Never normal

Kotak Mahindra Pension Fund Limited

Annual Report 2020-21

Contents

Directors' Report

To the Members of

KOTAK MAHINDRA PENSION FUND LIMITED

Your Directors present their Twelfth Annual Report together with Audited Financial Statements of the company for the year ended 31st March 2021.

1. FINANCIAL HIGHLIGHTS

₹ in lac

Particulars	Year ended 31st March 2021	Year ended 31st March 2020
Gross income	130.82	213.25
Profit /(Loss) before Tax	(211.18)	(116.19)
Provision for Tax	(24.35)	48.78
Profit/(Loss) after Tax	(186.83)	(164.97)
Other Comprehensive Income	(1.92)	1.27
Balance of Profit from previous years	94.65	258.35
Profit carried forward to the Balance Sheet	(94.11)	94.65

2. DIVIDEND

Your Directors do not recommend any dividend for financial year ended March 31, 2021. Your Company does not propose to carry any amount to the reserves of the Company.

3. SHARE CAPITAL

There was no change in the Company's paid up share capital during the year and the Authorized Share Capital of the Company is ₹ 600,000,000/-, comprising of 60,000,000 Equity Shares of ₹ 10 each. The issued, subscribed & paid up share capital of the Company is ₹ 280,000,000/- comprising of 28,000,000 shares.

4. REVIEW OF OPERATIONS OF THE COMPANY

Kotak Mahindra Pension Fund Limited (KMPFL), a subsidiary of Kotak Mahindra Asset Management Co. Ltd (KMAMC) was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), on April 30, 2009.

As per the current terms of the appointment, the funds are received in the Trustee Bank (Axis Bank) as per the pension fund subscription information provided by the Central record keeping agency (National Securities Depository Limited and KFin Technologies Private Limited erstwhile - Karvy Computershare). The assets are under the custody of the NPS Trustee appointed custodian viz., Stock Holding Corporation of India Limited.

The Company manages nine schemes. The combined assets under management (AUM) on 31st March, 2021 were 1,572 crore (₹ 991 crore as of 31st March, 2020) a growth of 58.6 %. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 417,477 crore as on 31st March, 2020 to 5,78,024 Crore as on 31st March, 2021, a growth of 38.6 % and the private sector industry AUM has grown from 13,239 Crore as on 31st March, 2020 to 25,809 crore as on 31st March, 2021, a growth of 94.8 %.

At the current stage of pension fund business, considering the low rates of management fees, loss before tax including revenue generated from the investment management activity for March 31, 2021 is ₹ 211.18 lacs (Previous year – loss ₹ 116.19 lacs.

The scheme wise assets under management are as under:

(₹ in crores)

Scheme	AUM as on 31st March, 2021	AUM as on 31st March, 2020
NPS Trust A/c Kotak Pension Fund Scheme E	604.29	282.84
NPS Trust A/c Kotak Pension Fund Scheme C	307.98	235.30
NPS Trust A/c Kotak Pension Fund Scheme G	490.90	357.43
NPS Trust A/c Kotak Pension Fund Scheme E Tier II	42.81	18.92
NPS Trust A/c Kotak Pension Fund Scheme C Tier II	21.40	14.89
NPS Trust A/c Kotak Pension Fund Scheme G Tier II	33.22	22.60
NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern	68.22	57.44
NPS Trust A/c Kotak Pension Fund Scheme A	3.24	1.96
NPS TRUST - A/C Kotak Pension Fund Scheme Tax Saver - Tier 2	0.08	-
Total	**1,572.14**	**991.38**

The snap shot of the performance of the schemes managed by the company for the financial year is given below:

