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Kotak Mahindra (International) Limited

Annual Report 2020-21

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Directors' Report

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors present their report and the audited financial statements of Kotak Mahindra (International) Limited (the "Company") for the year ended 31st March, 2021.

PRINCIPAL ACTIVITY

The Company acts as an investment manager to various funds which predominantly invest into equity and debt capital markets in India (including private equity strategies). It also carries on business in other financial services including dealing in securities on an execution-only basis, advisory services, distribution of various collective investment schemes and products of third parties, issuance of Participatory Notes ("P Notes") [as per regulations prescribed for Offshore Derivative Instruments ("ODI") by the Securities and Exchange Board of India ("SEBI")]. The Company also undertakes investments in shares, bonds and other securities for its own account.

MARKET AND BUSINESS UPDATE:

Being largely focused on India investments, the Company's activities are impacted by the performance of the Indian capital markets. This in turn is dependent on the economic growth in India along-with developments at the macro and micro level and those of other major global economies.

Most of 2020 was a challenging year, with the COVID-19 pandemic which first struck in March 2020 taking its toll on lives and businesses. Initially from absolute uncertainty, both on health and economic front, the world did move decisively on a positive trend in subsequent months with development and roll out of vaccines against the virus and gradual opening up of economic activities.

India witnessed a sharp deterioration in business conditions earlier during the year; as large parts of the economy were locked down on account of the pandemic. As such, growth also deteriorated sharply with the Gross Domestic Product ("GDP") contracting by about 24% and 7.5% during the quarter ended 30th June, 2020 and 30th September, 2020 respectively when compared to corresponding periods of the previous year. However, there was a turnaround in GDP subsequently as economic activities showed signs of returning to normalcy with the economy being opened up and roll out of vaccine against the virus. The NIFTY 50 index in India ended the financial year ended 31st March, 2021 with a return of 76% in US Dollar ("USD") terms.

FUTURE OUTLOOK:

India is currently witnessing the second wave of the COVID-19 pandemic leading to fresh restrictions being imposed across the country. Though this will impact the pace of recovery, it is expected not to have any long lasting detrimental impact on the economy. The global investors view and interest in Indian capital markets will be determined by the pace at which the Indian and global economies recover from the aftermath of the pandemic aided with the vaccine and better treatment protocols. Accordingly, the Company is cautiously optimistic across all its business verticals of investment management, investment advisory and dealing in securities. On proprietary activity, it will continue to build a low risk investment portfolio and ensure appropriate utilisation of its capital resources.

RESULTS AND DIVIDEND

The Company's profit for the financial year ended 31st March, 2021 amounted to ₹ 864,230,491 (2020: ₹ 238,066,415).

The Company declared and paid a dividend of ₹ NIL (2020: ₹ NIL) during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31st March, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, 2001. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of the Companies Act, 2013 in India.

The Board of Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and has no reason to believe that the business will not be a going concern in the year ahead.

AUDITORS

The present auditors, Ernst & Young have indicated their willingness to continue in office as statutory auditors of the Company.

Independent Auditor's Report

To,

The Members of

KOTAK MAHINDRA (INTERNATIONAL) LIMITED.

The financial statements of KOTAK MAHINDRA (INTERNATIONAL) LIMITED (the "Company") as at 31st March, 2021, being a company registered in the Mauritius, are audited by Ernst & Young, Mauritius and we have been furnished with their audit report dated 29th 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 (INTERNATIONAL) LIMITED** ("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 Ernst & Young, Mauritius 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: 01st May, 2021
UDIN: 21042649AAKQZ1673

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	161,597,644	161,597,644
(b) Reserves and surplus	3.2	7,514,166,428	6,901,655,702
2 Non-current liabilities			
(a) Long-term provisions	3.3	10,147,434	7,750,053
(b) Deferred tax liability	3.26	79,641	141,765
3 Current liabilities			
(a) Short-term borrowings	3.4	1,956,050,202	1,972,268,265
(b) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises; and		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		1,571,448,563	589,881,987
(c) Other current liabilities	3.5	23,835,319	93,425,364
(d) Short-term provisions	3.6	23,060,723	16,073,995
Total		11,260,385,954	9,742,794,776
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.7	390,306	138,193
(b) Non-current investments	3.8	637,411,977	856,543,624
(c) Long-term loans and advances	3.9	242,830,589	252,077,105
2 Current assets			
(a) Current investments	3.8	8,384,578,936	5,299,332,645
(b) Trade receivables	3.10	146,989,048	627,767,887
(c) Cash and cash equivalents	3.11	1,565,032,368	2,137,844,792
(d) Short-term loans and advances	3.12	12,578,724	8,723,730
(e) Other current assets	3.13	270,574,008	560,366,801
Total		11,260,385,954	9,742,794,776
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: 01st May, 2021

