

Never normal

Kotak Mahindra, Inc.

Annual Report 2020-21

Contents

Directors' Report.....	02
Independent Auditor's Report	04
Balance Sheet	06
Profit and Loss Account	07
Cash Flow Statements.....	08
Schedules forming part of the Financial Statements	09

Directors' Report

To

The shareholders of

KOTAK MAHINDRA INC

The Directors have pleasure in presenting their Annual Report together with the audited accounts of your Company for the year ended 31st March, 2021.

OPERATIONS

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

FINANCIAL RESULTS AND DIVIDENDS

The Company's profit after tax, for the financial year ended 31st March, 2021 amounted to ₹ 5.58 crore (Previous Year Loss ₹ 2.31 crore). The Directors do not recommend any dividend for the year under review.

BUSINESS MODEL:

The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equities executed on the Indian exchanges by its India affiliate, Kotak Securities ("KS"), under Rule 15a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same Rule. The Company also engages in private placements for funds in the U.S. that are available only to 3(c)(7) investors. The Company also refers clients to its affiliate for investment related services.

BUSINESS UPDATE:

The total revenue for the year was ₹ 32.82 crore, compared to ₹ 23.67 crore last year. The Company continued to expand its relationships with its existing institutional investors under all business lines. Service fees accounted for the bulk of the increase in revenue, largely on account of revenue received from its Indian affiliate for providing chaperoning services. Total expenses increased slightly from ₹ 25.95 crore to ₹ 27.20 crore in current year mainly on account of increase in staff costs and also accompanied by drop in other operating expenses due to the COVID situation. As a result, the Company made a profit before tax of ₹ 5.62 crore compared to a loss of ₹ 2.27 crore in the previous year.

The efforts put in by the Company to augment its clientele and to rationalise its business lines have paid off during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as an averment of their responsibility that:

- a. The Company has, in the preparation of the annual accounts for the year ended 31st March, 2021, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2021, and of the profit of the Company for the financial year ended 31st March, 2021;

- c. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors have prepared the annual accounts on a going concern basis.

For and on Behalf of the Board of Directors

Gijo Joseph
Director

Date: 27th April, 2021

Independent Auditor's Report

To,
The Members of

KOTAK MAHINDRA INC

The financial statements of KOTAK MAHINDRA INC (the "Company") as at 31st March, 2021, being a company registered in the United States of America, are audited by Citrin Cooperman & Company, LLP, Certified Public Accountants, New Jersey and we have been furnished with their audit report dated 20th April, 2021.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of KOTAK MAHINDRA INC ("the Company"), which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2021, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility

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

As stated hereinabove we have relied upon the audit conducted by Citrin Cooperman & Company, LLP, Certified Public Accountants, New Jersey and based thereon we state that:

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

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

Report on Other Legal and Regulatory Requirements

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

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

Place: Mumbai
Date: 30th April, 2021
UDIN: 21042649AAKQS3637

A.N. Shah
Partner
M. No. 042649

Balance Sheet

as at 31st March, 2021

(Amount in ₹)

Particulars	Schedule	As at 31 st March, 2021	As at 31 st March, 2020
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	698,645	698,645
(b) Reserves and surplus	3.2	104,945,931	51,742,625
2 Non-current liabilities			
(a) Long-term borrowings		219,330,000	226,995,000
(b) Long-term provisions	3.3	15,855,553	7,672,188
3 Current liabilities			
(a) Trade payables			
1. Total outstanding dues of micro and small enterprises		-	-
2. Total outstanding dues of creditors other than micro enterprises and small enterprises		4,464,072	7,329,305
(b) Short-term provisions	3.4	33,997,902	12,957,565
TOTAL		379,292,103	307,395,328
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment and intangible assets	3.5	1,396,592	2,760,168
(b) Non-current investments	3.6	10,967	11,350
(c) Long-term loans and advances	3.7	3,401,993	3,520,883
2 Current assets			
(a) Trade receivables	3.8	29,620,694	19,839,103
(b) Cash and Cash Equivalents	3.9	300,620,681	276,700,447
(c) Short-term loans and advances	3.10	5,951,667	4,563,377
(d) Other current assets	3.11	38,289,510	-
TOTAL		379,292,103	307,395,328
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date