Schemes	Benchmark	Last 1 year return (%) (Schemes)	Benchmark Return (1 year)(%)	Return since launch of the scheme (%)	Benchmark since Launch of the scheme
NPS Trust A/c Kotak Pension Fund Scheme E	BSE100 TRI	70.98%	73.48%	11.14%	13.45%
NPS Trust A/c Kotak Pension Fund Scheme C	NPS – Corporate Bond Index	8.40%	12.56%	10.10%	9.41%
NPS Trust A/c Kotak Pension Fund Scheme G	NPS – Government Securities Index	7.34%	6.04%	9.08%	8.00%
NPS Trust A/c Kotak Pension Fund Scheme E Tier II	BSE100 TRI	69.62%	73.48%	10.49%	10.55%
NPS Trust A/c Kotak Pension Fund Scheme C Tier II	NPS – Corporate Bond Index	8.96%	12.56%	9.38%	9.53%
NPS Trust A/c Kotak Pension Fund Scheme G Tier II	NPS – Government Securities Index	7.28%	6.04%	8.85%	8.69%
NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern	NPS – Government Pattern Index	15.25%	16.33%	10.19%	10.06%
NPS Trust Scheme A Tier I		7.72%	Not Available	6.05%	Not Available
NPS TRUST - A/C Kotak Pension Fund Scheme Tax Saver - Tier 2	Tax Saver 2* Launched date is less than a Year	Not Available	Not Available	Not Available	Not Available

Impact of Covid-19 on operations

In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in India and around the world. During the financial year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. The Q1FY21 was worst affected due to pandemic. However, there was an economic recovery in Q2FY21 and Q3FY21 as lockdowns eased consequent to reduction in COVID-19 cases. Although government has started vaccination drive, COVID-19 cases have significantly increased in recent weeks due to second wave as compared to earlier levels in India. Various state governments have again announced strict measures include lockdowns to contain this spread. As COVID vaccines get administered to more and more people, businesses in sectors impacted by pandemic may pick up. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to get back to normal.

The Company continues to closely monitor the situation and in response to this health crisis has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The Company, however, has not experienced any significant disruptions in the past one year and has considered the impact on carrying value of assets based on the external or internal information available up to the date of approval of financial statements. 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.

5. KEY REGULATORY CHANGES

FY2019-20 has witnessed a few regulatory changes on the NPS front. Some of the key regulatory changes during the year were as follows:

A. As per PFRDA (Pension Fund) (Third Amendment) Regulations, 2020 dated May 14, 2020 PFRDA amended the PFRDA (Pension Fund) Regulation, 2015. Some of the key highlights were as follows:

a. Eligibility criteria – has been amended as below

"(a) Initially, the sponsor shall be required to provide the pension fund with adequate and necessary infrastructure, dedicated manpower, systems and procedures, information technology and information security systems with capabilities to adapt to future changes or any other requirement as may be specified by the Authority;

Provided that the pension funds shall set up their own necessary infrastructure, dedicated manpower, systems & procedures, information technology and information security systems within a period of twelve months form the date of issuance of certificate of registration."

b. Eligibility criteria

"(c) the pension fund shall ensure that the key personnel viz. the Chief Executive Officer, Chief Investment Officer, Chief Risk Officer, Chief Information and Security Officer (CISO), Fund Manager, Operations Manager, Compliance Officer or other positions, as may be notified by the Authority, from time to time have the adequate qualification and experience in the requisite field."

c. Terms and conditions of registration

"(n) Every pension fund shall adhere to Cyber security policy, Common Stewardship code and voting policy on assets held in the name of National Pension System Trust, issued by the Authority for the purpose."

d. Duties & Functions of Pension fund

The pension fund shall adopt best governance practices for investments and risk management viz. creation of risk management and research department, constitution of Investment Committee and Risk Committee, whose composition, functions and duties shall be such as specified in Schedule X."

e. Latest NAV

- Latest Net Asset Value (NAV)(Scheme wise) –'On the same day as per time limit decided by Chairperson from time to time.'
- NAV History (since inception) (scheme wise- both in Tabular data as well as graphical form) - 'On the same day as per time limit decided by Chair person from time to time.'

f. Constitution of Risk & Investment Committee

"Pension fund shall constitute an Investment Committee consisting of two independent directors, the Chief Executive Officer, Chief Risk Officer and the Chief Investment Officer or Fund Manager in case CEO and CIO are the same official."

