectives for the portfolio, in particular, Management's strategy of focusing on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.
- the risks that affect the performance of the business model, the financial assets held within that business model and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

Subsequent measurement

The Company classifies its financial assets in the following measurement categories:

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest (EIR) method. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR and reported as part of interest income in the Statement of Profit and Loss. The losses, if any, arising from impairment are recognized in the Statement of Profit and Loss.

Financial asset at fair value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at fair value. Interest income is recognized using the effective interest (EIR) method. The impairment losses, if any, are recognized through Statement of Profit and Loss. The loss allowance is recognized in OCI and does not reduce the carrying value of the financial asset. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of Profit and Loss.

Financial asset at fair value through profit and loss (FVTPL)

Any financial asset, which does not meet the criteria for classification as at amortized cost or as FVOCI, is classified to be measured at FVTPL.

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Financial assets included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All equity investments except for investments in subsidiary/associate/joint ventures are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL.

Equity instruments at FVOCI

The Company subsequently measures all equity investments at FVTPL, unless the Company has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the Statement of Profit and Loss. Dividends are recognized in the Statement of Profit and Loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at FVTPL. Liabilities which are classified at FVTPL, including derivatives that are liabilities, shall be subsequently measured at fair value.

**O. IMPAIRMENT OF FINANCIAL ASSETS**

Methodology for computation of Expected Credit Losses (ECL)

The financial instruments covered within the scope of ECL include financial assets measured at amortized cost and FVOCI, such as loans, trade receivables, security deposit, balances with banks and other financial assets. ECL has not been determined on financial assets measured at FVTPL.

The loss allowance has been measured using lifetime ECL except for financial assets on which there has been no significant increase in credit risk since initial recognition. In such cases, loss allowance has been measured at 12 month ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and FVOCI are credit-impaired. A financial asset is credit- impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred since initial recognition. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties.

ECL are a probability weighted estimate of credit losses measured as follows:

- Financial assets that are not credit impaired at the reporting date:

ECL has been estimated by determining the probability of default ('PD'), Exposure at Default ('EAD') and loss given default ('LGD').

PD has been computed using observed history of default and converted into forward looking PD's using suitable macro-economic variable data.

- Financial assets that are credit impaired at the reporting date:

ECL has been estimated as the difference between the gross carrying amount and the present value of estimated future cash flows.

For trade receivables, contract assets and lease receivables, the Company applies a simplified approach. It recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized:

- If the expected restructuring will not result in derecognition of the existing asset, expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset and the recognition of modified asset, the modified asset is considered as a new financial asset. The date of the modification is treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The impairment loss allowance is measured at an amount equal to 12 month expected credit losses until there is a significant increase in credit risk. If modified financial asset is credit-impaired at initial recognition, the financial asset is recognized as originated credit impaired asset.

Criteria used for determination of movement from stage 1 (12 month ECL) to stage 2 (lifetime ECL) and stage 3 (Lifetime ECL)

The Company applies a three-stage approach to measure ECL on financial assets measured at amortized cost and FVOCI. The assets migrate through the following three stages based on an assessment of qualitative and quantitative considerations:

- Stage 1: 12 month ECL:

  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized. Interest income is accrued using the effective interest rate on the gross carrying amount.

- Stage 2: Lifetime ECL (not credit impaired):

  At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company uses days past due (DPD) information and other qualitative factors to assess deterioration in credit quality of a financial asset.

  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized. Interest income is accrued using the effective interest rate on the gross carrying amount.

- Stage 3: Lifetime ECL (credit impaired):

  Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of loss allowance).

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the Expected Credit Loss reverts from lifetime ECL to 12-months ECL.

For loans whose significant payment obligations are only after next 12 months, life time ECL has been applied.

**Method used to compute lifetime ECL:**
The Company calculates ECLs based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the present value of cash flows that the entity expects to receive. The Company applies statistical techniques to estimate 12 month ECL and lifetime ECL.

Manner in which forward looking assumptions has been incorporated in ECL estimates:

The Company considers its historical loss experience and adjusts it for current observable data. In addition, the Company uses reasonable forecasts of future economic conditions including expert judgment to estimate the amount of expected credit losses. The methodology and assumptions including any forecasts of future economic conditions are periodically reviewed and changes, if any, are accounted for prospectively.

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## P. DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred substantially all the risks and rewards of the asset, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets), the difference between the carrying amount (measured at the date of derecognition) allocated to financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statement of profit and loss.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

## Q. MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

**Financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Statement of Profit and Loss account. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

**Financial liabilities**

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the Statement of Profit and Loss.

## R. MEASUREMENT OF FAIR VALUES

The Company's accounting policies and disclosures require fair value measurement of financial instruments such as investment in unquoted equity instruments, mutual fund, etc.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management uses its judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market participants are applied.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## S. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand and demand deposits with banks. It also comprises of short-term deposits with an original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

## T. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit / (loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities.

## U. TRANSITION TO IND AS 116: LEASES:

On March 30, 2019, the Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2019 and the Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 Leases and other interpretations.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Effective from April 1, 2019 ('the date of transition'), the Company applied Ind AS 116 retrospectively to all leases previously classified as operating leases with the cumulative effect of initially applying the Standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings at April 1, 2019 ('the modified retrospective approach'). Accordingly, the comparative information is not restated – i.e. it is presented, as previously reported, under Ind AS 17. Additionally, the disclosure requirements in Ind AS 116 have not generally been applied to comparative information.

The Company has recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying Ind AS 17. The Company has measured lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying Ind AS 17. The Company has chosen to measure that right-of-use asset at its carrying amount as if the IndAS 116 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application and adjusted for prepaid or accrued lease payments.

Lease liability created on account of straight-lining of rent escalations has been reversed through retained earnings. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Applying Ind AS 116, for all operating leases (except as indicated below), the Company:

(a) Recognises right-of-use assets and lease liabilities in the standalone balance sheet

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the Statement of Profit and Loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the standalone statement of cash flows.

The Company used a number of practical expedients when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17. In particular, the Company:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of assets and leases for which the underlying asset is of low value on a lease-by-lease basis.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the

# Schedules

forming part of Balance Sheet and Profit and Loss Account

lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

**The Company as a lessor**

The Company is not required to make any adjustments on transition to Ind AS 116 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with Ind AS 116 from the date of initial application.

On transition to Ind AS 116, the Company recognised an additional asset of Rs. 1,572.55 lakhs as right of use asset and Rs. 1,718.47 lakhs of additional lease liabilities, recognising the difference in retained earnings of 145.92 lakhs (before tax) and the tax impact thereof of Rs. 36.72 lakhs has also been recognised in retained earnings.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is between 7.99 % to 8.18 %.

Impact of the change for the year ended March 31, 2020 is as follows:

| Nature | Amount in Lakhs |
|---|---|
| Increase in Depreciation | 281.77 |
| Increase in Interest expense | 151.40 |
| Decrease in other expense (Rent) | (352.65) |
| Net impact on profit before tax | 79.92 |

**V.** All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of 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 or non-current classification of assets and liabilities.

## W. ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest "Lakhs" as per the requirement of Schedule III, unless otherwise stated. Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes in these financial statements.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 2 CASH AND CASH EQUIVALENTS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Balances with banks | 710.27 | 151.74 |
| **Sub total** | **710.27** | **151.74** |
| Less: Impairment loss allowance | (0.45) | (0.05) |
| **TOTAL** | **709.82** | **151.69** |

## 3 RECEIVABLES :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Trade receivables:** | | |
| Unsecured, considered good | 4,090.03 | 3,858.46 |
| **Sub total** | **4,090.03** | **3,858.46** |
| Less: Impairment loss allowance | (25.10) | (19.38) |
| **TOTAL** | **4,064.93** | **3,839.08** |
| **Other receivables:** | | |
| Unsecured, considered good | 45.18 | 17.13 |
| **Total** | **45.18** | **17.13** |

## 4 LOANS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **(A)** | | |
| (i) Employee Loan | 158.77 | 47.75 |
| **Total Gross (A)** | **158.77** | **47.75** |
| Less: Impairment loss allowance | (7.84) | (0.31) |
| **Total Net (A)** | **150.93** | **47.44** |
| **(B)** | | |
| (i) Unsecured | 158.77 | 47.75 |
| **Total Gross (B)** | **158.77** | **47.75** |
| Less: Impairment loss allowance | (7.84) | (0.31) |
| **Total Net (B)** | **150.93** | **47.44** |
| **(C)** | | |
| **(I) Loans in India** | | |
| (i) Public Sector | - | - |
| (ii) Others | 158.77 | 47.75 |
| **Total Gross (C) (I)** | **158.77** | **47.75** |
| Less: Impairment loss allowance | (7.84) | (0.31) |
| **Total Net (C) (I)** | **150.93** | **47.44** |
| **(II) Loans outside India** | **-** | **-** |
| Less: Impairment allowance | - | - |
| **Total Net (C) (II)** | **-** | **-** |
| **Total (C) (I) and (II)** | **150.93** | **47.44** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 5 INVESTMENTS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Mutual funds | 73,881.31 | 42,659.24 |
| Equity instruments | 5.00 | 5.00 |
| Subsidiaries | 2,680.00 | 2,680.00 |
| **Total Gross (A)** | **76,566.31** | **45,344.24** |
| (i) Investments outside India | - | - |
| (ii) Investments in India | 76,566.31 | 45,344.24 |
| **Total (B)** | **76,566.31** | **45,344.24** |
| Less: Impairment allowance | - | - |
| **Total Net** | **76,566.31** | **45,344.24** |
| Amortize cost | - | - |
| At fair value through profit or loss | 73,886.31 | 42,664.24 |
| Others (Subsidiary) | 2,680.00 | 2,680.00 |
| | **76,566.31** | **45,344.24** |

## 6 OTHER FINANCIAL ASSETS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Premises Deposits | 78.57 | 75.37 |
| Other Deposits | 1.09 | 1.09 |
| **Sub total** | **79.66** | **76.46** |
| Less: Impairment loss allowance | (0.86) | (0.59) |
| **Total** | **78.80** | **75.87** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 7 PROPERTY, PLANT AND EQUIPMENT :

(Amount in Lakhs)

| Particulars | Improvements to leasehold premises | Furniture and fixtures | Vehicles | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|
| **At cost or fair value as at 1-April-2018** | 277.31 | 18.51 | 420.74 | 98.48 | 373.33 | 1,188.37 |
| Additions during the year | 125.76 | 15.44 | 129.80 | 45.50 | 185.12 | 501.62 |
| Disposals during the year | (0.83) | (0.02) | - | (0.61) | (0.49) | (1.95) |
| **At cost or fair value as at 31-March-2019** | **402.24** | **33.93** | **550.54** | **143.37** | **557.96** | **1,688.04** |
| **Accumulated depreciation and impairment as at 1-April-2018** | **59.28** | **13.34** | **114.56** | **23.52** | **136.72** | **347.42** |
| Depreciation for the year | 77.56 | 13.37 | 134.87 | 26.58 | 169.26 | 421.64 |
| Disposals during the year | 0.75 | 0.01 | - | 0.02 | 0.08 | 0.86 |
| **Accumulated depreciation and impairment as at 31-March-2019** | **137.59** | **26.72** | **249.43** | **50.12** | **306.07** | **769.92** |
| **Net carrying amount as at 31-March-2019** | **264.65** | **7.21** | **301.11** | **93.26** | **251.90** | **918.12** |
| At cost or fair value as at 31-March-2019 | 402.24 | 33.93 | 550.54 | 143.37 | 557.96 | 1,688.04 |
| Additions during the year | 150.19 | 8.78 | 149.68 | 50.67 | 176.27 | 535.59 |
| Disposals during the year | (1.66) | (0.04) | (21.04) | (0.03) | (0.50) | (23.27) |
| **At cost or fair value as at 31-March-2020** | **550.77** | **42.67** | **679.18** | **194.01** | **733.73** | **2,200.36** |
| **Accumulated depreciation and impairment as at 31-March-2019** | **137.59** | **26.72** | **249.43** | **50.12** | **306.07** | **769.93** |
| Depreciation for the year | 94.52 | 7.67 | 133.19 | 37.59 | 178.58 | 451.55 |
| Disposals during the year | | | | | | - |
| **Accumulated depreciation and impairment as at 31-March-2020** | **232.11** | **34.39** | **382.62** | **87.71** | **484.65** | **1,221.48** |
| **Net carrying amount as at 31-March-2020** | **318.66** | **8.28** | **296.56** | **106.30** | **249.08** | **978.88** |