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

Chartered Accountants

Firm Registration No. 109818W

A.N. Shah

Partner

Membership No. 042649

Mumbai

Dated: 28th April, 2021

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Christopher Daniel

Director

Dated: 27th April, 2021

Profit and Loss Account

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	Schedule	For the yearended 31 st March, 2021	For the year ended 31 st March, 2020
I. Revenues from operations			
(a) Revenue from research distribution		36,652,048	24,106,231
(b) Referral Fee Income		62,727,034	81,581,656
(c) Service fee income		225,730,027	129,228,445
II. Other income	3.12	3,131,140	1,823,758
III. Total Income (I+II)		328,240,249	236,740,091
IV. Expenses:			
Employee Benefit Expenses	3.13	236,704,091	212,726,104
Finance cost		4,203,566	1,985,281
Depreciation and Amortisation expense	3.5	1,230,535	1,274,588
Other expenses	3.14	29,867,228	43,478,978
Total expenses		272,005,420	259,464,951
V. PROFIT/(LOSS) BEFORE TAX		56,234,829	(22,724,860)
VI. Tax expense:			
Current tax			
- Pertaining to profit/ (loss) for the current period		500,034	308,507
- Adjustment of tax relating to earlier periods		(83,809)	54,355
		416,225	362,863
VII. PROFIT/(LOSS) FOR THE YEAR		55,818,604	(23,087,723)
VIII. Earnings/(loss) per equity share (in ₹):			
Basic and Diluted	3.22	36.47	(15.08)
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date

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

Chartered Accountants

Firm Registration No. 109818W

A.N. Shah

Partner

Membership No. 042649

Mumbai

Dated: 28th April, 2021

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Christopher Daniel

Director

Dated: 27th April, 2021

Cash Flow Statement

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	For the Year ended 31 st March, 2021	For the Year ended 31 st March, 2020
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	56,234,829	(22,724,860)
Adjustments for:		
- Dividend income	(43,649)	(228,636)
- Loss on disposal of fixed asset	59,353	0
- Interest Expense	4,203,566	1,985,281
- Exchange Adjustments	(2,541,227)	4,552,508
- Loss on sale of investments	0	2,190,670
- Depreciation and Amortisation Expense	1,230,535	1,274,588
Operating Profit before Working Capital Changes	59,143,407	(12,950,449)
Adjustments for:		
(Increase) / Decrease in Trade Receivable	(10,819,941)	(6,098,079)
Increase / (Decrease) in Long-term provisions	8,183,365	(298,350)
(Increase) / Decrease in Other current assets	(39,327,861)	0
(Increase) / Decrease in Long-term loans and advances	118,891	(302,927)
Increase / (Decrease) in Short term provisions	21,040,337	(2,185,751)
(Increase) / Decrease in Short-term loans and advances	(1,388,290)	1,567,379
Increase / (Decrease) in Trade payables	(2,865,233)	1,989,402
Cash Generated from Operations	34,084,675	(18,278,773)
Direct taxes (paid)/ refund	(416,225)	(362,863)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	33,668,450	(18,641,636)
Cash Flow from Investing Activities		
Purchase of fixed assets	-	(656,524)
Proceeds from Purchase/Sale of Investments	-	10,573,353
Fixed Deposits (Placed)/Redeemed during the year	50,509,000	(165,609,250)
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	50,509,000	(155,692,421)
Cash Flow from Financing Activities		
Dividend Income	43,649	0
Interest Expense	(4,203,566)	(1,985,281)
Proceeds/(Repayment) of subordinated loan	(7,665,000)	226,995,000
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(11,824,917)	225,009,719
Net Increase in Cash and Cash Equivalents (A + B)	72,352,533	50,675,663
Cash and Cash Equivalents at the beginning of the year	79,971,447	29,295,784
Cash and Cash Equivalents at the end of the year	154,400,681	79,971,447
	74,429,235	50,675,663