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Thirumagen Vaitilingon

Director

Dated: 01st May, 2021

Profit and Loss Account

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	Schedule	For the year 31 st March, 2021	For the year 31 st March, 2020
I. Revenues from operations			
(a) Income from Services (net)		506,105,910	367,348,310
(b) Income from Investments (net)		592,212,370	156,258,656
II. Other income	3.14	36,969,870	64,976,121
III. Total Revenue		1,135,288,150	588,583,087
IV. Expenses:			
Employee Benefit Expenses	3.15	106,602,498	93,929,643
Finance Costs	3.16	39,780,279	162,932,704
Depreciation and Amortisation expense	3.7	165,820	65,148
Other Expenses	3.17	65,802,336	76,578,838
Total Expenses		212,350,935	333,506,334
V. PROFIT/(LOSS) BEFORE TAX		922,937,216	255,076,754
VI. Tax expense:			
Current tax			
- Pertaining to profit/ (loss) for the current period		58,920,759	16,953,004
- Adjustment of tax relating to earlier periods		(155,815)	2,339
Deferred Tax		(58,218)	54,996
		58,706,725	17,010,338
VII. PROFIT/(LOSS) FOR THE YEAR		864,230,491	238,066,415
VIII. Earnings/(loss) per equity share (in ₹) :			
Basic & Diluted	3.24	211.74	58.33
Significant accounting policies and notes to the financial statements	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: 01st May, 2021

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Thirumagen Vaitilingon

Director

Dated: 01st May, 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 before taxation	922,937,216	255,076,754
Adjustments for:		
Depreciation and Amortisation Expense	165,820	65,148
Dividend Income	-	(295,517,475)
Interest Income	(289,817,768)	(365,335,123)
Interest and other Financial Charges	39,780,279	162,932,704
Exchange Adjustments	(251,711,161)	594,877,667
Amortisation of premium/ accretion of discount on bonds and convertible bonds	15,685,474	69,646,086
Realised loss/ (gain) on disposal of investments	(14,845,179)	(51,961,485)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	422,194,682	369,784,276
Adjustments for:		
(Increase) / Decrease in Loans and advances - Long term	9,246,516	(224,602,315)
(Increase) / Decrease in Loans and advances - Short term	(3,854,994)	(4,012,169)
(Increase) / Decrease in Trade receivables	480,778,839	(391,607,866)
(Increase) / Decrease in Current assets	287,156,293	(416,331,840)
Increase / (Decrease) in Trade payables	981,566,576	(560,072,790)
Increase / (Decrease) in Other current liabilities	(69,590,045)	35,468,305
Increase / (Decrease) in long term provision	2,397,381	(2,750,107)
Increase / (Decrease) in Short term provision	4,655,572	(2,664,351)
CASH GENERATED FROM OPERATIONS	2,114,550,820	(1,196,788,859)
Income taxes paid	(56,437,693)	(19,973,509)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	2,058,113,127	(1,216,762,367)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(5,262,481,168)	(5,007,753,630)
Disposal of investments	2,395,526,229	6,351,714,678
Deposits (placed) / redeemed with Banks	1,733,888,880	263,903,350
Purchase of fixed assets	(426,538)	(143,363)
Dividend Received	-	295,517,475
Interest Received	292,454,269	361,258,236
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	(841,038,328)	2,264,496,746
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in share capital		
Short term loan accepted	(16,218,064)	(1,018,801,790)
Interest and other Financial Charges Paid	(39,780,279)	(162,932,704)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(55,998,343)	(1,181,734,493)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	1,161,076,456	(134,000,115)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	403,955,912	537,956,027
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,565,032,368	403,955,912
	1,161,076,456	(134,000,115)

Notes:

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

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: 01st May, 2021

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Thirumagen Vaitilingon

Director

Dated: 01st May, 2021

Schedules

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

1. ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra (International) Limited (“KMIL” or the “Company”) which was incorporated on 29th March, 1994 in Mauritius as a private company with limited liability holds a Category 1 Global Business Licence and is regulated by the Financial Services Commission. The Company has by special resolution converted itself into a public company on 12th June, 2007.

The Company acts as an investment manager to various funds which invests predominantly into equity and debt capital markets in India (including private equity strategies). It also carries on business in other financial services including dealing in securities on an execution-only basis, advisory services, distribution of various collective investment schemes and products of third parties, issuance of Participatory Notes (“P Notes”) [as per regulations prescribed for Offshore Derivative Instruments (“ODI”) by the Securities and Exchange Board of India (“SEBI”)]. The Company also undertakes investments in shares, bonds and other securities for its own account.

The Company operates a Representative office (the “Representative office”) in Abu Dhabi, United Arab Emirates. The Company has an associate and fellow subsidiary in the United Kingdom, Kotak Mahindra (UK) Limited (“KMUK”) and also an associate and fellow subsidiary in United Arab Emirates, Kotak Mahindra Financial Services Limited (“KMFSL”). These financial statements include the financial position, performance and cash flows of its Representative office.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2. SUMMARY OF 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 other relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention except for derivative financial instruments which have been measured at fair value. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter, if any.
- (ii) All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

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

2.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Commission, fees and other revenues are invoiced and recognised on an accrual basis to the extent there is a reasonable certainty of its ultimate realization/corrections and the revenue can be reliably measured.

Interest income is recognised in statement of profit and loss, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not the future credit losses.

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. For quoted securities this is usually the ex-dividend date. For unquoted equity securities, this is usually the date when the shareholders have approved the payment of a dividend.

Schedules

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

2.5 Expenses

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

2.6 Property, Plant and Equipment

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

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

Office Equipment	3 years
Computers	3 years

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.

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

2.7 Investments

Investments in Associate/ fellow subsidiaries are stated at cost.

The Company has classified its investments in equity securities and debt securities as current investment. Investments are initially recognised at cost, including transaction costs. The equity securities are subsequently carried at cost or market value whichever is less. The market values are based on the quoted prices. When quoted prices are unavailable, the price of the most recent transaction is used. The debt securities are subsequently measured at amortized cost using the effective interest method or market value, whichever is less.