"Pension fund shall constitute a Risk Management Committee which shall consist of at least one independent director, the Chief Executive Officer, Chief Risk Officer, Chief Investment Officer or fund manager in case CEO and CIO are the same official and the Compliance Officer. The director should not be the same as the one on the Investment Committee."

B. As per PFRDA (Pension Fund)(Fourth Amendment) Regulations, 2021 dated March 31, 2020 PFRDA amended the PFRDA (Pension Fund) Regulation, 2015. Some of the key highlights were as follows:

a. Brokerage adjusted against scheme NAV

The investment management fee is exclusive of brokerage and custodian fee alongwith applicable taxes thereon. Provided that the brokerage shall be adjusted against scheme NAV, subject to maximum of 0.03%, inclusive of applicable taxes or as may be determined by the Authority from time to time.

b. Annual fee

The annual fees clause has been amended to include

i. As determined by the Authority from time to time, subject to minimum ₹ 1,000,000/ per annum (₹ 250,000/- per quarter or part thereof

ii. Fees are Non-Refundable/ & % of AUM: The amount of the Assets under Management shall be considered as on last day of preceding quarter.

iii. Payment of fees to be done by 10th day of subsequent month of each quarter or within ten days of grant of Certificate of Registration, payable.

6. DIRECTORS & KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company oversees the business and operations of the Company. The Company has an optimum mix of non –independent and independent Directors. The independent directors have significant expertise in the fields of finance, law and strategy. None of the Directors are related to any other Director or employee of the company.

Declaration from Independent Directors

The Board has received declarations from all Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that all the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act.

Directors retiring by rotation during the year

Mr. Nilesh Shah (DIN 01711720) will retire by rotation at the Twelfth Annual General Meeting and being eligible, has offered himself for re-appointment.

The Board of Directors recommend re-appointment of Nilesh Shah (DIN 01711720), as Director at the ensuing AGM.

Change in Directors during the year

We report with profound grief and sorrow, the demise of our Independent Director Mr. Arun Palkar. The inputs and guidance provided by Mr. Arun palkar were invaluable.

Mr. Noshir Dastur (DIN: 00493177) was appointed as an additional Independent Director of the Company in the interim period on October 23, 2020 by the Board and his appointment shall be proposed to be regularized at the forthcoming Annual General Meeting for a term of 5 years.

Mr. Noshir Dastur, is a B.Com, Fellow Chartered Accountant from the Institute of Chartered Accounts of India. He is the proprietor of Dubash & Patil, Chartered Accountants from January 1992. He was also a Partner with Bhandari Dastur Gupta & Associates, Chartered Accountants for period of ten years ending in March 2008.

Mr. Sharadkumar Bhatia (DIN: 07327383) was appointed as an additional Independent Director of the Company on January 21, 2021 by the Board and his appointment shall be proposed to be regularised at the forthcoming Annual General Meeting for a term of 5 years.

Mr. Sharad Bhatia has over 40 years of experience in the financial services industry, including the last 20 years in the area of distressed debt, specialising in acquisition and resolution of stressed assets. Mr. Bhatia is Additional Non – Executive Director of Altico Capital, Aditya Birla ARC Limited & Kotak Mahindra Trustee Company Ltd. He has also served on the Boards of several leading corporate and is a regular speaker on issues relating to distressed debt and asset reconstruction. Mr. Bhatia has worked in various capacities with the ICICI group and Kotak Mahindra group, where his last mandate was setting up Phoenix ARC Private Limited, which he subsequently managed as CEO. Thereafter, he joined Axis Bank where he served as President Stressed Assets and was responsible for managing the stressed assets portfolio. Mr. Bhatia thereafter joined Multiples Alternate Assets Private Limited, spearheading the company's foray into the stressed assets space.

Board Evaluation –

The Nomination and Remuneration Committee of the Company's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The Criteria formulated broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style.