Notes:

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

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

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

A.N. Shah
Partner
Membership No. 042649

Mumbai
Dated: 28th April, 2021

For and on Behalf of the Board of Directors

Gijo Joseph
Director

Christopher Daniel
Director

Dated: 27th April, 2021

Schedules

Forming part of the Financial Statements as at 31st March, 2021

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra, Inc. (the "Company"), a majority owned subsidiary of Kotak Mahindra Bank Limited (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equities executed on the Indian exchanges by its India affiliate, Kotak Securities (KS) under Rule 15-a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same rule. The company also engages in private placements for funds in the U.S. that are available only to 3(c)(7) investors. These funds are managed by its affiliates Kotak Mahindra Asset Management (Singapore) Pte. Ltd. (KMAMS) and Kotak Mahindra (International) Limited (KMIL). The Company also refers clients to KMAMS and KMIL for investment related services

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

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

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

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

2.4 Revenue Recognition

The Company receives referral fees for referring clients to fellow subsidiaries of the Company. The Company also receives fees for providing research to clients and records the income at the time the services are provided.

The Company also receives service fee income from its affiliates, Kotak Securities Limited, Kotak Mahindra (UK) Limited (KMUK). and Kotak Mahindra (International) Ltd. as compensation for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934 and referral and distribution fees from from KMIL, KMAMS and KMUK.

2.5 Fixed Assets

Property, Plant and Equipment

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

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

Schedules

Forming part of the Financial Statements as at 31st March, 2021

Furniture and Fittings	7 years
Office Equipment	5 years
Computers	3 years

For leasehold improvements, depreciation is provided over the lesser of the economic use of the improvement or the term of the lease.

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

2.6 Investments

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

2.7 Leases

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

2.8 Cash and cash equivalents

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

2.9 Taxes

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

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

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

2.10 Earnings per share

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

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

2.11 Provisions and Contingencies

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

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

Schedules

Forming part of the Financial Statements as at 31st March, 2021

Subsequent Events

The Company has evaluated events occurring after the date of the statement of financial condition for potential recognition or disclosure in its financial statements. The Company did not identify any material subsequent events requiring adjustment to or disclosure in its financial statements, except as described below.

In the first quarter of 2020, the outbreak of COVID-19 was declared a pandemic. In an attempt to contain the spread and impact of the pandemic, travel bans and restrictions, quarantines, shelter-in-place orders and other limitations on business activity were implemented. Additionally, there has been a decline in global economic activity, reduced U.S. and global economic output and a deterioration in macroeconomic conditions in the U.S. and globally. This pandemic and the consequent lockdown has taken toll on human life and impacted a whole range of economic activities adversely. Although vaccines have been administered to more people in U.S. and around the globe, COVID-19 cases have significantly increased in recent months across many regions of the world. In response to the pandemic, the Company has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The Company is closely monitoring the impact of the outbreak of COVID-19 on all aspects of business. The Company, however, has not experienced any significant disruptions in the past one year and did not have a materially adverse effect on reported results. The future direct and indirect impact of COVID-19 on Company business, results of operations, financial position and cash flows remains uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. "

2.12 Employee Share based payments

Cash-settled scheme:

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

Schedules

Forming part of the Financial Statements as at 31st March, 2021

SCHEDULE 3 NOTES TO ACCOUNTS

3.1 (a) Share capital

(Amount in ₹)

Share Capital	As at 31 st March, 2021	As at 31 st March, 2020
Authorised shares		
2,000,000 (31 st March, 2020: 2,000,000) equity shares of USD 0.01 each	USD 20,000	USD 20,000
Issued, Subscribed and fully Paid up		
1,530,621 (31 st March, 2020: 1,530,621) Equity Shares of USD 0.01 each	698,645	698,645
Total	698,645	698,645