All derivative financial instruments are classified as held for trading. Derivative financial instruments are measured at fair value as at each Balance Sheet date.

Futures contracts are collateralised by cash and changes in the futures contracts values are settled with the exchange on a daily basis. The fair values of open positions in futures contracts are calculated as the difference between the contract prices and the settlement prices established each day by the exchange on which the contracts are traded.

All investment transactions are recognised using trade date accounting.

In case of unlisted open-ended investments funds, the net asset value per share as reported by the administrator of such funds is considered market value.

2.8 Employee benefits

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

2.9 Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

2.10 Taxes

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

Deferred tax is recognized, subject to the consideration of prudence, 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 losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence.

Schedules

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

2.11 Earnings per share

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

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

2.12 Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provision is not discounted to its present value and is measured based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the current best estimate. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

2.13 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.

2.14 Employee Share based payments

Cash-settled scheme:

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

Schedules

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

SCHEDULE 3 NOTES TO ACCOUNTS

3.1 (a) Share capital

Share Capital	(Amount in ₹)	
	As at 31 st March, 2021	As at 31 st March, 2020
Authorised shares		
4,081,650 (31 st March 2020: 4,081,650) equity shares of USD 1 each	USD 4,081,650	USD 4,081,650
Issued, Subscribed and fully Paid up		
4,081,650 (31 st March 2020: 4,081,650) equity shares of USD 1 each	161,597,644	161,597,644
Total	161,597,644	161,597,644

(b) Equity shares

Reconciliation of equity share capital	(Amount in ₹)			
	As at 31 st March, 2021 Quantity	As at 31 st March, 2020 ₹	As at 31 st March, 2021 Quantity	As at 31 st March, 2020 ₹
Share capital outstanding at the beginning of the year	4,081,650	161,597,644	4,081,650	161,597,644
Issued during the period	-	-	-	-
Number of shares at the end	4,081,650	161,597,644	4,081,650	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 1 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 shares	(Amount in ₹)	
	As at 31 st March, 2021	As at 31 st March, 2020
Kotak Mahindra Bank Limited, the holding company	2,081,650	2,081,650
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	2,000,000	2,000,000

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

Equity shares of USD 1 fully paid up

	(Amount in ₹)			
	As at 31 st March, 2021 shares	As at 31 st March, 2020 % holding	As at 31 st March, 2021 shares	As at 31 st March, 2020 % holding
Kotak Mahindra Bank Limited, holding company	2,081,650	51	2,081,650	51
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	2,000,000	49	2,000,000	49

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
Translation reserve		
Opening Balance	1,824,760,173	1,229,872,508
Additions/(deductions) during the year	(251,719,766)	594,887,665
Closing Balance	1,573,040,407	1,824,760,173
Surplus in the statement of profit and loss		
Opening balance	5,076,895,529	4,838,829,114
(+) Net Profit/(Net Loss) for the year	864,230,491	238,066,415
Closing Balance	5,941,126,021	5,076,895,529
Total	7,514,166,428	6,901,655,702

3.3 Long-term provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provisions for employee benefits		
Provision for Stock-appreciation Rights (refer note 3.25)	5,909,964	3,428,704
Provision for gratuity	4,237,470	4,321,349
Total	10,147,434	7,750,053

3.4 Short-term borrowings

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Secured		
Banks (against floating charge on the assets)	841,122,702	1,972,268,265
Unsecured		
Loan from fellow group entity	1,114,927,500	-
Total	1,956,050,202	1,972,268,265

3.5 Other current liabilities

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
MTM provisions - Derivatives	22,738,669	93,425,364
Income received in advance	1,096,650	-
Total	23,835,319	93,425,364

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3.6 Short-term provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provision for employee benefits		
Provision for LTA	-	86,025
Provision for Stock-appreciation Rights (refer note 3.25)	13,676,909	8,935,311
Other provisions		
Provision for income tax (net of advance tax ₹ 2,025,439 (Previous year ₹ 8,428,778))	9,383,815	7,052,658
Total	23,060,723	16,073,995

3.7 Property, Plant & Equipment

(Amount in ₹)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 st April, 2020	Additions	Deductions / Adjustments*	Balance as at 31 st March, 2021	Balance as at 1 st April, 2020	For the Period	Deductions / Adjustments*	Balance as at 31 st March, 2021	Balance as at 31 st March, 2021	Balance as at 31 st March, 2020
Tangible Assets										
Office Equipment	3,954,692	109,744	(135,199)	3,929,236	3,939,552	22,099	(133,368)	3,828,284	100,952	15,140
Computers	2,305,282	316,794	(82,636)	2,539,441	2,182,229	143,720	(75,862)	2,250,087	289,354	123,053
Total	6,259,974	426,538	(217,835)	6,468,677	6,121,781	165,820	(209,230)	6,078,371	390,306	138,193
Previous year	5,581,486	143,363	535,126	6,259,974	5,531,505	65,148	525,128	6,121,781	138,193	49,981

* Deductions/ adjustments include effect of Translation Reserve of ₹ 217,835 (2020: ₹ 535,126) under Gross Block and ₹ 209,230 (2020: ₹ 525,128) under Accumulated Depreciation

3.8 Investments

(Amount in ₹)