In line with SEBI Guidance note on Board Evaluation, a Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors in accordance with the criteria set and covering various aspects of performance including Structure and composition of the Board, relationship among directors, director competency, contribution to risk management compliance, roles and responsibility, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors of the Company for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, it's Committees, Chairman and the individual Directors, a summary of the Board Evaluation was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors and expressed satisfaction with the results of evaluation of the Board, Performance of the Board Committees, Chairman and individual directors.

Key Managerial Personnel (KMP's)

Change in Key Managerial Personnel

Mr. Sandeep Shrikhande has resigned from the post of Chief Executive officer & manager of the Company which will be effective from the close of business hours on 30th June 2021 and Mr. Shyamsundar Baliga shall take charge as Chief Executive Officer and Manager of the Company from 1st July 2021.

Further, Mr. Krishnan Ramchandran has resigned from the post of Chief Financial officer of the Company with effect from 17th May 2021 and Mr. Dhimant Shah shall take charge as Chief Financial Officer of the Company from June 23, 2021.

In terms of the provisions of Section 203 of the Companies Act, 2013, Ms. Darshana Baliya– Company Secretary continues as the Key Managerial Personnel of the Company in addition to the above changes during the year.

Appointment & Remuneration of Directors and KMPs

The Nomination and Remuneration Committee of the Board of Directors of the Company has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it recommends to the Board the appointment of Directors and Senior Management personnel. The Committee considers the qualifications, experience fit & proper status, positive attributes as per the suitability of the role and independent status and various regulatory/statutory requirements as may be required of the candidate before such appointment.

The Board has adopted the Remuneration Policy for the Whole-time Directors, Chief Executive Officer and other employees of the Company. The Policy is in line with the Compensation Policy of Kotak Mahindra Bank Ltd., its holding company, which is based on the Guidelines issued by Reserve Bank of India. The salient features of the Remuneration Policy are as follows:

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Company. Employees classified into 3 groups:
    - Whole-time Directors/Chief Executive Officer
    - Risk, Operations & Support Staff
    - Other categories of Staff

- Compensation structure broadly divided into Fixed, Variable and ESOPs
  - o Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
  - o Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes – Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
  - o ESOPs – Granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.

The Independent Directors are only in receipt of sitting fees for attending the meeting from the Company. Remuneration to the KMPs i.e. Chief Executive Officer, Chief Financial Officer and the Company Secretary, is as per the terms of their employment.

7. NUMBER OF BOARD MEETINGS

Board Meetings

During the year, six Board Meetings were held. The maximum interval between any two meetings did not exceed 120 days.

8. COMMITTEES

a) Audit Committee

In terms of the requirement of Section 177 of Companies Act, 2013, the Audit Committee presently consists of Mr. Tushar Mavani (Chairman), Mr. Sharadkumar Bhatia and Mr. Nilesh Shah with any two members forming the quorum.

During the year, six meetings of the committees were held. There were no cases where recommendations of Audit Committee were not accepted by the Board of Directors of your Company.

b) Nomination & Remuneration Committee

In terms of the requirement of Section 178 of Companies Act, 2013, the Nomination and Remuneration Committee presently consists of Mr. Tushar Mavani (Chairman), Mr. Sharadkumar Bhatia and Mr. Sudhakar Shanbhag with any two members forming the quorum.

During the year, four meetings of the committee were held.

c) Risk Management Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, Risk Management Committee was constituted to analyze and review the risk associated with managing the Pension Fund business and risk mitigants put in place. It consists of Mr. Tushar Mavani (Chairman), Mr. Sudhakar Shanbhag, Mr. Sandeep Shrikhande- Chief Executive Officer, Mr. Nilesh Bharkhada- Fund Manager and Ms. Darshana Baliya – Company Secretary with any two members forming the quorum.

During the year, four meetings of the committee were held.

d) Investment Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, Investment Committee was constituted to ensure that all investments are carried out as per the provisions of PFRDA Guidelines/directions and to ensure that all investments are made consistent with the protection, safety and liquidity of such funds, in the interest of the subscribers. The Investment Committee was reconstituted during the year and it presently consists of Mr. Nilesh Shah, Mr. Sudhakar Shanbhag, Mr. Noshir Dastur, Mr. Sharadkumar Bhatia, Mr. Sandeep Shrikhande – Chief Executive Officer and Mr. Nilesh Bharkhada– Fund Manager (Vinod A N – Fund manager resigned w.e.f. January 15, 2021 and Nilesh Bharkhada has been appointed in his place) with any two members forming the quorum.