**Impairment loss and reversal of impairment loss**

There is no impairment loss recognized for tangible assets.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 8 INTANGIBLE ASSETS :

(Amount in Lakhs)

| Particulars | Software | Copyrights, patents, other intellectual property rights, services and operating rights * | Total |
|---|---|---|---|
| **At cost or fair value as at 1-April-2018** | 577.40 | 901.77 | 1,479.17 |
| Additions during the year | 250.12 | - | 250.12 |
| Disposals during the year | - | - | - |
| **At cost or fair value as at 31-March-2019** | **827.52** | **901.77** | **1,729.29** |
| Accumulated depreciation and impairment as at 1-April-2018 | 241.98 | 318.02 | 560.00 |
| Depreciation for the year | 234.24 | 318.02 | 552.26 |
| Disposals during the year | - | - | - |
| **Accumulated depreciation and impairment as at 31-March-2019** | **476.22** | **636.04** | **1,112.26** |
| **Net carrying amount as at 31-March-2019** | **351.30** | **265.73** | **617.03** |
| At cost or fair value as at 31-March-2019 | 827.52 | 901.77 | 1,729.29 |
| Additions during the year | 262.56 | - | 262.56 |
| Disposals during the year | - | - | - |
| **At cost or fair value as at 31-March-2020** | **1,090.08** | **901.77** | **1,991.85** |
| Accumulated depreciation and impairment as at 31-March-2020 | 476.22 | 636.04 | 1,112.26 |
| Depreciation for the year | 259.10 | 265.73 | 524.83 |
| Disposals during the year | - | - | - |
| **Accumulated depreciation and impairment as at 31-March-2020** | **735.32** | **901.77** | **1,637.09** |
| **Net carrying amount as at 31-March-2020** | **354.76** | **-** | **354.76** |

* This contains, the asset management rights acquired which are amortized over a period of 5 years from the date of acquisition of the schemes, which is the period over which it is estimated that the benefits will flow to the Company.

**Impairment loss and reversal of impairment loss**

There is no impairment loss recognized for intangible assets.

## 9 INTANGIBLE ASSETS UNDER DEVELOPMENT :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Software under development | 184.83 | 136.31 |
| **TOTAL** | **184.83** | **136.31** |

## 10 OTHER NON FINANCIAL ASSETS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Advance recoverable in cash or in kind | 257.21 | 242.30 |
| GST receivable (Net) | 396.18 | 528.61 |
| Prepaid Expenses | 719.85 | 1,394.23 |
| **TOTAL** | **1,373.24** | **2,165.14** |

# Schedules
forming part of Balance Sheet and Profit and Loss Account

## 11 PAYABLES :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **(I) Trade Payables** | | |
| (i) total outstanding dues of micro enterprises and small enterprises | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 2,451.41 | 2,378.39 |
| **Total (I)** | **2,451.41** | **2,378.39** |
| **(II) Other payables** | | |
| (i) total outstanding dues of micro enterprises and small enterprises | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 2,179.20 | 171.86 |
| **Total (II)** | **2,179.20** | **171.86** |
| **TOTAL** | **4,630.61** | **2,550.25** |

## 12 OTHER FINANCIAL LIABILITIES :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Staff Incentive Payable | 850.00 | 1,300.00 |
| **TOTAL** | **850.00** | **1,300.00** |

## 13 PROVISIONS :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Provision for employee benefits | 342.17 | 336.19 |
| Provision for gratuity | 68.00 | 702.52 |
| Provision for stock appreciation rights | 876.15 | 793.99 |
| **TOTAL** | **1,286.32** | **1,832.70** |

## 14 OTHER NON-FINANCIAL LIABILITIES :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Revenue received in advance | 131.44 | 332.61 |
| Statutory dues payable | 2,221.92 | 2,329.09 |
| **TOTAL** | **2,353.36** | **2,661.70** |

## 15 EQUITY SHARE CAPITAL :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| **Authorized** | | |
| 3,00,00,000 equity shares of ₹10/- each | 3,000.00 | 3,000.00 |
| 1,00,00,000 preference shares of ₹10/- each | 1,000.00 | 1,000.00 |
| **Issued, subscribed and paid-up** | | |
| 2,98,00,000 equity shares of ₹ 10/- each, fully paid up | 2,980.00 | 2,980.00 |
| **TOTAL** | **2,980.00** | **2,980.00** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**a. Reconciliation of number of shares outstanding at the beginning and end of the year :**

| Particulars | No. of shares | Amount in Lakhs |
|---|---|---|
| **Equity shares of ₹ 10 each, fully paid-up** | | |
| As at 1st April 2018 | 29,800,000 | 2,980 |
| Add : Issued during the year | - | - |
| As at 31st March 2019 | 29,800,000 | 2,980 |
| Add : Issued during the year | - | - |
| **As at 31st March 2020** | **29,800,000** | **2,980** |

**b. Reconciliation of number of shares outstanding at the beginning and end of the year :**

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates :**

| Particulars | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | % Holding | Number of shares | % Holding |
| Kotak Mahindra Bank Limited (including nominees) | 29,800,000 | 100 | 29,800,000 | 100 |
| | **29,800,000** | **100** | **29,800,000** | **100** |

**d. Details of shareholders holding more than 5% shares in the company :**

| Particulars | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Number of shares | % Holding | Number of shares | % Holding |
| Kotak Mahindra Bank Limited (including nominees) | 29,800,000 | 100 | 29,800,000 | 100 |
| | **29,800,000** | **100** | **29,800,000** | **100** |

## 16 OTHER EQUITY :

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Capital redemption reserve | 1,270.00 | 1,270.00 |
| Capital Contribution from parent | 1,080.23 | 741.55 |
| General Reserve | 1,169.25 | 1,169.25 |
| Surplus in Statement of Profit and Loss | 68,725.29 | 40,568.77 |
| **TOTAL** | **72,244.77** | **43,749.57** |

## 16.1 NATURE AND PURPOSE OF RESERVE

**Capital redemption reserve**

Capital redemption reserve is created on redemption/buy back of preference/equity share capital. Capital redemption reserve includes transfer from General reserve on redemption/buy back of preference / equity shares.

**Capital Contribution from parent**

Capital Contribution from parent represents fair value of the employee stock options plan. The option are issued by the parent company "Kotak Mahindra Bank Limited" to the employees of the Company.

**General reserve**

General Reserve represents appropriation of retained earnings and is available for distribution to the shareholders.

**Surplus in Statement of Profit and Loss**

Surplus in Statement of Profit and Loss represents surplus/deficit of the company and is available for distribution to the shareholders.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## REVENUE FROM OPERATIONS

### 17 INTEREST INCOME :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Other interest income | 6.57 | 2.17 |
| **TOTAL** | **6.57** | **2.17** |

### 18 FEES AND COMMISSION INCOME :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Management fees | 51,922.83 | 55,442.52 |
| Portfolio management fee and other advisory services fees | 7,681.01 | 9,665.12 |
| **TOTAL** | **59,603.84** | **65,107.65** |

### 19 NET GAIN/(LOSS) ON FAIR VALUE CHANGES :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| **(A) Net gain/(loss) on financial instruments at fair value through profit or loss** | - | - |
| - Investments | 3,392.00 | 2,288.94 |
| **Total Net gain/(loss) on fair value changes (C = A+B )** | **3,392.00** | **2,288.94** |
| Fair value changes: | | |
| Realised | 352.44 | 368.54 |
| Unrealised | 3,039.56 | 1,920.40 |
| **Total Net gain/(loss) on fair value changes (D)** | **3,392.00** | **2,288.94** |

### 20 OTHER INCOME :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Net gain/(loss) on derecognition of property, plant and equipment | 17.26 | 20.65 |
| Interest on Income Tax Refund | 215.53 | - |
| Net gain or loss on foreign currency transaction and translation | 1.28 | - |
| Other income | 118.28 | - |
| **TOTAL** | **352.35** | **20.65** |

## EXPENSES

### 21 FINANCE COSTS :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Interest on Income Tax | - | 98.49 |
| Interest on lease liabilities | 151.40 | - |
| Other interest expense | 9.06 | 15.69 |
| **TOTAL** | **160.46** | **114.18** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 22 IMPAIRMENT ON FINANCIAL INSTRUMENTS :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Loans | 7.53 | 0.18 |
| Trade Receivables | 5.72 | 0.74 |
| Bank Balances | 0.40 | (0.13) |
| Security Deposit | 0.27 | 0.28 |
| **TOTAL** | **13.92** | **1.07** |

## 23 EMPLOYEE BENEFITS EXPENSES :

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Salaries and wages | 7,697.27 | 7,055.18 |
| Contribution to provident and other funds | 340.77 | 302.31 |
| Share Based Payments to employees | 1,127.62 | 1,184.70 |
| Staff welfare expenses | 57.79 | 38.70 |
| Others | 73.72 | 52.15 |
| **TOTAL** | **9,297.17** | **8,633.04** |

## 24 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Improvements To Leasehold Premises | 94.52 | 78.31 |
| Software | 259.09 | 234.25 |
| Depreciation on Right of use asset | 281.17 | - |
| Furniture and fixtures | 7.67 | 13.38 |
| Vehicles | 133.19 | 134.87 |
| Office equipment | 37.60 | 26.60 |
| Computers | 178.58 | 169.36 |
| Others | 265.74 | 318.02 |
| **TOTAL** | **1,257.56** | **974.79** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 25 OTHER EXPENSES

(Amount in Lakhs)

| Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Rent, taxes and energy costs | 915.90 | 1,173.35 |
| Repairs and maintenance | 58.12 | 67.38 |
| Communication Costs | 332.56 | 266.90 |
| Computer related expenses | 540.31 | 389.69 |
| Travel related expenses | 287.24 | 383.91 |
| Net gain or loss on foreign currency transaction and translation | - | 2.83 |
| Printing and stationery | 68.52 | 163.24 |
| Business promotion, Distribution and Mutual Fund expenses | 3,619.95 | 14,528.73 |
| Referral fees for portfolio management services | 1,680.43 | 2,835.76 |
| Membership subscription | 701.50 | 490.80 |
| Reimbursement of common administrative cost | 483.41 | 424.87 |
| Outsourcing Costs | 491.31 | 420.13 |
| Directors fees, allowances and expenses | 52.85 | 47.15 |
| Auditors fees and expenses | 25.77 | 23.53 |
| Legal and Professional charges | 482.65 | 454.15 |
| Insurance | 86.42 | 90.23 |
| Contribution towards corporate social responsibility (Refer note 28) | 175.00 | 71.00 |
| Other expenditure | 607.37 | 719.87 |
| **TOTAL** | **10,609.31** | **22,553.52** |
| **Details of Auditors fees and expenses** | | |
| (a) As Statutory auditors | 23.00 | 23.00 |
| (b) Other services | 2.00 | - |
| (c) Reimbursement of expenses | 0.77 | 0.53 |
| **Total** | **25.77** | **23.53** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 26 EARNINGS PER SHARE :

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

(Amount in Lakhs)

| Sr. No. | Particulars | For the year ended 31st March,2020 | For the year ended 31st March,2019 |
|---|---|---|---|
| | Net profit from continued operation attributable to equity holders | 31,174.45 | 22,899.97 |
| **A)** | **Profit attributable to equity holders of the Company adjusted for the effect of dilution** | **31,174.45** | **22,899.97** |
| **B)** | **Weighted average number of ordinary shares** | 2,980.00 | 2,980.00 |
| | Issued ordinary shares at 1 April | 298.00 | 298.00 |
| | Effect of shares bought back during the year | | |
| | **Weighted average number of shares at 31 March** | **298.00** | **298.00** |
| **C)** | **Weighted average number of shares at 31 March adjusted for the effect of dilution** | **298.00** | **298.00** |
| **D)** | **Face value per share (INR)** | **10.00** | **10.00** |
| **E)** | **Basic and Diluted earnings per share (INR)** | **104.61** | **76.85** |

## 27 CONTINGENT LIABILITIES AND COMMITMENTS :

(Amount in Lakhs)

| Sr No | Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| | Contingent Liabilities: | | |
| a) | In respect of demand from VAT authorities | - | 14.71 |
| | **Total** | **-** | |
| | Commitments: | | |
| a) | Estimated amount of contracts remaining to be executed on capital account and not provided for | 189.20 | 99.53 |
| | **TOTAL** | **189.20** | **99.53** |

## 28 CORPORATE SOCIAL RESPONSIBILITY :

The Company's CSR program is associated with the CSR initiatives of Kotak Mahindra Bank Limited , its holding Company. The Company aims to positively contribute towards economic, environmental and social well-being of communities through Its Corporate Social Responsibility agenda. CSR programs being undertaken are in the area of education, healthcare, livelihood, vocational skill development, sports and other areas such as relief and rehabilitation and environmental sustainability, etc.