(b) Equity shares

Reconciliation of equity share capital	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	2,000,000	93,970,000	2,000,000	161,597,644
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	2,000,000	93,970,000	2,000,000	161,597,644

(c) Terms/rights attached to equity shares

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

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

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

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

Number of equity share	As at 31 st March, 2021	As at 31 st March, 2020
Kotak Mahindra Bank Limited, the holding company	780,620	780,620
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	750,000
Kotak Mahindra (International) Limited, fellow subsidiary	1	1

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

Equity shares of SGD 1 fully paid up

	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020
	number	% holding	number	% holding
Kotak Mahindra Bank Limited, holding company	780,620	51.00%	780,620	51.00%
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	48.99%	750,000	48.99%

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.2 Reserves and Surplus

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
a. Securities Premium Reserve		
Opening Balance	34,033,725	34,033,725
Closing Balance	34,033,725	34,033,725
b. Translation Reserve		
Opening Balance	111,441,510	106,371,702
Additions/(deductions) during the period	(2,615,298)	5,069,808
Closing Balance	108,826,213	111,441,510
c. Surplus in the statement of profit and loss		
Opening balance	(93,732,610)	(70,644,887)
Net Loss For the current year	55,818,604	(23,087,723)
Less: Appropriations		
Dividend on equity shares for the year	-	-
Closing Balance	(37,914,006)	(93,732,610)
Total	104,945,931	51,742,625

3.3 Long-term provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.25)	14,987,314	7,672,188
Deferred Incentive	868,238	-
Total	15,855,553	7,672,188

3.4 Short-term Provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provision for employee benefits		
Provision for Stock Appreciation Rights (refer note 3.25)	33,029,773	12,957,565
Deferred Incentive	968,128	-
Total	33,997,902	12,957,565

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.5 Property, Plant and Equipment

(Amount in ₹)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 st April, 2020	Additions	Deduction/ Adjustments*	Balance as at 31 st March, 2021	Balance as at 1 st April, 2020	Depreciation charge for the year	Deduction/ Adjustments*	Balance as at 31 st March, 2021	Balance as at 31 st March, 2021	Balance as at 31 st March, 2020
Property, Plant and Equipment										
Furniture and Fixtures	2,468,890	-	83,368	2,385,522	1,596,508	406,408	60,058	1,942,858	442,664	872,382
Office equipment	1,732,677	-	58,508	1,674,169	1,173,023	203,949	42,695	1,334,277	339,893	559,654
Leasehold Improvements	551,027	-	18,607	532,420	378,271	84,734	14,055	448,950	83,470	172,756
Computer & Software	2,703,571	-	442,966	2,260,605	1,548,194	535,444	353,598	1,730,041	530,564	1,155,377
Total	7,456,164	-	603,448	6,852,716	4,695,996	1,230,535	470,407	5,456,125	1,396,592	2,760,168
Previous Year	6,291,819	656,524	(507,821)	7,456,164	3,166,000	1,274,588	(255,408)	4,695,996	2,760,168	3,125,820

* Deduction / adjustments includes effect of Translation Reserve of ₹ 246,372 (Previous Year ₹ 628,560) under Gross Block and ₹ 172,684 (Previous Year ₹ 376,148) under Accumulated Depreciation

Particulars	Gross Block				Depreciation				Net Block	
	As at 01-04-2020	Additions	Deductions	As at 31-03-2021	As at 01-04-2020	For the Period	Deductions	As at 31-03-2021	As at 31-03-2021	As at 31-03-2020
Office Equipment	22,899	-	-	22,899	15,503	2,747	-	18,250	4,649	7,396
Computers	35,731	-	(4,810)	30,921	20,461	7,213	(4,011)	23,664	7,257	15,270
Furniture & Fixtures	32,629	-	-	32,629	21,100	5,475	-	26,574	6,055	11,530
Leasehold Improvements	7,282	-	-	7,282	4,999	1,141	-	6,141	1,142	2,283
Total	98,542	-	(4,810)	93,732	62,063	16,577	(4,011)	74,629	19,103	36,479