During the year, six meetings of the committee were held.

9. AUDITORS

In terms of Section 139 of the Companies Act, 2013, Gokhale & Sathe, Chartered Accounts (Firm reg No103264W)were appointed as statutory auditors of the Company for a period of three years to hold office until the conclusion of the Annual General Meeting to be held for the financial year 2021-22.

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

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

10. INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that it has established a governance framework and a control environment including internal controls commensurate with the size; scale and complexity of its operations with reference to the Financial Statements and that such controls are operating effectively. During the year under review, no material observation has been observed for inefficiency or inadequacy of such controls.

11. RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business.

Pursuant to Section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions as required under Accounting Standards AS18 are reported in Notes to Financial Statement under clause no. 25.

12. PARTICULARS OF LOAN GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

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

13. WHISTLE BLOWER POLICY & POLICY AGAINST SEXUAL HARASSMENT:

Your Company has put in place the Whistle blower policy to raise concerns internally and to disclose information, which the individual believes shows malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any Indian law. The Kotak Group endeavors to develop a culture where it is safe and acceptable for all employees and directors to raise / voice genuine concerns in good faith and in a responsible as well as effective manner.

No incidents of Whistle Blower cases were reported during the financial year ending March 31, 2021.

The Company is a subsidiary of Kotak Mahindra Asset Management Co. Ltd The holding company has formulated a policy under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, which includes its subsidiary company. Accordingly, the relevant compliances with regard to constitution of Internal Complaints

Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been ensured. No such instance was reported during the year.

14. RISK MANAGEMENT

Your Company acts as Pension Fund Manager for managing the funds under NPS.

Pension Fund schemes are governed by the Investment Management Agreement (IMA) including any amendment thereof and the PFRDA Act 2013, regulations, applicable provisions of the NPS, the Schemes, the guidelines/notifications issued by the Authority, Ministry of Finance, Government of India, from time to time, as per the Applicable Law.

The IMA provides for constitution of Risk Management Committee and to draw up a Risk Policy to consider:

a. Risk management functions

b. Disaster recovery and business contingency plans

c. Insurance cover against risks

d. Ensuring a risk adjusted return to subscribers consistent with the protection, safety and liquidity of such funds.

Our risk Management Policy has been approved by the Board and is implemented by the Risk Management Committee, which keeps the Board informed periodically about its activities. The Board periodically updates the NPS Trust on the same.

The policy gives detailed guidelines in the areas of Fund management, Operations and other risks associated with the pension fund business. The said practices are audited by the internal auditors and the audit report is presented to the boards of KMPFL on a quarterly basis.

Liquidity Management

RBI in its Circular No. DBOD.BP.NO.56/21.04.098/2012-13 dated November 7, 2012 had stipulated that Banks need to put in Place a framework for monitoring institution-wide Liquidity risk and for overseeing operating subsidiaries and foreign branches, Further, the RBI, in its Annual Financial Inspection report has directed the Bank to implement a Group wide Liquidity risk management framework.

Based on the above Kotak Mahindra Bank Ltd (Bank) and its group companies have adopted a Liquidity Risk Management Policy. The Board of Directors has adopted Liquidity Risk Management Policy which is line with the Kotak Bank Policy.

The Company invests its surplus funds in the Liquid / debt schemes of Kotak Mahindra Mutual Fund. The Company's surplus Funds were invested by the authorized personnel of the Company, as per the mandate of the Board of Directors. All expenses (including revenue and capital) during the year were also authorized by personnel duly authorized by the Board of Directors.

15. DEPOSITS

Your Company neither invited nor accepted any deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014 during the year. Also, there are no deposits due and outstanding as on 31st March 2021.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the company does not undertake any manufacturing facility, the provisions pertaining to Sec 134(3) (m) of the Companies Act,2013 regarding Conservation of Energy and Technology Absorption are not applicable to the Company. However, Your Company has been increasingly using information technology in its operations.