As per the provisions of the Section 135 of the Companies Act, 2013, the Company is required to spend Rs 349.38 Lakhs (Previous year 164.33 Lakhs) during the year on CSR activities"

**Details of Corporate Social Responsibility expenditure**

(Amount in Lakhs)

| Sr no | Particulars | For the year ended 31st March,2020 | For the year ended 31st March,2019 |
|---|---|---|---|
| a) | Gross amount required to be spent during the year | 349.38 | 164.33 |
| b) | Amount spent during the year | | |
| (i) | Construction/acquisition of any asset | - | - |
| (ii) | On purposes other than (i) above | 175.00 | 71.00 |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 29 RELATED PARTY DISCLOSURES

### A. Names of Related Parties

(Amount in Lakhs)

| Sr. No. | Particulars | Country of Incorporation | Proportion of ownership interest |
|---|---|---|---|
| 1 | **Subsidiary Company :** | | |
| | Kotak Mahindra Pension Fund Limited | India | 95.71% |
| | **Holding Company :** | | |
| | Kotak Mahindra Bank Limited | India | |
| | (Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 29.92% of the equity share capital and 19.65% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2020) | | |
| | **Fellow subsidiaries with whom transactions have taken place during the year:** | | |
| | Kotak Mahindra Trustee Company Limited | India | |
| | Kotak Securities Limited | India | |
| | Kotak Mahindra Prime Limited | India | |
| | Kotak Mahindra Life Insurance Limited | India | |
| | Kotak Mahindra General Insurance Company Limited | India | |
| | Kotak Mahindra (International) Limited | Mauritius | |
| | Kotak Mahindra Asset Management (Singapore) PTE. Limited | Singapore | |
| | Kotak Mahindra Financial Services Limited | Dubai | |
| | **Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence** | | |
| | Aero Agencies Limited | India | |
| | **Key Management Personnel** | | |
| | **Managing Director** | | |
| | Nilesh Shah | | |
| | **Director** | | |
| | Anjali Bansal - Independent Director | | |
| | Bipin R Shah - Independent Director | | |
| | C Jayaram - Non Independent - Non Executive Director | | |
| | Krishnakumar Natarajan - Independent Director | | |
| | Nalin Shah - Independent Director | | |
| | Sanjiv Malhotra - Independent Director | | |
| | Sukant Kelkar - Independent Director | | |

### B. Transactions with Related party

### i. Key Management Personnel compensation

(Amount in Lakhs)

| Sr. No. | Particulars | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|---|
| | **Managing Director** | | |
| i. | Short-term employee benefits | 284.21 | 259.88 |
| ii. | Post-employment defined benefit | 12.05 | 11.14 |
| iii. | Share-based payments | 434.77 | 174.39 |
| | **Director** | | |
| i. | Director Sitting Fees | 26.60 | 23.40 |
| ii. | Director Commission | **26.25** | **23.75** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**ii. Transaction with other related party**

Note 29 above provides the information about the Company's structure, including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Amount in Lakhs)

| Nature of Transaction | Year ended March 31 | Holding Company | Fellow Subsidiaries | Enterprises over which Director / relatives / Key Management Personnel have significant influence | Kotak Mahindra Mutual Fund | Kotak Mahindra Pension Fund (Subsidiary) |
|---|---|---|---|---|---|---|
| Balance in Current Account | 2020 | 709.31 | | | | |
| | 2019 | 61.80 | | | | |
| Equity Shares | | | | | | |
| Equity Share Capital | 2020 | 2,980.00 | | | | |
| | 2019 | 2,980.00 | | | | |
| Investments | | | | | | |
| Purchases | 2020 | | | | 60,275.00 | |
| | 2019 | | | | 63,160.00 | |
| Sales | 2020 | | | | 32,444.92 | |
| | 2019 | | | | 41,825.00 | |
| Profit on Sale of Investments (Realised) | 2020 | | | | 352.44 | |
| | 2019 | | | | 368.54 | |
| Closing Investment | 2020 | | | | 73,881.31 | |
| | 2019 | | | | 42,659.24 | |
| Investments in Equity Shares (Closing Balance) | 2020 | | | | | 2,680.00 |
| | 2019 | | | | | 2,680.00 |
| Other Receipts and Payments | | | | | | |
| Recovery of common establishment expenses | | | | | | |
| Kotak Mahindra Trustee Company Limited | 2020 | | 73.52 | | | |
| | 2019 | | 57.79 | | | |
| Recovery of common administrative expenses | | | | | | |
| Kotak Mahindra Trustee Company Limited | 2020 | | 5.17 | | | |
| | 2019 | | 5.17 | | | |
| Reimbursement of Common administrative cost | 2020 | 474.40 | | | | 12.00 |
| | 2019 | 419.73 | | | | 6.00 |
| Brokerage Expenses | 2020 | 639.03 | | | | |
| | 2019 | 1,336.68 | | | | |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

| Nature of Transaction | Year ended March 31 | Holding Company | Fellow Subsidiaries | Enterprises over which Director / relatives / Key Management Personnel have significant influence | Kotak Mahindra Mutual Fund | Kotak Mahindra Pension Fund (Subsidiary) |
|---|---|---|---|---|---|---|
| Kotak Securities Limited | 2020 | | 41.91 | | | |
| | 2019 | | 178.64 | | | |
| Kotak Mahindra Financial Services Limited | 2020 | | - | | | |
| | 2019 | | 18.30 | | | |
| Unamortised Brokerage | 2020 | 338.44 | | | | |
| | 2019 | 599.25 | | | | |
| Kotak Securities Limited | 2020 | | 2.84 | | | |
| | 2019 | | 5.64 | | | |
| Other Expenses / Reimbursement of other expenses | | | | | | |
| Kotak General Insurance Company Limited | 2020 | | 7.01 | | | |
| | 2019 | | 9.34 | | | |
| Kotak Mahindra Life Insurance Company Limited | 2020 | | 24.65 | | | |
| | 2019 | | 24.72 | | | |
| Kotak Securities Limited | 2020 | | 21.60 | | | |
| | 2019 | | 16.97 | | | |
| Kotak Mahindra Prime Limited | 2020 | | 1.73 | | | |
| | 2019 | | 1.42 | | | |
| Kotak Mahindra Trustee Company Limited | 2020 | | - | | | |
| | 2019 | | 3.60 | | | |
| Management Fees (Net of Repaid) | 2020 | | | | 51,922.83 | |
| | 2019 | | | | 55,442.52 | |
| Expenses Reimbursement to Mutual Fund | 2020 | | | | 56.96 | |
| | 2019 | | | | 6,800.60 | |
| Reciepts from Mutual Fund Brokerage and Other Misc Recovered | 2020 | | | | 7.92 | |
| | 2019 | | | | 4.02 | |
| Rent Paid | 2020 | 697.71 | | | | |
| | 2019 | 680.45 | | | | |
| Kotak Mahindra Prime Limited | 2020 | | 2.45 | | | |
| | 2019 | | 2.40 | | | |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

| Nature of Transaction | Year ended March 31 | Holding Company | Fellow Subsidiaries | Enterprises over which Director / relatives / Key Management Personnel have significant influence | Kotak Mahindra Mutual Fund | Kotak Mahindra Pension Fund (Subsidiary) |
|---|---|---|---|---|---|---|
| Aero Agencies Limited Cost of travel tickets purchased (Net of Discount) | 2020 | | | 48.56 | | |
| | 2019 | | | 37.79 | | |
| Advisory Fees | | | | | | |
| Kotak Mahindra International Limited | 2020 | | 363.00 | | | |
| | 2019 | | 331.00 | | | |
| Kotak Mahindra Asset Management (Singapore) PTE. Limited | 2020 | | 213.00 | | | |
| | 2019 | | 127.00 | | | |
| Miscellaneous Receipts | 2020 | 19.95 | | | | |
| | 2019 | 11.74 | | | | |
| Kotak Securities Limited | 2020 | | - | | | |
| | 2019 | | 2.51 | | | |
| Kotak Mahindra International Limited | 2020 | | - | | | |
| | 2019 | | 13.73 | | | |
| Miscellaneous Payments | 2020 | 973.09 | | | | |
| | 2019 | 922.21 | | | | |
| Equity Dividend Paid | 2020 | 2,384.00 | | | | |
| | 2019 | - | | | | |
| Other payments to Kotak Securities Limited | 2020 | | - | | | |
| | 2019 | | 6.40 | | | |
| Other Miscellaneous Prepaid | | | | | | |
| Kotak General Insurance Company Limited | 2020 | | 2.95 | | | |
| | 2019 | | 2.60 | | | |
| Other Miscellaneous Prepayment | | | | | | |
| Kotak Mahindra Life Insurance Company Limited | 2020 | | 10.15 | | | |
| | 2019 | | 8.99 | | | |
| Kotak General Insurance Limited | 2020 | | 4.15 | | | |
| | 2019 | | 1.01 | | | |
| Outstandings – Receivables | 2020 | 19.04 | | | 2,556.32 | 1.08 |
| | 2019 | - | | | 1,794.39 | - |

# Schedules
forming part of Balance Sheet and Profit and Loss Account

| Nature of Transaction | Year ended March 31 | Holding Company | Fellow Subsidiaries | Enterprises over which Director / relatives / Key Management Personnel have significant influence | Kotak Mahindra Mutual Fund | Kotak Mahindra Pension Fund (Subsidiary) |
|---|---|---|---|---|---|---|
| Kotak Mahindra International Limited | 2020 | | 60.50 | | | |
| | 2019 | | - | | | |
| Kotak Mahindra Trustee Company Limited | 2020 | | 5.02 | | | |
| | 2019 | | - | | | |
| Outstandings Payables | 2020 | 717.84 | | | 24.28 | |
| | 2019 | 267.07 | | | 7.84 | |
| Kotak Securities Limited | 2020 | | 0.27 | | | |
| | 2019 | | 15.16 | | | |
| Kotak Mahindra Prime Limited | 2020 | | 0.50 | | | |
| | 2019 | | 0.34 | | | |
| Kotak Mahindra Life Insurance Company Limited | 2020 | | 1.08 | | | |
| | 2019 | | 0.93 | | | |

**(c) Terms and conditions of transactions with related parties**

The transactions with related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

## 30 EMPLOYEE BENEFITS

**A. The Company contributes to the following post-employment defined benefit plans in India.**

**(i) Defined Contribution Plans:**

a) The Company makes Provident Fund contributions to Recognized Provident Fund for employees. The Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹325.02 Lakh (Previous year ₹ 289.66 Lakh) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to the Fund are at rates specified in the Rules of the Scheme.

b) The Company contributes a sum equivalent to 15% of basic subject to a maximum of ₹ 1 Lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a fellow subsidiary. The Company recognizes ₹1 Lakhs (Previous year ₹1 Lakh) for such contributions as an expense in the year they are incurred. The Company has no obligation beyond its contribution to the Fund.