Script Name	Quantity 31 st March, 2021	Amount as at 31 st March, 2021	Quantity 31 st March, 2020	Amount as at 31 st March, 2020
Non-trade Investments (Fully paid, cost)				
Investment in equity instruments (unquoted)				
Associate				
Kotak Mahindra (UK) Limited	470,000	26,287,575	470,000	26,287,575
Kotak Mahindra Financial Services Limited	450,000	25,898,375	450,000	25,898,375
Fellow Subsidiary				
Kotak Mahindra, Inc	1	45	1	45
Total		52,185,995		52,185,995
Equity and other similar funds (unquoted) and deb funds (unquoted)				
Kotak India Venture Fund I	386	28,220	386	29,207
Seaf India Investment and Growth Fund	69,030	504,678	69,030	522,315
Kotak India Real Estate Fund I	999	73,037	999	75,589
Kotak India Private Equity Fund Ltd	1,000	73,110	1,000	75,665
Kotak India Private Equity Fund Ltd III - Class B	1,000	73,110	1,000	75,665
Core Infrastructure India Fund Pte. Ltd	6,483,276	473,990,115	6,182,400	467,791,296
Core Infrastructure India Pte. Fund Ltd- Class B	1,000	73,110	1,000	75,665
Supercraft3D PTE Limited	925,000	67,626,750	925,000	69,990,125
Kotak India Fixed Income Fund	1,000,000	73,110,025	301,158	278,623,054
Total		615,552,156		817,258,582
Less: Provision for diminution		30,326,174		12,901,034

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(Amount in ₹)

Script Name	Quantity 31 st March, 2021	Amount as at 31 st March, 2021	Quantity 31 st March, 2020	Amount as at 31 st March, 2020
Equity and other similar funds (unquoted) and debt funds (unquoted)		585,225,982		804,357,548
Total Non-current Investments		637,411,977		856,543,543
Aggregate value of unquoted investments		637,411,977		856,543,543
Bonds and Convertible Bonds (Quoted)				
Foreign Currency Bonds				
MUTHIN 6.125 10/31/22	9,925,000	725,509,173	7,200,000	536,760,468
MGFLIN 5.9 01/13/23	5,950,000	447,293,743	2,200,000	168,426,149
DIALIN 6 1/8 02/03/22	50,000	3,702,311	50,000	3,887,438
EXIMBK 2 3/4 04/01/20	-	-	130,000	9,836,450
ONGCIN 4.625% 07/15/24	103,000	7,621,977	103,000	7,914,821
PERTIJ 5 5/8 05/20/43	4,000	273,549	4,000	282,703
AXSBIN 2.875% 06/01/21	70,000	5,114,269	70,000	5,273,960
ICICI BANK 5.3/4% 11/16/20	-	-	141,000	10,844,513
AXSBIN 3.25% 05/21/20	-	-	400,000	29,687,564
IDBI 4.25 11/30/20	-	-	2,740,000	207,556,624
IIBIN 3.875 04/15/22 EMTN	10,000,000	729,184,687	10,000,000	752,847,637
CBKIN 3.25% 08/10/22	10,000,000	737,046,736	6,000,000	459,035,230
BOIIN 3 1/8 05/06/20	-	-	160,000	12,100,601
UPLIN 3.25% 10/13/21	-	-	70,000	5,258,609
ICICI 7% 11/23/20	-	-	100,000	7,730,440
TTMTIN 4.625% 04/30/20	-	-	4,992,000	377,765,891
SRILAN 6.2% 05/11/27	25,000	1,863,172	25,000	1,933,172
AXSBIN 3% 08/08/22	7,271,000	534,164,928	5,771,000	438,576,909
TATAIN 5.45% 01/24/28	1,000	71,474	1,000	73,775
MSSIN 4.875% 12/16/21	-	-	4,700,000	356,835,956
BPCLIN 4.375 01/24/22 EMTN	5,700,000	416,798,177	5,700,000	431,479,255
SBIIN 4 01/24/22	1,000,000	73,041,034	1,000,000	75,513,361
BOIIN 6.25% 02/16/21	-	-	1,000,000	77,171,595
SHTFIN 5.7% 02/27/22	-	-	5,000,000	378,668,700
BPCLIN 4.625% 10/25/22	3,000,000	226,402,181	3,000,000	238,841,266
POWER GRID CIL 3.875% 01/17/23	6,000,000	450,237,664	-	-
RECLIN 4.75 05/19/23 REGS	4,400,000	332,913,995	-	-
IOCLIN 5.625% 08/02/21	743,000	54,922,649	-	-
IOCLIN 5.75% 08/01/23	2,800,000	221,029,599	-	-
NTPCIN 4.75% 10/03/22	400,000	30,425,936	-	-
SBIIN 4.5% 09/28/23	2,000,000	155,596,754	-	-
ONGCIN 3.75% 05/07/23	2,480,000	189,074,650	-	-
POWFIN 3.75 06/18/24 EMTN	2,000,000	155,374,222	-	-
TATAIN 5.95% 07/31/24	5,000,000	393,285,082	-	-
HDFCIN 8.22 03/28/22	25,128,129	1,691,739,520	-	-
BOBIN 3.5% 04/04/22	11,000,000	803,261,473	14,000,000	1,056,867,974
Total Foreign Currency Bonds		8,385,948,955		5,651,171,060
Total		8,385,948,955		5,651,171,060
Less: Provision for diminution		1,370,018		351,838,335
Total Bonds and Convertible Debentures		8,384,578,937		5,299,332,725