3.6 Non Current Investments

	Face Value	As at 31 st March, 2021		As at 31 st March, 2020	
		Quantity	₹	Quantity	₹
Other Non-current Investments					
National Association of Security Dealers	USD 0.50	300	10,967	300	11,350
Total Non Current Investments			10,967		11,350
Aggregate amount of quoted investments			10,967		11,350
Market Value of quoted investments			3,234,240		2,155,318

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.7 Long-term loans and advances

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good		
Deposits	3,401,993	3,520,883
Total	3,401,993	3,520,883

3.8 Trade Receivables

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good, unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	-	-
Others	29,620,694	18,800,753
Total	29,620,694	18,800,753

3.9 Cash and cash equivalents

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Balances with banks:		
On Current accounts	154,400,681	79,971,447
Other Bank Balances		
Deposits with original maturity of more than 3 months	146,220,000	196,729,000
Total	300,620,681	276,700,447

3.10 Short-term loans and advances

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Prepaid expenses	5,951,667	4,563,377
Total	5,951,667	4,563,377

3.11 Other Current Assets

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Interest accrued on loan	1,734,510	1,038,351
Deposit with clearing House	36,555,000	-
Total	38,289,510	1,038,351

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.12 Other income

(Amount in ₹)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Interest income on fixed deposits	3,087,490	1,595,106
Dividend Income	43,649	228,636
Total	3,131,140	1,823,758

3.13 Employee benefit expense

(Amount in ₹)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Salaries, bonus and allowances	141,775,358	154,000,894
Expenses on Stock Appreciation Rights	57,756,349	23,128,558
Employer Contribution	3,670,054	3,560,554
Staff welfare expenses	33,502,330	32,036,098
Total	236,704,091	212,726,104

3.14 Other expenses

(Amount in ₹)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Rent, rates & taxes	9,400,081	8,749,822
Communication expenses	5,637,595	5,889,871
Advertising, Business Promotion and Entertainment	1,534,695	2,073,405
Repairs and maintenance	1,826,805	1,814,776
Royalty	1,023,622	-
Travel expenses	-	11,023,460
Insurance	913,134	1,288,346
Professional and legal fees	3,134,957	3,378,950
Auditor's remuneration		
- Statutory audit fees and other matters	2,333,369	2,176,341
- Internal audit fees	408,282	389,771
Miscellaneous expenses	630,008	1,687,731
Loss on disposal of asset	59,353	-
Licensing Charges	2,965,327	2,815,833
Loss on sale of Investments	-	2,190,670
Total	29,867,228	41,288,308

Schedules

Forming part of the Financial Statements as at 31st March, 2021

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

3.18 Operating leases

At 31st March, 2021, the Company was committed to making the following lease rental payments under a non-cancellable operating lease:

Particulars	(Amount in ₹)	
	2021	2020
Payable:		
- Within one year	4,120,260	3,996,711
- Between two and five years	1,396,693	5,328,948
	5,516,954	9,325,658

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

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

3.17 Revenue from Contracts with customers -service income

The Company receives service fee income from its affiliates, Kotak Securities Limited, Kotak Mahindra (International) Ltd, Kotak Mahindra (UK) Ltd. as compensation for providing chaperoning services to US clients under rule 15a-6 of the Securities Exchange Act of 1934 and from Kotak Mahindra Asset Management (Singapore) Pte. Ltd for other services. The Company through its affiliates buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the affiliate charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the affiliate fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. The commissions earned by the affiliates are shared with the Company in similar ways under the four service contracts. Effective April 1, 2019, the Company earns a share of the revenue earned by Kotak Securities based on the roles and responsibilities of Kotak Securities and the Company as set out in the agreement, in furthering the business of Kotak Securities in the U.S.A. (by increasing number of institutional investors). Further, under its service contract with Kotak Mahindra (International) Limited, the Company gets a share of the commission earned by the affiliate. Under the service contract with Kotak Mahindra (UK) Ltd, the Company gets a share of the revenue on each trade charged by Kotak Mahindra (UK) Ltd. Under the service contract with Kotak Mahindra Asset Management (Singapore) Pte. Ltd., the Company gets a share of the revenue earned by Kotak Mahindra Asset Management (Singapore) Pte. Ltd.