**(ii) Defined Benefit Plan:**

**Gratuity :-**

The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is funded. The net present value of the Company's obligation towards the same is determined based on the Projected Unit Credit method as at the Balance Sheet date.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

A. Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognized in the Company's financial statements as at Balance Sheet date:

(Amount in Lakhs)

| | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|---|
| Present value of Funded / Unfunded defined benefit obligation (A) | | 783.86 | 702.52 |
| Fair value of plan assets (B) | | (715.86) | - |
| **Net (asset) / liability recognized in the Balance Sheet (A-B)** | | **68.00** | **702.52** |

**B. Movement in net defined benefit (asset) liability**

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) / liability and its components:-

(Amount in Lakhs)

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit (asset)/liability | |
|---|---|---|---|---|---|---|
| | As at 31st March 2020 | As at 31st March 2019 | As at 31st March 2020 | As at 31st March 2019 | As at 31st March 2020 | As at 31st March 2019 |
| **Opening balance** | 702.52 | 606.44 | - | - | 702.52 | 606.44 |
| Included in profit or loss | | | | | | |
| Current service cost | 81.33 | 72.02 | - | - | 81.33 | 72.02 |
| Past service cost | - | - | - | - | - | - |
| Interest cost (income) | 45.72 | 43.54 | - | - | 45.72 | 43.54 |
| | **829.57** | **722.00** | **-** | **-** | **829.57** | **722.00** |
| **Included in OCI** | | | | | | |
| Remeasurement loss / (gain): | | | | | | |
| Actuarial loss / (gain) arising from: | | | | | | |
| Demographic assumptions | - | (0.30) | - | - | - | (0.30) |
| Financial assumptions | 4.73 | 33.95 | - | - | 4.73 | 33.95 |
| Experience adjustment | (1.03) | 19.14 | - | - | (1.03) | 19.14 |
| Actual return on plan assets less interest on plan assets | | - | 13.34 | - | (13.34) | - |
| | **3.70** | **52.79** | **13.34** | **-** | **(9.64)** | **52.79** |
| **Other** | | | | | | |
| Contributions paid by the employer | | - | 702.53 | - | (702.53) | - |
| Benefits paid | (47.46) | (76.37) | - | - | (47.46) | (76.37) |
| Liabilities assumed / (settled)* | (1.94) | 4.10 | - | - | (1.94) | 4.10 |
| **Closing balance** | **783.87** | **702.52** | **715.87** | **-** | **68.00** | **702.52** |
| **Represented by** | | | | | | |
| Net defined benefit asset | | | | | - | - |
| Net defined benefit liability | | | | | 68.00 | 702.52 |
| | | | | | 68.00 | 702.52 |

** On account of business combination or inter group transfer*

# Schedules
forming part of Balance Sheet and Profit and Loss Account

**C. Expenses recognized in Statement of Profit and Loss**

(Amount in Lakhs)

| | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Current service cost | 81.33 | 72.02 |
| Past service cost | - | - |
| Administration expenses | - | - |
| Interest on net defined benefit liability / (asset) | 45.72 | 43.54 |
| (Gains) / losses on settlement | - | - |
| | **127.05** | **115.56** |

**D. Remeasurements recognized in other comprehensive income**

(Amount in Lakhs)

| | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|---|---|
| Actuarial loss / (gain) arising from: | | |
| Financial assumptions | 4.73 | 33.95 |
| Demographic assumptions | - | (0.30) |
| Experience adjustments | (1.03) | 19.14 |
| Actual return on plan assets less interest on plan assets | - | - |
| Adjustment to recognize the effect of asset ceiling | - | - |
| | **3.70** | **52.79** |

**E. Disaggregation of Plan assets**

A split of plans asset between various asset classes as well as segregation between quoted and unquoted values is presented below:-

(Amount in Lakhs)

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Quoted value | Unquoted value | Quoted value | Unquoted value |
| Property | - | - | - | - |
| Government debt instruments | - | - | - | - |
| Other debt instruments | - | - | - | - |
| Equity instruments | - | - | - | - |
| Insurer managed funds | - | 715.86 | - | - |
| Others | - | - | - | - |
| | **-** | **715.86** | **-** | **-** |

**F. Category of assets**

(Amount in Lakhs)

| Fund Name | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | % | Unquoted value | % | Unquoted value |
| Kotak Group Balanced Fund | 100.00 | 715.86 | - | - |
| | **100.00** | **715.86** | **-** | **-** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**G. Expected Future Cash Flows:**

**Expected contribution:**

There is no compulsion on the part of the Company to pre fund the liability of the plan. The Company's philosophy is to not to externally fund these liabilities but instead create an accounting provisions in its books of accounts and pay the gratuity to its employees directly from its own resources as and when the employee leaves the Company.

The expected contribution payable to the plan next year is ₹123.34 Lakhs

**Expected future benefit payments:**

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date:

(Amount in Lakhs)

| Maturity Profile | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Expected benefits for year 1 | 123.95 | 126.08 |
| Expected benefits for year 2 | 99.7 | 99.87 |
| Expected benefits for year 3 | 84.21 | 81.87 |
| Expected benefits for year 4 | 72.19 | 69.86 |
| Expected benefits for year 5 | 67.36 | 59.81 |
| Expected benefits for year 6 | 70.14 | 56.81 |
| Expected benefits for year 7 | 51.86 | 60.44 |
| Expected benefits for year 8 | 61.46 | 44.42 |
| Expected benefits for year 9 | 54.27 | 53.75 |
| **Expected benefits for year 10 years and above** | **689.13** | **634.65** |

**H. Defined benefit obligations**

**i. Actuarial assumptions**

The key actuarial assumptions adopted for the purposes of this valuation are given below:-

| Maturity Profile | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Discount rate (p.a.) | 6.40% | 7.15% |
| Salary escalation rate (p.a.) | **0% for year 1 and 7.00% thereafter** | **7.00%** |

**ii. Sensitivity analysis**

Gratuity is a lump sum plan and the cost of providing this benefit is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to discount rate and future salary escalation rate. The following table summarizes the change in defined benefit obligation compared with the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

(Amount in Lakhs)

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (50 bps movement) | 27.38 | (29.22) | 22.99 | (24.50) |
| Salary escalation rate (50 bps movement) | (18.28) | 17.99 | (15.02) | 14.99 |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analyses.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**I. Experience adjustments**

(Amount in Lakhs)

| | Year ended 31st March | | | | |
|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2017** | **2016** |
| Present value of defined benefit obligation | 783.86 | 702.52 | 606.44 | 405.90 | 359.08 |
| Fair value of plan assets | 715.86 | | | | |
| Surplus / (Deficit) | (68.00) | (702.52) | (606.44) | (405.90) | (359.08) |
| Experience adjustments on plan assets | **13.34** | | | | |

**Accumulated Compensated Absences**

The Company provides for accumulated compensated absences as at the Balance Sheet date on the basis of an actuarial valuation. The Company recognized Rs. (16.45) Lakhs (Previous year : Rs.47.19 Lakhs) for Compensated Absences in the Statement of Profit and Loss.

**Long Service Award**

The Company provides for long service awards as at the Balance Sheet date on the basis of an actuarial valuation using the projected unit credit method conducted by actuary of Life Insurance of its fellow subsidiary.

## 31 SHARE-BASED PAYMENT ARRANGEMENTS:

**A. Description of share-based payment arrangements**

**i. Share option plans (equity-settled)**

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 subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

(a) Kotak Mahindra Equity Option Scheme 2007; and

(b) Kotak Mahindra Equity Option Scheme 2015"

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

(a) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007

(b) Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and

(c) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013"

Consequent to the above, the Bank has granted stock options to employees of the Company.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**As at 31st March, 2020**

| Scheme reference | Grant Date | Mode of settlement accounting | No of Share Options outstanding | Vesting conditions / Dates | Contractual life of the options (Yrs) |
|---|---|---|---|---|---|
| ESOP 2015-02 | 19-May-16 | Equity settled | 738 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.70 |
| ESOP 2015-07 | 15-May-17 | Equity settled | 119,160 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.88 |
| ESOP 2015-08 | 15-May-17 | Equity settled | 19,530 | " 50% - 3 yr service<br>50% - 4 yr service<br>" | 3.63 |
| ESOP 2015-14 | 18-May-18 | Equity settled | 250,600 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.87 |
| ESOP 2015 -19 | 20-May-19 | Equity settled | 403,550 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.87 |

**As at 31st March, 2019**

| Scheme reference | Grant Date | Mode of settlement accounting | No of Share Options outstanding | Vesting conditions / Dates | Contractual life of the options (Yrs) |
|---|---|---|---|---|---|
| ESOP 2007-47 | 9-May-15 | Equity settled | 5,660 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.90 |
| ESOP 2015-02 | 19-May-16 | Equity settled | 47,452 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.70 |
| ESOP 2015-03 | 19-May-16 | Equity settled | 20,000 | 100% - 4 yr service | 3.75 |
| ESOP 2015-07 | 15-May-17 | Equity settled | 150,507 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.88 |
| ESOP 2015-08 | 15-May-17 | Equity settled | 21,280 | " 50% - 3 yr service<br>50% - 4 yr service<br>" | 3.63 |
| ESOP 2015-14 | 18-May-18 | Equity settled | 368,810 | " 30% - 1 yr service<br>30% - 2 yr service<br>20% - 3 yr service<br>20% - 4 yr service " | 3.87 |

# Schedules
forming part of Balance Sheet and Profit and Loss Account

**B. Measurement of fair values**

**i. Equity-settled share-based payment arrangements**

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

**As at 31st March, 2020**

| Scheme | Grant Date | Vesting period | Exercise period | Expected life (Years) | Exercise Price (INR) | Market price (INR) | Risk free rate | Annual Dividend yield | Volatility | Fair value per share options (INR) |
|---|---|---|---|---|---|---|---|---|---|---|
| ESOP 2015-07 | 15-May-17 | 1.30 | 0.48 | 1.54 | 955.00 | 954.65 | 6.64% | 0.06% | 20.74% | 145.98 |
| ESOP 2015-07 | 15-May-17 | 2.46 | 0.50 | 2.71 | 955.00 | 954.65 | 6.77% | 0.06% | 35.44% | 289.06 |
| ESOP 2015-07 | 15-May-17 | 3.13 | 0.50 | 3.38 | 955.00 | 954.65 | 6.88% | 0.06% | 33.81% | 320.11 |
| ESOP 2015-07 | 15-May-17 | 3.63 | 0.50 | 3.88 | 955.00 | 954.65 | 6.95% | 0.06% | 34.20% | 349.84 |
| ESOP 2015-14 | 18-May-18 | 1.20 | 0.50 | 1.45 | 1,271.00 | 1,270.70 | 7.44% | 0.06% | 18.68% | 184.60 |
| ESOP 2015-14 | 18-May-18 | 2.46 | 0.50 | 2.71 | 1,271.00 | 1,270.70 | 7.83% | 0.06% | 32.95% | 383.29 |
| ESOP 2015-14 | 18-May-18 | 3.12 | 0.50 | 3.37 | 1,271.00 | 1,270.70 | 7.97% | 0.06% | 32.13% | 433.45 |
| ESOP 2015-14 | 18-May-18 | 3.62 | 0.50 | 3.87 | 1,271.00 | 1,270.70 | 7.99% | 0.06% | 31.43% | 465.70 |
| ESOP 2015-19 | 20-May-19 | 1.20 | 0.50 | 1.45 | 1,460.00 | 1,460.00 | 6.63% | 0.05% | 23.24% | 230.35 |
| ESOP 2015-19 | 20-May-19 | 2.45 | 0.50 | 2.70 | 1,460.00 | 1,460.00 | 6.83% | 0.05% | 21.16% | 330.89 |
| ESOP 2015-19 | 20-May-19 | 3.12 | 0.50 | 3.37 | 1,460.00 | 1,460.00 | 6.94% | 0.05% | 21.32% | 387.19 |
| ESOP 2015-19 | 20-May-19 | 3.62 | 0.50 | 3.87 | 1,460.00 | 1,460.00 | 7.03% | 0.05% | 31.00% | 508.28 |

**As at 31st March, 2019**

| Scheme | Grant Date | Vesting period | Exercise period | Expected life (Years) | Exercise Price (INR) | Market price (INR) | Risk free rate | Annual Dividend yield | Volatility | Fair value per share options (INR) |
|---|---|---|---|---|---|---|---|---|---|---|
| ESOP 2015-07 | 15-May-17 | 1.30 | 0.48 | 1.54 | 955.00 | 954.65 | 6.64% | 0.06% | 20.74% | 145.98 |
| ESOP 2015-07 | 15-May-17 | 2.46 | 0.50 | 2.71 | 955.00 | 954.65 | 6.77% | 0.06% | 35.44% | 289.06 |
| ESOP 2015-07 | 15-May-17 | 3.13 | 0.50 | 3.38 | 955.00 | 954.65 | 6.88% | 0.06% | 33.81% | 320.11 |
| ESOP 2015-07 | 15-May-17 | 3.63 | 0.50 | 3.88 | 955.00 | 954.65 | 6.95% | 0.06% | 34.20% | 349.84 |
| ESOP 2015-14 | 18-May-18 | 1.20 | 0.50 | 1.45 | 1,271.00 | 1,270.70 | 7.44% | 0.06% | 18.68% | 184.60 |
| ESOP 2015-14 | 18-May-18 | 2.46 | 0.50 | 2.71 | 1,271.00 | 1,270.70 | 7.83% | 0.06% | 32.95% | 383.29 |
| ESOP 2015-14 | 18-May-18 | 3.12 | 0.50 | 3.37 | 1,271.00 | 1,270.70 | 7.97% | 0.06% | 32.13% | 433.45 |
| ESOP 2015-14 | 18-May-18 | 3.62 | 0.50 | 3.87 | 1,271.00 | 1,270.70 | 7.99% | 0.06% | 31.43% | 465.70 |