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(Amount in ₹)

Script Name	31 st March, 2021		31 st March, 2020	
	Quantity	Amount as at	Quantity	Amount as at
Total Current Investments		8,384,578,937		5,299,332,725
Aggregate value of quoted investments		8,384,578,937		5,299,332,725
Aggregate market value of quoted investments		8,575,548,139		5,303,022,076
Aggregate value of unquoted investments		-		-
Total investments		9,021,990,913		6,155,876,269

3.9 Long Term Loans and Advances

(Amount in ₹)

Particulars	As at	
	31 st March, 2021	31 st March, 2020
a. Security Deposits		
Unsecured, considered good	1,567,589	2,382,605
	1,567,589	2,382,605
b. Loans and advances to related parties		
Unsecured, considered good	241,263,000	249,694,500
	241,263,000	249,694,500
Total	242,830,589	252,077,105

3.10 Trade Receivables

(Amount in ₹)

Particulars	As at	
	31 st March, 2021	31 st March, 2020
Unsecured, considered good, unless otherwise stated		
Trade receivables exceeding six months from the date they are due for payment	14,932,352	14,216,416
Others	132,056,696	613,551,471
Considered doubtful	14,932,352	14,216,416
Less: Provision for doubtful debts	(14,932,352)	(14,216,416)
Total	146,989,048	627,767,887

3.11 Cash and cash equivalents

(Amount in ₹)

Particulars	As at	
	31 st March, 2021	31 st March, 2020
Balances with banks:		
On current accounts	1,565,032,368	403,955,912
Other Bank Balances:		
Deposits with residual maturity of less than 12 months	-	1,733,888,880
Total	1,565,032,368	2,137,844,792

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3.12 Short-term loans and advances

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Prepaid expenses	12,578,724	8,723,730
Total	12,578,724	8,723,730

3.13 Other Current Assets

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Interest accrued on Bonds	85,623,453	79,167,870
Interest accrued on Deposits	-	9,092,083
Margin money for Derivatives	98,326,684	472,106,849
MTM on Derivatives	86,623,872	-
Total	270,574,008	560,366,802

3.14 Other income

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Interest Income on Fixed Deposit	35,160,890	61,384,159
Interest income on Loans	890,797	2,835,691
Other income	918,182	756,270
Total	36,969,870	64,976,121

3.15 Employee benefit expense

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Salaries, bonus and allowances	74,570,145	73,324,516
Gratuity	987,286	1,325,768
Expenses on Stock appreciation rights	28,025,427	16,143,623
Deferred Incentive	620,663	-
Staff welfare expenses	2,398,977	3,135,736
Total	106,602,498	93,929,643

3.16 Finance charges

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Interest on borrowings	29,950,415	149,363,876
Interest on overdraft	7,371,437	11,080,418
Bank charges	2,458,428	2,488,409
Total	39,780,279	162,932,704

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3.17 Other expenses

Particulars	(Amount in ₹)	
	As at 31 st March, 2021	As at 31 st March, 2020
Auditor's remuneration	2,266,695	3,858,332
- Statutory fees	2,238,138	3,719,786
- Reimbursement of expenses	28,557	138,546
Communication expenses	4,690,512	4,987,586
Net custodial Charges	4,587,244	7,544,507
Legal & professional charges	25,035,740	22,987,477
License Fees	1,484,448	1,700,500
Miscellaneous expenses	13,463,620	11,750,769
Membership Fees	2,307,167	2,589,024
Rent	2,390,569	2,240,384
Travel expenses	1,602,409	3,786,591
Business Sourcing Expenses	1,023,401	-
Insurance Charges	3,374,026	2,541,518
Other expenses	884,118	850,410
Provision on other receivables	1,214,293	11,741,741
Royalty Expenses	1,478,095	-
Total	65,802,336	76,578,838

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

3.19 Contingent Liability

Guarantee secured against margin deposit in Dubai amounted to ₹ 995,392 (previous year ₹ 1,586,468)

3.20 Capital Commitment

The Company has made a total commitment of ₹ 731,100,000 (Previous year ₹ 756,650,000) of which ₹ 552,014,569 (Previous year ₹ 557,893,178) was called upon by Core Infrastructure India Fund Pte. Ltd. till 31st March 2021. The Company will be called upon at a later date to pay ₹ 179,085,430 (Previous year ₹ 198,756,822) to meet its total commitment in Core Infrastructure India Fund Pte. Ltd.

3.21 Short-term borrowings

The loans from JP Morgan International Bank Ltd., with terms of up to 30 days bear an interest rate of 0.79 % to 1.49 % (2020: 1.38 % to 3.13 %) per annum. The short term loans are secured against bonds held with JP Morgan International Bank Limited, having a fair value of ₹ 8,556,890,832 (2020: ₹ 4,729,703,155). Loans from Kotak Mahindra Asset Management (Singapore) Pte. Ltd and Kotak Mahindra (UK) Limited are with term of up to 6 months and bear an interest of 0.57% to 1.70%

3.22 The Company monitors proposed and issued tax laws, regulations and cases to determine the impact on uncertain tax positions.

The foregoing is based on the taxation laws and practices currently in force in Mauritius and India and may be subject to change.