3.18 Revenue from Contracts with customers -referral fee income

The Company receives referral fee shares from its affiliates such as Kotak Mahindra (International) Ltd, and Kotak Mahindra (UK) Ltd. and certain third-party investment managers for referring clients. The Company through its affiliates earns referral fee from affiliated private funds and certain managed accounts. Such fees are based on a percentage applied to the customer's assets under management. The Company received 50% of the monthly fees which is recognised when the services are performed and the performance obligation is satisfied.

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.19 Revenue from Contracts with customers - Revenue from Research Distribution/Advisory Income

The Company receives fees from providing research to clients. Revenue is recognised once an arrangement exists and access to research has been provided.

The Company receives advisory income from providing cross border advisory services to clients. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company.

The Company receives a fixed annual payment for services provided.

All revenue recognised in the statement of operations is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue by product and customer for the year ended 31st March, 2021 and the amount due/payable from/to customers and affiliates at 31st March, 2021:

Particulars	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Service Income				
Kotak Securities Limited	₹ 145,427,765	₹ 19,944,042	₹ 79,396,687	₹ 12,602,460
Kotak Mahindra Asset Management (Singapore) Pte, Ltd.	₹ 41,620,569	₹ 709,971	₹ 32,975,569	₹ 1,026,547
Kotak Mahindra (International) Ltd.	₹ 32,284,346	₹ 1,265,900	₹ 11,671,310	₹ 3,523,568
Kotak Mahindra (UK) Ltd.	₹ 1,201,092	₹ 40,211	₹ 224,154	₹ 0
Total	₹ 220,533,772	₹ 21,960,124	₹ 124,267,720	₹ 17,152,575
Referral Fees				
Kotak Mahindra (International) Ltd.	₹ 26,267,679	₹ 4,318,535	₹ 20,076,904	₹ 1,257,552
Kotak Mahindra (UK) Ltd.	₹ 6,599,991	₹ 597,309	₹ 35,679,022	₹ 220,412
Unaffiliated	₹ 29,859,374	₹ 0	₹ 25,825,818	₹ 0
Total	₹ 62,727,044	₹ 4,915,843	₹ 81,581,745	₹ 1,477,964
Referral Fees				
Kotak Mahindra (UK) Ltd.	₹ 0	₹ 0	₹ 0	₹ 1,108,417
	₹ 0	₹ 0	₹ 0	₹ 1,108,417
Revenue from Research Distribution				
Unaffiliated	₹ 36,652,073	₹ 1,078,373	₹ 24,106,218	₹ 170,246
Total	₹ 36,652,073	₹ 1,078,373	₹ 24,106,218	₹ 170,246
Advisory Income				
Unaffiliated	₹ 5,196,317	₹ 0	₹ 4,960,725	₹ 0
Total	₹ 5,196,317	₹ 0	₹ 4,960,725	₹ 0

The amount due from Kotak Mahindra (International) Ltd. is net of interest of approximately ₹ 166,398 on subordinated loan payable to it and also net of ₹ 374,951 referral fees paid to it

For the year ended 31st March, 2021, the Company received service fee income from Kotak Securities Limited of ₹ 145,427,765, which amounted to approximately 44% of total revenues of ₹ 329,410,643.

During the year ended 31st March, 2021, the Company paid royalty fees of ₹ 1,023,600 to the Parent.