The following table lists the average inputs to the models used for the plans for the year ended 31st March, 2020.

| Particulars | Description of the inputs used |
|---|---|
| Expected volatility (weighted-average) | Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of Kotak Mahindra Bank Limited's publicly traded equity shares. |
| Expected dividends | Dividend yield of the options is based on recent dividend activity. |
| Risk-free interest rate (based on government bonds) | Risk-free interest rates are based on the government securities yield in effect at the time of the grant. |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## C. Reconciliation of outstanding share options

Activity in the options outstanding under the employee's stock option Scheme as at 31st March, 2020

| Scheme | Grant Date | 31st March 2020 | | | | | | | | 31st March 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Outstanding at the start of the year | Granted during the year | Exercised during the year | Net Transfer In/ (Out)* | Lapsed during the year | Forfeited during the year | Outstanding at the end of the year | Exercisable at the end of the year | Outstanding at the start of the year | Granted during the year | Exercised during the year | Net Transfer In/ (Out)* | Lapsed during the year | Forfeited during the year | Outstanding at the end of the year | Exercisable at the end of the year |
| ESOP 2007-44 | 9-May-14 | - | | | | | | - | | 1,288 | - | (1,288) | - | | | - | |
| ESOP 2007-47 | 9-May-15 | 5,660 | | (3,860) | (1,800) | | | - | | 16,144 | - | (10,484) | - | | | 5,660 | 5,660 |
| ESOP 2015-02 | 19-May-16 | 47,452 | | (41,826) | (3,680) | (1,208) | | 738 | 738 | 91,516 | - | (44,064) | - | | | 47,452 | |
| ESOP 2015-03 | 19-May-16 | 20,000 | | (20,000) | - | | | - | | 20,000 | - | - | - | | | 20,000 | |
| ESOP 2015-07 | 15-May-17 | 150,507 | | (25,436) | (5,120) | | (791) | 119,160 | 35,656 | 216,210 | - | (63,972) | | (1,731) | | 150,507 | |
| ESOP 2015-08 | 15-May-17 | 21,280 | | (1,750) | - | | - | 19,530 | 8,890 | 21,280 | - | - | - | | | 21,280 | |
| ESOP 2015-14 | 18-May-18 | 368,810 | | (106,881) | (6,320) | (915) | (4,094) | 250,600 | | - | 368,810 | - | - | | | 368,810 | |
| ESOP 2015 -19 | 20-May-19 | | 405,300 | - | | | (1,750) | 403,550 | | | | | | | | | |
| | | | | | | | | - | | | | | | | | - | |
| | | **613,709** | **405,300** | **(199,753)** | | **(2,123)** | **(6,635)** | **793,578** | **45,284** | **366,438** | **368,810** | **(119,808)** | | **(1,731)** | **-** | **613,709** | **5,660** |

** This represents transfer of employees within Bank and its subsidiaries*

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,042.65 (Previous year: ₹ 833.61).

| | 31st March, 2020 | | | | 31st March, 2019 | | |
|---|---|---|---|---|---|---|---|
| **ESOP Scheme** | **Range of exercise prices (Rs.)** | **Number of options outstanding** | **Weighted average remaining contractual life of options (in years)** | **Weighted average exercise price (Rs.)** | **Number of options outstanding** | **Weighted average remaining contractual life of options (in years)** | **Weighted average exercise price (Rs.)** |
| ESOP 2007-47 | 601-700 | 0 | | | 5,660 | 665.00 | 0.00 |
| ESOP 2015-02 | 701-800 | 738 | 710.00 | 0.00 | 47,452 | 710.00 | 0.46 |
| ESOP 2015-03 | 701-800 | 0 | | | 20,000 | 710.00 | 0.76 |
| ESOP 2015-07 | 901-1000 | 119,160 | 955.00 | 0.73 | 150,507 | 955.00 | 1.11 |
| ESOP 2015-08 | 901-1000 | 19,530 | 955.00 | 0.54 | 21,280 | 955.00 | 1.00 |
| ESOP 2015-14 | 1201-1300 | 250,600 | 1,271.00 | 1.61 | 368,810 | 1,271.00 | 1.58 |
| ESOP 2015 -19 | 1401-1500 | 403,550 | 1,460.00 | 2.08 | | | |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**ii. Stock Appreciation Rights (SAR's) (cash-settled)**

During the year, the management had approved SARs to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees. The Company under its various plans / series has granted 62,040 SARs during FY 2019-20. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 0.25 years to 2.79 years.

**As at 31st March, 2020**

| Scheme reference | Grant Date | Mode of settlement accounting | No of SARs outstanding | Vesting conditions / Dates | Contractual life of the options (Yrs) |
|---|---|---|---|---|---|
| 2015-9 (Series 9) | 15-May-17 | Cash settled | 18,232 | 30% - 2018-19<br>30% - 2019-20<br>40% - 2020-21 | 3.67 |
| 2015-17 (Series 17) | 18-May-18 | Cash settled | 40,705 | 30% - 2019-20<br>30% - 2020-21<br>40% - 2021-22 | 3.66 |
| 2015-17 (Series 22) | 20-May-19 | Cash settled | 61,680 | 30% - 2020-21<br>30% - 2021-22<br>40% - 2022-23 | 3.66 |

**As at 31st March, 2019**

| Scheme reference | Grant Date | Mode of settlement accounting | No of SARs outstanding | Vesting conditions / Dates | Contractual life of the options (Yrs) |
|---|---|---|---|---|---|
| 2015-4 (Series 4) | 19-May-16 | Cash settled | 14,600 | 30% - 2017-18<br>30% - 2018-19<br>40% - 2019-20 | 3.57 |
| 2015-4 (Series 6) | 19-May-16 | Cash settled | 336 | 33% - 2017-18<br>33% - 2018-19<br>34% - 2019-20 | 3.57 |
| 2015-9 (Series 9) | 15-May-17 | Cash settled | 32,851 | 30% - 2018-19<br>30% - 2019-20<br>40% - 2020-21 | 3.67 |
| 2015-17 (Series 17) | 18-May-18 | Cash settled | 60,560 | 30% - 2019-20<br>30% - 2020-21<br>40% - 2021-22 | 3.66 |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

The fair values were calculated using a Black-Scholes Model. The inputs were as follows:

**As at 31st March, 2020**

| Scheme | Grant Date | Vesting period | Expected life (Years) | Exercise Price (INR) | Weighted average share price | Risk free rate | Annual Dividend yield | Volatility | Fair value per SARs (INR) |
|---|---|---|---|---|---|---|---|---|---|
| **Series 2015-9 (Series 9)** | | | | | | | | | |
| Tranche VII | 15-May-17 | 0.25 | 0.25 | - | 1,293.70 | 4.31% | 0.06% | 58.10% | 1,293.50 |
| Tranche VIII | 15-May-17 | 0.27 | 0.27 | - | 1,293.70 | 4.33% | 0.06% | 56.44% | 1,293.48 |
| Tranche IX | 15-May-17 | 0.29 | 0.29 | - | 1,293.70 | 4.35% | 0.06% | 54.68% | 1,293.47 |
| Tranche X | 15-May-17 | 0.75 | 0.75 | - | 1,293.70 | 4.71% | 0.06% | 39.55% | 1,293.10 |
| Tranche XI | 15-May-17 | 0.77 | 0.77 | - | 1,293.70 | 4.73% | 0.06% | 39.08% | 1,293.08 |
| Tranche XII | 15-May-17 | 0.79 | 0.79 | - | 1,293.70 | 4.74% | 0.06% | 38.78% | 1,293.07 |
| **Series 2015-17 (Series 17)** | | | | | | | | | |
| Tranche IV | 18-May-18 | 0.59 | 0.59 | - | 1,293.70 | 4.59% | 0.06% | 42.98% | 1,293.23 |
| Tranche V | 18-May-18 | 0.61 | 0.61 | - | 1,293.70 | 4.60% | 0.06% | 42.52% | 1,293.21 |
| Tranche VI | 18-May-18 | 0.62 | 0.62 | - | 1,293.70 | 4.62% | 0.06% | 41.98% | 1,293.20 |
| Tranche VII | 18-May-18 | 1.25 | 1.25 | - | 1,293.70 | 5.01% | 0.06% | 32.93% | 1,292.70 |
| Tranche VIII | 18-May-18 | 1.27 | 1.27 | - | 1,293.70 | 5.02% | 0.06% | 32.74% | 1,292.68 |
| Tranche IX | 18-May-18 | 1.29 | 1.29 | - | 1,293.70 | 5.03% | 0.06% | 32.62% | 1,292.67 |
| Tranche X | 18-May-18 | 1.75 | 1.75 | - | 1,293.70 | 5.18% | 0.06% | 31.96% | 1,292.30 |
| Tranche XI | 18-May-18 | 1.77 | 1.77 | - | 1,293.70 | 5.18% | 0.06% | 31.76% | 1,292.28 |
| Tranche XII | 18-May-18 | 1.79 | 1.79 | - | 1,293.70 | 5.18% | 0.06% | 31.65% | 1,292.27 |
| **Series 2015-17 (Series 22)** | | | | | | | | | |
| Tranche I | 20-May-19 | 0.33 | 0.33 | - | 1,293.70 | 4.38% | 0.06% | 51.43% | 1,293.43 |
| Tranche II | 20-May-19 | 0.35 | 0.35 | - | 1,293.70 | 4.40% | 0.06% | 50.22% | 1,293.42 |
| Tranche III | 20-May-19 | 0.37 | 0.37 | - | 1,293.70 | 4.42% | 0.06% | 49.01% | 1,293.40 |
| Tranche IV | 20-May-19 | 1.59 | 1.59 | - | 1,293.70 | 5.13% | 0.06% | 32.93% | 1,292.43 |
| Tranche V | 20-May-19 | 1.61 | 1.61 | - | 1,293.70 | 5.14% | 0.06% | 32.81% | 1,292.42 |
| Tranche VI | 20-May-19 | 1.62 | 1.62 | - | 1,293.70 | 5.14% | 0.06% | 32.82% | 1,292.40 |
| Tranche VII | 20-May-19 | 2.25 | 2.25 | - | 1,293.70 | 5.27% | 0.06% | 29.75% | 1,291.90 |
| Tranche VIII | 20-May-19 | 2.27 | 2.27 | - | 1,293.70 | 5.27% | 0.06% | 29.65% | 1,291.89 |
| Tranche IX | 20-May-19 | 2.29 | 2.29 | - | 1,293.70 | 5.28% | 0.06% | 29.53% | 1,291.87 |
| Tranche X | 20-May-19 | 2.75 | 2.75 | - | 1,293.70 | 5.39% | 0.06% | 27.87% | 1,291.50 |
| Tranche XI | 20-May-19 | 2.77 | 2.77 | - | 1,293.70 | 5.40% | 0.06% | 27.81% | 1,291.48 |
| Tranche XII | 20-May-19 | 2.79 | 2.79 | - | 1,293.70 | 5.40% | 0.06% | 27.74% | 1,291.47 |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**As at 31st March, 2019**