Taxes in Mauritius:

The Company, being tax resident in Mauritius, is liable to income tax in Mauritius on its chargeable income at the rate of 15%. As the Company has received its Category 1 Global Business Licence ("GBL1") before 16th October, 2017, it is grandfathered as per the provisions of the Financial Services Act 2007 issued by Financial Services Commission and would benefit from deemed tax credit regime up to 30th June, 2021. As from 1st July, 2021, the Company's GBL1 licence shall be deemed to be a Global Business Licence ("GBL").

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Until 30th June, 2021, the Company's foreign sourced income is eligible for a foreign tax credit which is computed as the higher of tax actual foreign tax suffered or 80% of the Mauritian tax ("Deemed tax credit") on its respective foreign sourced income resulting in an effective tax rate on net income of up to 3%. In computing its total actual foreign tax credit, the Company is allowed to either pool all of its foreign sourced income or calculate the amount of foreign tax credit on a source by source basis.

Post 30th June, 2021 and under the new tax regime, the Company will be able to claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption will be taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the actual foreign tax charged on the income in the foreign jurisdiction.

Gains or profits derived from sale of units, securities or a debt obligation by the Company are exempt from tax. Dividends and redemption proceeds paid by the Company to its shareholders do not attract withholding tax.

Taxes in India:

As a tax resident of Mauritius, the Company also expects to obtain benefits under the double taxation treaty between India and Mauritius ("DTAA"). In 2016, the governments of India and Mauritius revised the existing DTAA wherein certain changes were made to the existing tax benefits. The revised DTAA provides for capital gains arising on disposal of shares acquired by a Mauritius company on or after 1st April, 2017 to be taxed in India. However, investments in shares acquired up to 31st March, 2017 remains exempted from capital gains tax in India irrespective of the date of disposal. In addition, shares acquired as from 1st April, 2017 and disposed of by 31st March, 2019 were taxed at a concessionary rate equivalent to 50% of the domestic tax rate prevailing in India provided the Company meets the prescribed Limitation of Benefits ("LOB") clause, which included a minimum expenditure level in Mauritius.

Disposal of investments made by the Company in Indian financial instruments other than shares (i.e. instruments such as limited partnerships, options, futures, warrants, debentures, units and other debt instruments) are not impacted by the change and will continue to be exempted from capital gains tax in India. As per the revised DTAA, interest arising in India to Mauritian residents will be subject to withholding tax in India at the rate of 7.5% in respect of debt claims or loans made after 31st March, 2017 subject to fulfilment of certain conditions.

Based on the changes on the local tax laws made applicable with effect from financial year 2018-19, the Company has to now pay long-term capital gains ("LTCG") on transfer of listed equity shares in an Indian company or a unit of equity-oriented mutual fund or a unit of a business trust ("specified securities"). Such LTCG exceeding INR 100,000, from notified purchases, is taxable at 10% (plus surcharge and cess). The cost of acquisition of specified security which is acquired before 1st February, 2018, is the higher of (1) actual cost of acquisition and (2) lower of (a) the fair market value as at 31st January, 2018 and (b) full value of the consideration received on the transfer of the security.

The Finance Act 2020 has abolished levy of the Dividend Distribution Tax and consequently the exemption under section 10(34) of dividend income earned by shareholders has been withdrawn with effect from 1st April, 2020

There is a transition phase provision whereby dividend declared on or before 31st March, 2020 but paid after 1st April, 2020 should continue to be exempt from tax under Section 10(34) of the Act provided the Indian companies pay Dividend Distribution Tax. There is a transition phase provision whereby dividend declared on or before 31st March, 2020 but paid after 1st April, 2020 should continue to be exempt from tax under Section 10(34) of the Act provided the Indian companies pay Dividend Distribution Tax.

The dividends declared, distributed and paid on or after 1st April, 2020 is chargeable to tax for the shareholders of Indian company. The rate of tax on such dividend income is 20% plus surcharge and cess as per section 115AD of the Act. The withholding tax on such dividend income is 20% plus applicable surcharge and cess as per section 196D of the Act.

The rate of tax as per the treaty between India and Mauritius is 15% on dividend earned by FPI in India. Any excess tax deducted on dividend income applying treaty rate between India and Mauritius is available for payment tax liability if any arising on any other income by the Company. If there is no other tax payable by the Company, refund of taxes can be claimed while filing Income tax Return in India.

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3.23 Derivatives

Currency forwards

During the year, the Company has entered into various non-deliverable currency forwards in order to hedge its investments in Indian Rupee. The details of outstanding contracts as at 31st March, 2021 and the corresponding fair values are shown below:

Non deliverable forwards

Currency Pair	31 st March, 2021	31 st March, 2020	
USD-INR			
Fair value USD	(63,569)	318,388	(14,322)
Notional Contract Value USD	Long: 1,000,000	Long: 6,000,000	Short: 2,000,000

The details of outstanding Interest rate swap and the corresponding unrealised gain / (loss) are shown below:

Reporting period	31 st March, 2021	31 st March, 2020
USD-INR		
Unrealised Gain/(Loss) USD	(247,451)	(689,282)
Notional Contract Value USD	(16,000,000)	(26,000,000)

The details of outstanding Total Return swap and the corresponding unrealised gain / (loss) are shown below:

Reporting period	31 st March, 2021	31 st March, 2020
USD-INR		
Unrealised Gain/(Loss) USD	1,184,843	(849,508)
Notional Contract Value USD	25,128,219	25,128,219