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.20 Liabilities subordinated to claims of general creditors

Liabilities subordinated to the claims of general creditors have been approved by FINRA for inclusion in computing the Company's net capital pursuant to the SEC Uniform Net Capital Rule. Of the ₹ 219,330,000 subordinated loan, ₹ 73,110,000 matures on June 16th, 2025 and with an interest rate of 1.08%. The remaining ₹ 146,220,000 matures on February 14, 2026 with an interest rate of 0.80%. The interest expense was ₹ 4,203,598 for the year ended 31st March, 2021.

Subordinated debt can be withdrawn by the lender at the stated maturity dates or the Company can pay all or portion of the principal amount at any time subsequent to one year from the effective date of the agreement. Any subordinated debt can be repaid only if, after giving effect to such repayment, the Company meets the SEC's capital regulations governing withdrawal of subordinated debt.

3.21 Income Taxes

As at 31st March, 2021, the Company had net operating loss carry forwards of approximately ₹ 226,641,000 and ₹ 402,105,000 for federal and state income tax purposes, respectively. No deferred tax assets as at 31st March, 2021 has been recognised on account of carry forward of losses as there is no virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised.

3.22 Earnings per equity share

(Amount in ₹)

Particulars	As at	As at
	31 st March, 2021	31 st March, 2020
Earnings / (loss) used in the computation of basic and diluted earnings per share (₹) (A)	55,818,604	(23,087,723)
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,530,621	1,530,621
Nominal value of Equity shares	\$0.01	\$0.01
Basic and diluted earnings / (loss) per share (₹) (A/B)	36.47	(15.08)

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

(Amount in ₹)

Particulars	Financial Year 21	Financial Year 20
i) Lease payments for the year	9,400,081	8,749,822

ii) Aggregate future minimum annual rental payments for the years subsequent to 31st March, 2021 are approximately as follows:

(Amount in ₹)

	Year ending	Year ending 3
	31 st March, 2021	1 st March, 2020
Not later than one year	8,109,075	7,515,853
Later than one year but not later than five years	4,812,161	12,335,410
Later than five years	-	-
Total	12,921,236	19,851,262

The Company's lease provides for a period of free rent. In accordance with AS-19 "Leases", the aggregate of the total minimum lease payments under the lease is being amortised on the straight-line basis over the lease term. The difference between rent expense calculated on the straight-line basis and amounts paid in accordance with the terms of the leases (deferred rent) amounted to ₹ 1,061,460 at 31st March, 2021.

3.24 Contingencies, other commitments and concentration of credit risk

Contingencies

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

Concentration of Credit Risk From time to time, the Company maintains its cash and cash equivalents in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of 18,277,500 ₹ The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents."

Schedules

Forming part of the Financial Statements as at 31st March, 2021

3.25 STOCK APPRECIATION RIGHTS (SARS)

At the General Meeting on 29th June, 2015 of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had passed Special Resolution to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme. The SARs granted and outstanding prior to approval of this scheme will continue. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1 to 3.67 years.

Detail of activity under SAR is summarised below:

	No. of SARs	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Outstanding at the beginning of the year	142,336	100,330
Granted during the year	39,380	82,330
Additions/Reduction due to transfer of employees	-	-
Exercised during the year	57,177	39,910
Expired / Forfeited during the year	-	414
Outstanding at the end of the year	124,539	142,336

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

Year ended 31 st March,	(Amount in ₹)	
	2021	2020
Total Employee Compensation Cost pertaining to share-based payment plans	57,756,349	23,128,558
Closing balance of liability for cash-settled options	48,017,087	20,629,753

Had the Company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹ 3,169,251 (Previous year higher by ₹ 4,842,693) with a decrease in after tax loss by ₹ 3,169,251 (Previous year after tax loss would have been higher by ₹ 4,842,693).

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

In terms of our report of even date

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

Chartered Accountants

Firm Registration No. 109818W

A.N. Shah

Partner

Membership No. 042649

Mumbai

Dated: 28th April, 2021

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Christopher Daniel

Director

Dated: 27th April, 2021



Kotak Mahindra, Inc.
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Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 2913169