| Scheme | Grant Date | Vesting period | Expected life (Years) | Exercise Price (INR) | Weighted average share price | Risk free rate | Annual Dividend yield | Volatility | Fair value per SARs (INR) |
|---|---|---|---|---|---|---|---|---|---|
| **Series 2015-6 (Series 6)** | | | | | | | | | |
| Tranche IV | 19-May-16 | 0.25 | 0.25 | - | 1,047.80 | 6.14% | 0.06% | 19.23% | 1,047.65 |
| Tranche V | 19-May-16 | 0.27 | 0.27 | - | 1,047.80 | 6.15% | 0.06% | 18.76% | 1,047.64 |
| Tranche VI | 19-May-16 | 0.29 | 0.29 | - | 1,047.80 | 6.17% | 0.06% | 18.43% | 1,047.63 |
| Tranche VII | 19-May-16 | 1.25 | 1.25 | - | 1,047.80 | 6.74% | 0.06% | 18.25% | 1,047.05 |
| Tranche VIII | 19-May-16 | 1.27 | 1.27 | - | 1,047.80 | 6.75% | 0.06% | 18.14% | 1,047.04 |
| Tranche IX | 19-May-16 | 1.29 | 1.29 | - | 1,047.80 | 6.75% | 0.06% | 18.03% | 1,047.03 |
| **Series 2015-4 (Series 4)** | | | | | | | | | |
| Tranche IV | 19-May-16 | 0.33 | 0.33 | - | 1,047.80 | 6.21% | 0.06% | 17.88% | 1,047.60 |
| Tranche V | 19-May-16 | 0.35 | 0.35 | - | 1,047.80 | 6.22% | 0.06% | 17.76% | 1,047.59 |
| Tranche VI | 19-May-16 | 0.37 | 0.37 | - | 1,047.80 | 6.24% | 0.06% | 17.44% | 1,047.58 |
| Tranche VII | 19-May-16 | 0.25 | 0.25 | - | 1,334.50 | 6.25% | 0.05% | 20.12% | 1,334.32 |
| Tranche VIII | 19-May-16 | 0.27 | 0.27 | - | 1,334.50 | 6.26% | 0.05% | 19.74% | 1,334.31 |
| Tranche IX | 19-May-16 | 0.29 | 0.29 | - | 1,334.50 | 6.27% | 0.05% | 20.04% | 1,334.30 |
| Tranche X | 19-May-16 | 0.67 | 0.67 | - | 1,334.50 | 6.42% | 0.05% | 27.53% | 1,334.03 |
| Tranche XI | 19-May-16 | 0.69 | 0.69 | - | 1,334.50 | 6.43% | 0.05% | 27.22% | 1,334.02 |
| Tranche XII | 19-May-16 | 0.71 | 0.71 | - | 1,334.50 | 6.44% | 0.05% | 27.23% | 1,334.00 |
| **Series 2015-9 (Series 9)** | | | | | | | | | |
| Tranche I | 15-May-17 | 0.42 | 0.42 | - | 1,047.80 | 6.27% | 0.06% | 16.74% | 1,047.55 |
| Tranche II | 15-May-17 | 0.44 | 0.44 | - | 1,047.80 | 6.29% | 0.06% | 18.62% | 1,047.54 |
| Tranche III | 15-May-17 | 0.46 | 0.46 | - | 1,047.80 | 6.30% | 0.06% | 18.79% | 1,047.52 |
| Tranche IV | 15-May-17 | 0.59 | 0.59 | - | 1,334.50 | 6.39% | 0.05% | 28.06% | 1,334.09 |
| Tranche V | 15-May-17 | 0.61 | 0.61 | - | 1,334.50 | 6.40% | 0.05% | 27.79% | 1,334.08 |
| Tranche VI | 15-May-17 | 0.62 | 0.62 | - | 1,334.50 | 6.41% | 0.05% | 27.91% | 1,334.06 |
| Tranche VII | 15-May-17 | 1.25 | 1.25 | - | 1,334.50 | 6.58% | 0.05% | 24.16% | 1,333.62 |
| Tranche VIII | 15-May-17 | 1.27 | 1.27 | - | 1,334.50 | 6.59% | 0.05% | 24.03% | 1,333.61 |
| Tranche IX | 15-May-17 | 1.29 | 1.29 | - | 1,334.50 | 6.59% | 0.05% | 23.89% | 1,333.60 |
| Tranche X | 15-May-17 | 1.76 | 1.76 | - | 1,334.50 | 6.64% | 0.05% | 22.45% | 1,333.27 |
| Tranche XI | 15-May-17 | 1.78 | 1.78 | - | 1,334.50 | 6.65% | 0.05% | 22.36% | 1,333.26 |
| Tranche XII | 15-May-17 | 1.79 | 1.79 | - | 1,334.50 | 6.65% | 0.05% | 22.31% | 1,333.24 |
| **Series 2015-17 (Series 17)** | | | | | | | | | |
| Tranche I | 18-May-18 | 0.33 | 0.33 | - | 1,334.50 | 6.29% | 0.05% | 27.91% | 1,334.27 |
| Tranche II | 18-May-18 | 0.35 | 0.35 | - | 1,334.50 | 6.30% | 0.05% | 27.33% | 1,334.25 |
| Tranche III | 18-May-18 | 0.37 | 0.37 | - | 1,334.50 | 6.31% | 0.05% | 27.53% | 1,334.24 |
| Tranche IV | 18-May-18 | 1.59 | 1.59 | - | 1,334.50 | 6.63% | 0.05% | 23.04% | 1,333.39 |
| Tranche V | 18-May-18 | 1.61 | 1.61 | - | 1,334.50 | 6.63% | 0.05% | 22.98% | 1,333.37 |
| Tranche VI | 18-May-18 | 1.63 | 1.63 | - | 1,334.50 | 6.63% | 0.05% | 22.94% | 1,333.36 |
| Tranche VII | 18-May-18 | 2.25 | 2.25 | - | 1,334.50 | 6.68% | 0.05% | 21.63% | 1,332.92 |
| Tranche VIII | 18-May-18 | 2.27 | 2.27 | - | 1,334.50 | 6.69% | 0.05% | 21.55% | 1,332.91 |
| Tranche IX | 18-May-18 | 2.29 | 2.29 | - | 1,334.50 | 6.69% | 0.05% | 21.47% | 1,332.90 |
| Tranche X | 18-May-18 | 2.75 | 2.75 | - | 1,334.50 | 6.74% | 0.05% | 21.08% | 1,332.57 |
| Tranche XI | 18-May-18 | 2.78 | 2.78 | - | 1,334.50 | 6.74% | 0.05% | 21.06% | 1,332.56 |
| Tranche XII | 18-May-18 | 2.79 | 2.79 | - | 1,334.50 | 6.74% | 0.05% | 21.03% | 1,332.54 |

# Schedules
forming part of Balance Sheet and Profit and Loss Account

The following table lists the average inputs to the models used for the plans for the year ended 31st March, 2020.

| Particulars | Description of the inputs used |
|---|---|
| Expected volatility (weighted-average) | Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of Kotak Mahindra Bank Limited's publicly traded equity shares. |
| Expected dividends | Dividend yield of the options is based on recent dividend activity. |
| Risk-free interest rate (based on government bonds) | Risk-free interest rates are based on the government securities yield in effect at the time of the grant. |

**Reconciliation of Stock Appreciation Rights (cash-settled)**

| Scheme | Grant Date | 31st March, 2020 | | | | | | 31st March, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Outstanding at the start of the year | Granted during the year | Exercised during the year | Net Transfer In/ (Out)* | Forfeited during the year | Outstanding at the end of the year | Outstanding at the start of the year | Granted during the year | Exercised during the year | Net Transfer In/ (Out)* | Forfeited during the year | Outstanding at the end of the year |
| 2015-04 | 9-May-15 | - | | | | | - | 4,856 | | (4,856) | | | - |
| 2015-6 (Series 6) | 19-May-16 | 336 | | (336) | | | - | 663 | | (327) | | | 336 |
| 2015-4 (Series 4) | 19-May-16 | 14,600 | | (14,164) | | (436) | - | 25,550 | | (10,950) | | | 14,600 |
| 2015-9 (Series 9) | 15-May-17 | 32,851 | | (13,674) | | (945) | 18,232 | 47,180 | | (14,079) | | (250) | 32,851 |
| 2015-17 (Series 17) | 18-May-18 | 60,560 | | (17,445) | (90) | (2,320) | 40,705 | | 60,560 | | | | 60,560 |
| 2015-17 (Series 22) | 20-May-19 | | 62,040 | | | (360) | 61,680 | | | | | | |
| | | 108,347 | 62,040 | (45,619) | (90) | (4,061) | 120,617 | 78,249 | 60,560 | (30,212) | - | (250) | 108,347 |

* This represents transfer of employees within Bank and its subsidiaries

Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position:

Aqmount in INR

| Year ended 31st March, | 2020 | 2019 |
|---|---|---|
| Total Employee compensation cost pertaining to share-based payment plans | 1,127.62 | 1,184.70 |
| Compensation cost pertaining to equity-settled employee share-based payment plan included above | 338.66 | 440.48 |
| Closing balance of liability for cash-settled options | 876.15 | 793.99 |
| **Total intrinsic value of liabilities for vested benefits** | **-** | **-** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

## 32 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT :

### A. Classification of financial assets and financial liabilities:

The following table shows the carrying amounts of Financial Assets and Financial Liabilities which are classified as on Fair value through Profit and Loss (FVTPL), Fair value through other comprehensive Income (FVTOCI) and Amortized Cost.

(Amount in lakhs)

| Particulars | As at 31st March 2020 | | | | As at 31st April 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Other (Subsidiary) | Amortized cost | FVTPL | FVTOCI | Other (Subsidiary) | Amortized cost |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | - | - | | 709.82 | | | | 151.69 |
| Receivables: | | | | | | | | |
| Trade receivables | - | - | | 4,064.93 | | | | 3,839.08 |
| Other receivables | - | - | | 45.18 | | | | 17.13 |
| Loans | - | - | | 150.93 | | | | 47.44 |
| Investments | 73,886.31 | | 2,680.00 | | 42,664.24 | | 2,680.00 | |
| Other financial assets | - | - | | 78.80 | - | - | | 75.87 |
| **Total financial assets** | **73,886.31** | **-** | **2,680.00** | **5,049.66** | **42,664.24** | **-** | **2,680.00** | **4,131.21** |
| Financial liabilities | | | | | | | | |
| Payables | | | | | | | | |
| Trade Payables | | | | 2,451.41 | | | | 2,378.39 |
| Other Payables | | | | 2,179.20 | | | | 171.86 |
| Other Financial liabilities | | | | 850.00 | | | | 1,300.00 |
| **Total financial liabilities** | **-** | **-** | | **5,480.61** | **-** | **-** | | **3,850.25** |

### B. Fair value hierarchy:

Fair values of financial assets and financial liabilities measured as fair value, including their levels in the fair value hierarchy, are presented below.

(Amount in lakhs)

| Particulars | As at 31st March 2020 | | | | As at 31st April 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | | | | |
| *Investments at FVTPL* | | | | | | | | |
| - Mutual funds | 73,881.31 | | | 73,881.31 | 42,659.24 | | | 42,659.24 |
| - Equity instruments | | | 5.00 | 5.00 | | | 5.00 | 5.00 |
| **Total financial assets** | **73,881.31** | **-** | **5.00** | **73,886.31** | **42,659.24** | **-** | **5.00** | **42,664.24** |

(Amount in lakhs)

| Particulars | As at 31st March 2020 | | | | As at 31st April 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | | | | |
| *Loans* | | | | | | | | |
| - Term Loans | - | - | 158.77 | 158.77 | - | - | 47.75 | 47.75 |
| - Loans given to trust | - | - | | - | - | - | | - |
| Other financial assets | | | | | | | | |
| - Lease deposits | - | - | 77.71 | 77.71 | - | - | 74.78 | 74.78 |
| | - | - | | - | - | - | | - |
| **Total financial assets** | **-** | **-** | **236.48** | **236.48** | **-** | **-** | **122.53** | **122.53** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**C. Measurement of fair values**

The fair value of financial instruments have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:
Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 : Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

Fair value of financial assets and liabilities measured at amortized cost

(Amount in lakhs)

| Particulars | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | |
| Cash and cash equivalents | 709.82 | 709.82 | 151.69 | 151.69 |
| Bank Balance other than cash and cash equivalent | | | | |
| Derivative financial instruments | | | | |
| Receivables: | | | | |
| Trade receivables | 4,064.93 | 4,064.93 | 3,839.08 | 3,839.08 |
| Other receivables | 45.18 | 45.18 | 17.13 | 17.13 |
| Loans | | | | |
| - Loans given to Employee | 150.93 | 162.66 | 47.44 | 48.15 |
| | | | | |
| Other financial assets | | | | |
| - Lease deposits | 77.71 | 78.57 | 74.78 | 74.64 |
| - Others | 1.09 | 1.09 | 1.09 | 1.09 |
| | **5,049.66** | **5,062.25** | **4,131.20** | **4,131.77** |
| **Financial liabilities** | | | | |
| **Payables** | | | | |
| Trade Payables | 2,451.41 | 2,451.41 | 2,378.39 | 2,378.39 |
| Other Payables | 2,179.20 | 2,179.20 | 171.86 | 171.86 |
| Other Financial liabilities | 850.00 | 850.00 | 1,300.00 | 1,300.00 |
| **Total financial liabilities** | **5,480.61** | **5,480.61** | **3,850.25** | **3,850.25** |