Summary and total outstanding derivative financial instruments outstanding as at 31st March, 2021

Reporting period	As on 31 st March, 2021		As on 31 st March, 2020	
	Fair Value USD	Notional USD	Fair Value USD	Notional USD
Foreign Currency Forward Contracts	(63,569)	Long: 1,000,000	318,388	Long: 6,000,000
Foreign Currency Forward Contracts	-	-	(14,322)	Short: 2,000,000
Total Return Swap	1,184,843	25,128,219	(849,508)	25,128,219
Interest Rate Swap	(247,451)	(16,000,000)	(689,282)	(26,000,000)
Total	873,823	13,128,219	(1,234,724)	3,128,219

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3.24 Earnings per equity share

(Amount in ₹)

Particulars	As on 31 st March, 2021	As on 31 st March, 2020
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	864,230,491	238,066,415
Weighted average number of equity shares used in computation of basic earnings per share (B)	4,081,650	4,081,650
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	211.74	58.33

3.25 Stock appreciation rights (SARs)

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

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 3.43 years to 3.66 years.

Detail of activity under SAR is summarized below:

Particulars	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	70,425	62,113
Granted during the year	13,130	35,860
Additions/Reduction due to transfer of employees	(1,510)	-
Exercised during the year	32,751	27,548
Expired/Forfeited during the year	-	-
Outstanding at the end of the year	49,294	70,425

Effect of cash-settled options to employees on the profit and loss account and on its financial position

Year ended 31 st March,	2021	2020
Total Employee Compensation Cost pertaining to cash-settled options	28,025,427	16,143,623
Closing balance of liability for cash-settled options	19,586,872	12,364,015

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 ₹ 1,940,616 (Previous year ₹ 1,833,189) and the profit after tax would have been higher by ₹ 1,882,397 (Previous year ₹ 1,770,166).

3.26 Deferred tax

(Amount in ₹)

Particulars	As on 31 st March, 2021	As on 31 st March, 2020
Opening Balance	141,765	75,902
Additions/(deductions) during the period		
- due to expense of share based payment cash settled	(58,219)	54,996
- due to translation	(3,907)	(10,868)
Closing Balance	79,641	141,765

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3.27 Transactions and balances arising from the Participating Notes Programme (“Notes Programme”) of the Company

According to the Offering Circular dated 05th August, 2013 and the regulations of the Securities and Exchange Board of India (“SEBI”), the Company issues Participating Notes (“Notes”) under the Notes Programme (also called Overseas Derivative Instruments (“ODI”) as per SEBI) to clients who are regulated entities outside India seeking exposure of Indian capital markets. By way of the Notes, the economic benefits of the underlying securities bought by the Company in India are passed onto the clients.

The Company buys the security in the Indian capital market only after a firm order is received from the client for the security, against which a Note is issued to the client simultaneously. Similarly, it will dispose the underlying security following a firm instruction from the client and the Note will be redeemed simultaneously. All the gains and losses pertaining to the underlying security are paid to the client on Settlement Date, which is the date Notes are redeemed, less any applicable withholding taxes and transaction costs such as bank charges. The Company will charge the client a Fee income for this service. Throughout the whole cycle of the transaction, the Company holds the underlying security only on behalf and for the benefit of the client in return for an agreed fee income charged at the time of issuance and redemption of Notes.

The Directors have applied judgement and have concluded on the following:

- The business purpose of the Notes Programme for the Company is only to act as an agent for the client and to hold the underlying security on behalf of the client, on their instructions, in return for a fee income.
- All the significant risks and rewards associated with the underlying security rests with the client under the Notes Programme as stipulated under the Offering Circular dated 05th August, 2013.
- The Company has no obligation to pay the client unless the Company has collected cash flows from the underlying securities and the Company is obliged to remit all of the cash flows collected to the client without material delay.
- The Company will not sell or pledge the underlying securities under the Notes programme.

Therefore, the underlying securities held at year end under the Notes Programme are not deemed to be part of the on-balance sheet assets of the Company.

The balance due from clients on account of unsettled issuance of Notes as at the reporting year end is included under trade receivables. The balance due to clients on account of unsettled exercise/redemption of notes and on account of monies payable to client on Notes exercised/redeemed during the year or due to income generated (other than change in fair value) on the underlying investment is included in trade payables. Similarly, amount due from or due to brokers as at the reporting year end on underlying investments have been included under trade receivables or trade payables respectively.

Details of the transactions and balances under the Notes Programme for the year are as follows:

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Fee income from dealing in securities	327,043,005	222,143,392
Amount due from clients	1,273,877	728,458
Amount due to clients	1,369,395,628	539,946,651
Amount due from broker	-	136,348,810

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3.28 Related Party Transactions