The carrying amounts of Cash and cash equivalents, Bank Balance other than cash and cash equivalent, trade receivables, loan to employees, other deposits, other financial assets, trade payables, other financial liabilities are considered to be the same as their fair values, due to their short-term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

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forming part of Balance Sheet and Profit and Loss Account

**Financial instruments not measured at fair value**

| Instrument type | Valuation technique |
|---|---|
| Loans | The fair values of loans that do not reprice or mature frequently are estimated using discounted cash flow models. The discount rates are based on internal models and consequently for the purposes of level disclosures categorized under Level 3. The Level 3 loans would decrease (increase) in value based upon an increase (decrease) in discount rate. For purposes of these fair value estimates, the fair values of impaired loans were computed by discounting expected cashflows using appropriate market yield. |
| Security Deposits | For deposits with defined maturities, the fair values were estimated using discounted cash flow models that apply market interest rates corresponding to similar deposits and timing of maturities. |

**D. Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk and
- Currency risk

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans and advances. The carrying amounts of following financial assets represent the maximum credit risk exposure:-

| Particulars | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---|---|
| Trade receivables | 4,064.93 | 3,839.08 |
| Cash and cash equivalents | 709.82 | 151.69 |
| Other Financial assets | 78.80 | 75.87 |
| Loan to Employees | 150.93 | 47.44 |
| **Total** | **5,004.48** | **4,114.08** |

**a. Credit quality analysis**

The following table sets out the information about the credit quality of financial assets measured at amortized cost:

(Amount in lakhs)

| | As at 31st March, 2020 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| **Trade receivables** | | | | |
| Past due 1–30 days | - | 3,969.48 | | 3,969.48 |
| Past due 31–60 days | - | 61.10 | | 61.10 |
| Past due 61–90 days | - | 5.72 | | 5.72 |
| Past due 90 days | - | 53.73 | | 53.73 |
| | **-** | **4,090.03** | **-** | **4,090.03** |
| Impairment loss allowance | - | (25.10) | | (25.10) |
| **Carrying amount** | **-** | **4,064.93** | **-** | **4,064.93** |

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forming part of Balance Sheet and Profit and Loss Account

| | As at 31st March, 2020 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| **Loans** | | | | |
| Current | 158.77 | - | - | 158.77 |
| Past due 1–30 days | - | - | - | - |
| Past due 31–60 days | - | - | - | - |
| Past due 61–90 days | - | - | - | - |
| Past due 90 days | - | - | | - |
| | **158.77** | **-** | **-** | **158.77** |
| Impairment loss allowance | (7.84) | - | | (7.84) |
| **Carrying amount** | **150.93** | **-** | **-** | **150.93** |
| **Other financial assets** | | | | |
| Current | 789.93 | - | - | 789.93 |
| Past due 1–30 days | - | - | - | - |
| Past due 31–60 days | - | - | - | - |
| Past due 61–90 days | - | - | - | - |
| Past due 90 days | - | - | - | - |
| | **789.93** | **-** | **-** | **789.93** |
| Impairment loss allowance | (1.31) | - | - | (1.31) |
| **Carrying amount** | **788.62** | **-** | **-** | **788.62** |

(Amount in lakhs)

| | As at 31st March, 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| **Trade receivables** | | | | |
| Past due 1–30 days | - | 3,647.88 | | 3,647.88 |
| Past due 31–60 days | - | 109.20 | | 109.20 |
| Past due 61–90 days | - | 101.38 | | 101.38 |
| Past due 90 days | - | | | 0.00 |
| | **-** | **3,858.46** | **-** | **3,858.46** |
| Impairment loss allowance | - | (19.38) | | (19.38) |
| **Carrying amount** | **-** | **3,839.08** | **-** | **3,839.08** |
| **Loans** | | | | |
| Current | 47.75 | - | - | 47.75 |
| Past due 1–30 days | - | - | - | - |
| Past due 31–60 days | - | - | - | - |
| Past due 61–90 days | - | - | - | - |
| Past due 90 days | - | - | | - |
| | **47.75** | **-** | **-** | **47.75** |
| Impairment loss allowance | (0.31) | - | | (0.31) |
| **Carrying amount** | **47.44** | **-** | **-** | **47.44** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

| | As at 31st March, 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| **Other financial assets** | | | | |
| Current | 228.20 | - | - | 228.20 |
| Past due 1–30 days | - | - | - | - |
| Past due 31–60 days | - | - | - | - |
| Past due 61–90 days | - | - | - | - |
| Past due 90 days | - | - | - | - |
| | **228.20** | **-** | **-** | **228.20** |
| Impairment loss allowance | (0.64) | - | - | (0.64) |
| **Carrying amount** | **227.56** | **-** | **-** | **227.56** |

**Concentration of credit risk**

**c. Amounts arising from ECL**

**i. Inputs, assumptions and techniques used for estimating impairment**

Inputs considered in the ECL model:

The Company applies various approaches to determine if there has been a significant increase in credit risk In determining whether credit risk has increased significantly since initial recognition, The Company uses days past due information and forecast information to assess deterioration in credit quality of a financial asset.

The company categorizes Financial assets into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due

The Company has used simplified approach to provide expected credit loss on trade receivables as prescribed by Ind AS 109 which permits use of lifetime expected credit loss provision for all trade receivables. The Company has historic credit loss data to compute ECL."

**Assumption considered in the ECL model:**

- Loss given default" " (LGD) is an estimate of loss from a transaction given that a default occurs.
- Probability of default" " (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- Exposure at default" " (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

**Forward looking information:**

The Company incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as Gross domestic product, change in gross fixed investments. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Assessment of significant increase in credit risk:**

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

**Definition of default**

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the company operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due.

**ii. Impairment loss allowance**

The following table shows reconciliations from the opening to the closing balance of the loss allowances and write offs:

(Amount in lakhs)

| Particulars | Past due 1–30 days | Past due 31–60 days | Past due 61–90 days | Past due more than 90 days |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| **Balance as at April 1, 2018** | **7.37** | **0.67** | **0.07** | **0.02** |
| New financial assets originated during the year | 18.32 | 0.55 | 0.51 | - |
| Financial assets that have been derecognized during the period | (7.37) | (0.67) | (0.07) | (0.02) |
| **Balance as at 31st March, 2019** | **18.32** | **0.55** | **0.51** | **-** |
| New financial assets originated during the year | 24.36 | 0.37 | 0.04 | |
| Financial assets that have been derecognized during the period | (18.32) | (0.55) | (0.51) | - |
| **Balance as at 31st March, 2020** | **24.36** | **0.37** | **0.04** | **-** |

(Amount in lakhs)

| Particulars | 12-month ECL |
|---|---|
| **Employee loans** | |
| **Balance as at April 1, 2018** | **0.13** |
| New financial assets originated during the year | 0.31 |
| Financial assets that have been derecognized during the period | (0.13) |
| **Balance as at 31st March, 2019** | **0.31** |
| New financial assets originated during the year | 7.84 |
| Financial assets that have been derecognized during the period | (0.31) |
| **Balance as at 31st March, 2020** | **7.84** |

(Amount in lakhs)

| Particulars | 12-month ECL |
|---|---|
| **Bank Balances & Other financial assets** | |
| **Balance as at April 1, 2018** | **0.50** |
| New financial assets originated during the year | 0.64 |
| Financial assets that have been derecognized during the period | (0.50) |
| **Balance as at 31st March, 2019** | **0.64** |
| New financial assets originated during the year | 1.31 |
| Financial assets that have been derecognized during the period | (0.64) |
| **Balance as at 31st March, 2020** | **1.31** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Fair values and risk management**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**Maturity Profile of Financial Liabilities**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

(Amount in Lakhs)

| Particulars | Carrying amount | Total | On Demand | Less than 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **As at 31-Mar-20** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | 709.82 | 709.82 | 709.82 | | | | | |
| Receivables | | - | | | | | | |
| (I) Trade receivables | 4,064.93 | 4,064.93 | | 4,031.58 | 33.35 | | | |
| (II) Other receivables | 45.18 | 45.18 | | 45.18 | | | | |
| Loans | 150.93 | 150.93 | | 137.36 | 11.61 | 1.96 | | |
| Investments | 76,566.31 | 76,566.31 | 71,542.39 | | | | | 5,023.92 |
| Other Financial assets | 78.80 | 78.80 | | 3.66 | 1.76 | 1.81 | 22.37 | 49.20 |
| **Total Financial Assets** | **81,615.97** | **81,615.97** | **72,252.21** | **4,217.79** | **46.72** | **3.77** | **22.37** | **5,073.12** |
| **Financial liabilities** | | | | | | | | |
| Trade and other Payables | 4,630.61 | 10,753.37 | | 7,420.92 | 3,332.46 | | | |
| Lease liabilities | 2,117.26 | 2,117.26 | | 114.79 | 117.99 | 257.74 | 870.20 | 756.55 |
| Other Financial Liabilities | 850.00 | 850.00 | | 850.00 | | | | |
| **Total Financial Liabilities** | **7,597.87** | **13,720.63** | **-** | **8,385.71** | **3,450.46** | **257.74** | **870.20** | **756.55** |
| **Net** | **74,018.10** | **67,895.33** | **72,252.21** | **(4,167.92)** | **(3,403.74)** | **(253.97)** | **(847.83)** | **4,316.57** |

(Amount in Lakhs)

| Particulars | Carrying amount | Total | On Demand | Less than 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|
| **As at 31-Mar-19** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | 151.69 | 151.69 | 151.69 | | | | | |
| Receivables | | | | | | | | |
| (I) Trade receivables | 3,839.08 | 3,839.08 | | 3,839.08 | | | | |
| (II) Other receivables | 17.13 | 17.13 | | 17.13 | | | | |
| Loans | 47.44 | 47.44 | | 0.65 | 1.75 | 45.04 | | |
| Investments | 45,344.24 | 45,344.24 | 40,208.87 | | | | | 5,135.37 |
| Other Financial assets | 75.87 | 75.87 | | 7.16 | 0.99 | 12.47 | 22.11 | 33.14 |
| **Total Financial Assets** | **49,475.43** | **49,475.43** | **40,360.56** | **3,864.02** | **2.74** | **57.51** | **22.11** | **5,168.51** |
| **Financial liabilities** | | | | | | | | |
| Trade and other Payables | 2,550.25 | 2,550.25 | | 1,178.59 | 1,355.06 | 16.60 | - | - |
| Other Financial Liabilities | 1,300.00 | 1,300.00 | | 1,300.00 | | | | |
| **Total Financial Liabilities** | **3,850.25** | **3,850.25** | **-** | **2,478.59** | **1,355.06** | **16.60** | **-** | **-** |
| **Net** | **45,625.18** | **45,625.18** | **40,360.56** | **1,385.43** | **(1,352.32)** | **40.91** | **22.11** | **5,168.51** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Market risk**

**(i) Price risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. We are exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of our investments. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

The Company's exposure to price risk arises from investments in units of mutual funds which are classified as financial assets at Fair Value Through Profit and Loss and amounts to as follows :

(Amount in Lakhs)

| Particulars | For the year ended | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Exposure to price risk | 73,881.31 | 42,659.24 |

**Sensitivity Analysis:**

The table below sets out the effect on profit or loss and equity due to reasonable possible increase / decrease in prices of 1% :

(Amount in Lakhs)

| Particulars | For the year ended | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| Effect on Profit and Loss | | |
| 1% increase in prices | 738.81 | 426.59 |
| 1% decrease in prices | (738.81) | (426.59) |

**(ii) Currency risk**

The Company is exposed to currency risk on account of its trade receivables in foreign currency. The functional currency of the Company is Indian Rupee i.e. INR.