			(Amount in ₹)			
Particulars			Volume of transaction for the year ended		Receivable / (Payable)	
					Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020
Kotak Mahindra (UK) Limited	Associate	Custody fees	176,151	775,503	-	-
		Referral expenses	23,179,919	34,842,663	-	-
		Distribution fees Expenses	120,489,559	59,587,874	-	-
		Calculation agency expense	890,797	850,410	-	-
		Referral income	5,434,435	5,455,343	-	-
		Interest expense	5,054,422	4,432,665	-	-
		Short term loan	-	-	(530,047,500)	-
		Current account	-	-	(13,778,500)	-
		Receivable	-	-	-	5,227,828
Kotak Investment Advisors Limited	Fellow Group Entity	Advisory expense	21,100,091	57,843,575	-	-
Kotak India Realty Fund	Investment Manager	Investment management fee	-	-	-	-
Kotak India Venture (Offshore) Limited	Investment Manager	Investment management fee	-	-	5,236,723	1,661,463
Kotak India Private Equity Fund	Investment Manager	Investment management fee	-	30,266,168	4,166,466	24,814,126
Kotak India Private Equity Fund - III	Investment Manager	Investment management fee	-	23,611,563	50,189,284	318,614,041
		Dividend Income	-	295,517,475	-	-
K-India Opportunities Fund Limited	Investment Manager	Investment Management, performance & service fee income	83,704,353	81,881,165	2,655,355	5,326,755
Kotak Securities Limited	Fellow Group Entity	Equity & derivative brokerage expenses	1,091,820	5,408,994	-	(298,217)
Kotak Mahindra Financials Services Limited	Associate	Loan given	-	-	21,933,000	22,699,500
		Interest Income	890,797	850,410	-	907,980
		Upfront & referral fees expenses	-	1,344,529	-	-
Kotak Mahindra, Inc.	Fellow Group Entity	Loan	-	-	219,330,000	226,995,000
		Interest Income	4,203,598	1,985,281	-	-
		Referral expenses	58,552,025	31,748,163	(5,048,757)	(4,781,140)
		Referral income	2,922,928	3,979,962	-	-
		Clearing Charges, outsourcing expenses & advisory expenses	15,207,616	16,935,790	(226,787)	(193,142)
Kotak Mahindra Bank Limited	Holding Company	Interest Expenses	-	-	-	-
		Bank Balances	-	-	11,312,457	13,534,910
		Investment advisory fees expenses	35,647,774	36,244,801	(2,958,250)	(6,050,022)
Premier Investments Fund Limited	Investment Manager	Investment management & performance fee income	234,254,053	106,979,648	44,312,044	17,919,248
		Interest income	-	-	-	-
INQ Holdings LLC	Investment Manager	Investment management income	-	-	-	-
Green Maidan A 2013 Trust	Investment Manager & other services	Investment management fees & service fee income	7,918,816	6,613,760	488,009	-
Kotak Mahindra Mutual Fund	Fellow Group Entity	Referral/ trail fees income	1,390,015	1,024,264	502,631	205,241
Kotak Infinity Fund	Investment Manager & other services	Investment management, performance & service fee income	54,591,393	33,798,235	5,395,372	2,230,728

Schedules

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

(Amount in ₹)

Particulars			Volume of transaction for the year ended		Receivable / (Payable)	
			Balance as at			
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020
			Kotak Advantage Fund X	Investment Manager	Investment management income	1,110,824
Kotak Advantage Fund XI	Investment Manager	Investment management income	1,500,919	1,092,848	308,451	119,399
Kotak Fixed Term Fund-XII	Investment Manager	Investment management income	-	2,329,769	-	2,986,346
Kotak India Advantage Fund II	Investment Manager	Investment management income	-	1,659,350	16,815	-
Kotak India Advantage Fund IV	Investment Manager	Investment management income	3,974,960	5,996,312	304,503	441,657
Kotak Fixed Term Fund-IX	Investment Manager	Investment management income	-	-	1,529,023	866,289
IQ EQ Fund Services (Mauritius) Limited	Administrator	Administration & payroll expense	742,331	708,675	934,419	556,289
Kotak Mahindra Asset Management (Singapore) Pte. Limited	Fellow Group Entity	Portfolio Advisory Expenses	19,419,423	21,858,868	(953,559)	(91,403)
		Loan	-	-	(584,880,000)	-
		Interest expense	1,182,841	-	-	-
K Global Advantage Fund	Investment Manager	Investment management fees	3,101,236	2,523,379	(985,888)	770,799
Kotak India Advantage Fund I	Investment Manager	Investment management fees	-	6,590,678	1,005,263	(52,966)
Directors remuneration included in "Employee cost"			31,324,958	27,490,850	-	-

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

3.30 Going concern

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 global economic output and a deterioration in macroeconomic conditions globally. This pandemic and the consequent lockdown has taken a toll on human lives and has impacted a whole range of economic activities adversely. Although vaccines have been administered to more people in Mauritius, UAE 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 its business. The Company, however, has not experienced any significant disruptions in the past one year and did not experience a materially adverse impact 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. The most likely impact going forward will be on the revenue which is predominantly derived based on the Assets under Management ("AUM") of funds managed by the Company and other transaction based revenues. 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. However, management of the Company has performed a COVID-19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's revenue, liquidity and capital position. Having performed this analysis management believes that Company's regulatory capital requirements continue to be met and it has sufficient liquidity to meet its liabilities for next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Schedules

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

3.31 Events after reporting date

For further discussion concerning the management assessment of COVID-19 impact on the Company refer to note 3.30. The impact of COVID-19 has been considered by management on the financial statements and the going concern of the entity. There have been no matters identified since 31st March, 2021 in relation to COVID-19 which would impact these financial statements.

There have been no other subsequent events after the Balance Sheet date requiring disclosure.

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: 01st May, 2021

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Thirumagen Vaitilingon

Director

Dated: 01st May, 2021



Kotak Mahindra (International) Limited
C/o IQ EQ Fund Services (Mauritius) Ltd,
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Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 12499/712