Exposure to currency risk (Exposure in different currencies converted to functional currency i.e. INR)

The currency profile of financial assets and financial liabilities is as below:

| Particulars | 31st March, 2020 | 31st March, 2019 |
|---|---|---|
| | USD | USD |
| **Financial assets** | | |
| **Trade and other receivables** | - | - |
| Kotak Mahindra International Limited | 0.80 | - |
| | 0.80 | - |
| **Financial liabilities** | - | - |
| | - | - |
| | **0.80** | **-** |

# Schedules
forming part of Balance Sheet and Profit and Loss Account

The following significant exchange rates have been applied during the year.

| Particulars | Year-end spot rate | |
|---|---|---|
| | 31st March 2020 | 31st March 2019 |
| INR | | |
| USD 1 | **75.67** | **69.16** |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against the foreign currencies at 31st March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | Profit or loss | | Equity, net of tax | |
|---|---|---|---|---|
| Effect in INR | Strengthening | Weakening | Strengthening | Weakening |
| 31-Mar-20 | | | | |
| USD - 1% Movement | (0.55) | 0.55 | (0.36) | 0.36 |
| | (0.55) | 0.55 | (0.36) | 0.36 |

| | Profit or loss | | Equity, net of tax | |
|---|---|---|---|---|
| Effect in INR | Strengthening | Weakening | Strengthening | Weakening |
| 31-Mar-19 | | | | |
| USD - 1% Movement | - | - | - | - |
| | - | - | - | - |

**33 Revenue from contracts with customers :**

The Company has recognised following amounts relating revenue in the Statement of Profit and Loss:

(Amount in Lakhs)

| Particulars | For the year ended | |
|---|---|---|
| | 31-Mar-20 | 31-Mar-19 |
| Revenue from contracts with customers | 59,603.85 | 65,107.65 |
| Revenue from other sources | 3,750.93 | 2,311.77 |
| **Total Revenue** | **63,354.77** | **67,419.42** |

**Disaggregation of revenue from contracts with customers**
In the following table, revenue is disaggregated by primary geographical market, major service lines and timing of revenue recognition:

(Amount in Lakhs)

| Particulars | Year ended 31st March 2020 | Year ended 31st March 2019 |
|---|---|---|
| **Type of services** | | |
| Management Fees | 59,603.85 | 65,107.65 |
| **Total** | **59,603.85** | **65,107.65** |
| **Geographical markets** | | |
| India | 59,027.85 | 64,649.65 |
| Outside India | 576.00 | 458.00 |
| **Total** | **59,603.85** | **65,107.65** |
| **Timing of revenue recognition** | | |
| At a point in time | | |
| Over a period of time | 59,603.85 | 65,107.65 |
| **Total** | **59,603.85** | **65,107.65** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Contract Balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

| Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| Receivables | 4,064.93 | 3,839.08 |

**34 Involvement with unconsolidated structured entities :**

The Company acts as the fund manager and therefore has a significant involvement with the funds.However, fund managers are subject to substantial investment restrictions and guidelines. In all cases, the Company could be removed without cause, by the majority of the unit holders. The Company does not have significant investments in the units of mutual funds. Therefore, the funds managed by the Company are not consolidated.

The following tables show the income & carrying amount of the company's recorded interest in the structured entities as well as the maximum exposure to risk due to these exposures in the unconsolidated structured entities and asset management activities:

(Amount in Lakhs)

| Particulars | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|---|---|---|---|
| | Total AUM of the schemes | Schemes subscribed by the Company | Total AUM of the schemes | Schemes subscribed by the Company |
| **Financial investments classified as FVTPL** | | | | |
| Kotak Mahindra Mutual Fund | **6,841,905.58** | **73,881.31** | **6,543,076.81** | **42,659.24** |

The following table sets out an analysis of the carrying amounts of interests held by the Company in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

(Amount in Lakhs)

| Carrying amount | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| Investment in schemes | 73,881.31 | 42,659.24 |
| Fees Receivable | 2,556.32 | 1,794.39 |

**35 Capital Disclosure :**

For the purpose of the company's capital management, capital includes issued capital and other equity reserves . The primary objective of the Group's Capital Management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

**36 Disclosure u/s. 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :**

(Amount in Lakhs)

| Particulars | 31st March 2020 | 31st March 2019 |
|---|---|---|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | - | - |
| Principal | - | - |
| Interest | - | - |
| The amounts of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) | - | - |
| The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006 | - | - |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

The above information is based on information available with the Company, with regard to amounts paid/payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). This information has been relied upon by the auditors.

**37 Lease Disclosures :**

**1 Leases**

Kotak Mahindra Asset Management Company Limited leases Premises. The average lease term is 6 - 9 years. The lease terms include renewal option after expiry of primary lease period. There are no restrictions imposed by lease arrangements. There are escalation clauses in the lease agreements.

**2 As a lessee**

Property, plant and equipment' comprise owned and leased assets that do not meet the definition of investment property

(Amount in Lakhs)

| | Note | 31st March, 2020 |
|---|---|---|
| Property, plant and equipment owned | 7 | 978.88 |
| Right-of-use assets, except for investment property | | 1,934.09 |

Kotak Mahindra Asset Management Company Limited leases Premises. Information about the leases for which Kotak Mahindra Asset Management Company Limited is a lessee is presented below:

**Right-of-use assets** (Amount in Lakhs)

| | Premises |
|---|---|
| **Balance as at 1 April 2019** | 1,572.55 |
| Additions to the right to use assets during 2020 | 642.70 |
| Depreciation charge for the year | (281.17) |
| **Balance as at 31 March 2020** | **1,934.09** |

**3 Amounts recognised in profit and loss** (Amount in Lakhs)

| | Year ended 31st March, 2020 |
|---|---|
| Interest expense on lease liabilities | 151.40 |
| Expense relating to short-term leases | 760.04 |
| Depreciation on right to use assets | 281.17 |

**4 The following is the movement in Lease liability during the year ended 31 March 2020 :**

(Amount in Lakhs)

| | Year ended 31st March, 2020 |
|---|---|
| **Opening as on 1st April,2019** | **1,718.47** |
| Additions to the lease liabilities during the year 2020 | 596.35 |
| Interest accrued during the year 2020 | 151.40 |
| Payment of Lease liabilities | (348.97) |
| **Balance as at 31 March 2020** | **2,117.26** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**5 Maturity analysis :**

(Amount in Lakhs)

| | Year ended 31st March, 2020 |
|---|---|
| **Contractual undiscounted cash flows** | |
| Not later than 1 year | 388.15 |
| Later than 1 year and not later than 5 years | 1,540.73 |
| Later than 5 years | 831.85 |
| **Total undiscounted lease liabilities** | **2,760.73** |

Kotak Mahindra Asset Management Company Limited does not face a significant liquidity risk with regard to its lease liabilities.

**6 Short term leases and Leases of low value assets**

Kotak Mahindra Asset Management Company Limited has elected not to recognise right of use assets and lease liabilities for short term leases of Premises that have a lease term of 12 months or less and leases of low value assets. Kotak Mahindra Asset Management Company Limited recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

**7 Impact on Financial Statements**

On transition to Ind AS 116, the Company recognised an additional of INR 1,572.55 Lakhs right of use asset and INR 1,718.47 Lakhs of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is between 7.99 % to 8.18 %.

**38 Tax expense :**

**(a) Amounts recognized in the Statement of Profit and Loss**

(Amount in Lakhs)

| Particulars | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|---|---|
| **Current tax expense** | | |
| Current period | 9,960.50 | 12,131.61 |
| Changes in estimated related to prior years | | |
| **Total current tax expense (A)** | **9,960.50** | **12,131.61** |
| **Net Deferred income tax liability / (asset)** | | |
| Origination and reversal of temporary differences | 881.40 | 111.24 |
| **Deferred tax expense (B)** | **881.40** | **111.24** |
| **Tax expense for the year (A)+(B)** | **10,841.89** | **12,242.85** |

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**(b) Amounts recognized in Other Comprehensive Income :**

(Amount in Lakhs)

| Particulars | For the year ended 31st March, 2020 | | | For the year ended 31st March, 2019 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax (expense) benefit | Net of tax | Before tax | Tax (expense) benefit | Net of tax |
| **Items that will not be reclassified to profit or loss** | | | | | | |
| (b) Remeasurements of defined benefit liability (asset) | 9.64 | (7.59) | 2.05 | (52.79) | 18.45 | (34.35) |
| **Total** | **9.64** | **(7.59)** | **2.05** | **(52.79)** | **18.45** | **(34.35)** |

**(c) Reconciliation of effective tax rate**

(Amount in Lakhs)

| Particulars | For the year ended 31st March, 2020 | | For the year ended 31st March, 2019 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| **Profit before tax** | **42,016.35** | | **35,142.82** | |
| Tax using the Company's domestic tax rate (Current year % Previous Year %) | 10,574.67 | 25.168% | 12,280.31 | 34.944% |
| Reduction in tax rate | 276.64 | 0.66% | | |
| | | | | |
| **Tax effect of:** | | | | |
| Non-deductible expenses | 116.10 | 0.28% | 215.32 | 0.61% |
| Effect of incomes which are taxed at different rate | (75.45) | -0.18% | (231.30) | -0.66% |
| Effect of different tax rate | (13.34) | -0.03% | (21.47) | -0.06% |
| Others | (36.72) | -0.09% | | |
| **Total income tax expenses** | **10,841.90** | **25.80%** | **12,242.86** | **34.84%** |

**(d)** The Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws [Amendment] Ordinance, 2019 dated September 20, 2019. Accordingly, the Company has recognized Provision for Income Tax for the year ended March 31, 2020 and re-measured its net Deferred Tax Liabilities basis the rate prescribed in the said section and recognised the impact of the above changes up to March 31, 2020 in the financial statements for the year ended March 31, 2020.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Movement in deferred tax balances**

(Amount in Lakhs)

| Particulars | 31-Mar-20 | | | | | |
|---|---|---|---|---|---|---|
| | **Net balance 31-Mar-19** | **Recognized in profit or loss** | **Recognized in OCI** | **Net** | **Deferred tax asset** | **Deferred tax liability** |
| **Deferred tax asset/(liabilities)** | | | | | | |
| Property, plant and equipment | 256.93 | 3.34 | | 260.27 | 260.27 | - |
| Security deposits | 1.07 | (0.14) | | 0.93 | 0.93 | - |
| Profit on sale of Mutual Fund | 93.55 | 1.83 | | 95.38 | 95.38 | - |
| Employee benefits | 344.63 | (261.16) | | 83.47 | 83.47 | - |
| Actuarial gain/loss - OCI | - | 7.59 | (7.59) | - | - | - |
| Impairment on financial instruments | 7.10 | 1.52 | | 8.62 | 8.62 | - |
| Cash-settled share-based payments | 277.47 | (56.93) | | 220.54 | 220.54 | - |
| Lease Liabilities | - | 56.84 | | 56.84 | 56.84 | - |
| Investments | (645.45) | (683.63) | | (1,329.08) | - | (1,329.08) |
| **Total** | **335.30** | **(930.73)** | **(7.59)** | **(603.02)** | **726.04** | **(1,329.08)** |

(Amount in Lakhs)

| Particulars | 31-Mar-19 | | | | | |
|---|---|---|---|---|---|---|
| | **Net balance 1-Apr-18** | **Recognized in profit or loss** | **Recognized in OCI** | **Net** | **Deferred tax asset** | **Deferred tax liability** |
| **Deferred tax asset/(liabilities)** | | | | | | |
| Property, plant and equipment | 141.65 | 115.28 | | 256.93 | 256.93 | - |
| Security deposits | 0.98 | 0.09 | | 1.07 | 1.07 | - |
| Profit on sale of Mutual Fund | 58.90 | 34.65 | | 93.55 | 93.55 | - |
| Employee benefits | 295.18 | 49.45 | | 344.63 | 344.63 | - |
| Actuarial gain/loss - OCI | | (18.45) | 18.45 | - | - | - |
| Impairment on financial instruments | 6.73 | 0.37 | | 7.10 | 7.10 | - |
| Cash-settled share-based payments | 151.80 | 125.67 | | 277.47 | 277.47 | - |
| Investments | (227.15) | (418.30) | | (645.45) | - | (645.45) |
| **Total** | **428.09** | **(111.24)** | **18.45** | **335.30** | **980.75** | **(645.45)** |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgment is required in determining provision for income tax, deferred income tax assets and liabilities and recoverability of deferred income tax assets. The recoverability of deferred income tax assets is based on estimates of taxable income in which the relevant entity operates and the period over which deferred income tax assets will be recovered.

# Schedules

forming part of Balance Sheet and Profit and Loss Account

**Note 39:**

The Company and employees of the Company has received a show cause notice dated 10 May 2019 and 31 May 2019 respectively and additional show cause notice to the Company on June 12 2019. wr.t to delayed payment of part proceeds in certain FMP's, on account of delay in realization from underlying investments in Essel Group of companies by these FMP's The company has appropriately responded to these notices in consultation with lawyers. No order have been received there against till date.

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

| | |
|---|---|
| **Nilesh Shah**<br>Managing Director | **Gaurang Shah**<br>Director |
| **Krishnan Ramchandran**<br>Chief Financial Officer | **Jolly Bhatt**<br>Company Secretary |

Mumbai
Dated: June 11, 2020

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