During the financial year ended 31st March 2021 the Company has no foreign exchange inflow and outgo (Previous Year: Nil).

17. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:

As per 134(3) (l) of the Companies Act, 2013, there have been no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

PFRDA has, vide their letter dated April 19, 2021, on an application made by Kotak Mahindra Bank Ltd (KMBL), approved the transfer of 46.7% of equity shareholding of the company held by KMAMC whereby Kotak Mahindra Bank Ltd (KMBL) will become co-sponsor of Kotak Mahindra Pension Fund Ltd. Pursuant to the acquisition of shares on May 17, 2021:

a. **KMBL** has become a co-sponsor of Kotak Pension Fund along with **KMAMC**

b. The equity shareholding of **KMBL** and **KMAMC** in Kotak Pension Fund is 51% and 49% respectively. Thus, Kotak Pension Fund has become a direct subsidiary of **KMBL**.

Further, in response to Request for Proposal (RFP) dated December 23, 2020 issued by Pension Fund Regulatory and Development Authority (PFRDA), a proposal was submitted by KMBL and KMAMC as co-sponsors on January 20, 2021 for managing NPS Corpus through existing Pension Fund Company –KMPFL. PFRDA has approved the sponsors vide letter of appointment dated May 19, 2021 and issued a Certificate of registration no. PFRDA/PF/2021/006 dated June 1, 2021 which shall remain valid unless suspended or cancelled by the Authority. Under the terms of the RFP, the revised Investment Management Fees as applicable w.e.f. June 1, 2021 is as follows (prior it was charged at 0.01% p.a for Tier I and Tier II schemes and 0.0102% p.a. for NPS Lite Scheme – Govt Pattern);

Slabs of AUM	Investment Management Fees
Upto 10,000 Cr	0.09%
10,001-50,000 Cr	0.06%
50,001- 150,000 Cr	0.05%
Above 1,50,000 Cr	0.03%

18. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS WHICH IMPACTS GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE.

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

19. DIRECTORS RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the management, confirm in pursuance of Section 134(5) of the Companies Act, 2013 that:

i. Your Company has, in the preparation of the annual accounts followed the applicable accounting standards along with proper explanations relating to material departures, if any;

ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st March 2021 and of Loss of your Company for the financial year ended 31st March 2021;

iii. the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

iv. the Directors have prepared the annual accounts on a going concern basis.

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

20. SECRETARIAL STANDARDS

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

21. CHANGE IN THE NATURE OF BUSINESS

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

22. ANNUAL RETURN

The copy of the Annual Return (MGT-7) is available on the Company's website viz. URL: https://kotakpensionfund.com/

ACKNOWLEDGEMENT

Your Directors thank the subscribers, customers and business associates for reposing their trust in the Company. The Directors also thank the Company's employees for their continued hard work, dedication and commitment; and the Management for continuing success of the business.

Your Directors take this opportunity to place on record their gratitude for the valuable guidance and support received from the Pension Fund Regulatory and Development Authority, NPS Trust and other statutory and regulatory authorities for their support, advice and direction provided from time to time.

For and on behalf of the Board of Directors

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Mumbai
June 23, 2021

Independent Auditor's Report

To The Members of

KOTAK MAHINDRA PENSION FUND LIMITED

Report on the Ind AS Financial Statements

OPINION

We have audited the accompanying financial statements of **Kotak Mahindra Pension Fund Limited** ("the Company"), which comprise the Balance Sheet as at **31st March 2021**, the Statement of Profit and Loss (including other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

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 Companies Act,2013("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, its Losses and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). 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 (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

KEY AUDIT MATTERS

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

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

The Company's Board of Directors is responsible for the preparation of the other information, comprising of the information included in the Board's Report including Annexures to Board's Report, Corporate Governance and such other disclosures related Information, excluding the financial statements and auditor's report thereon ('Other Information').

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

In connection with our audit of the financial statements, our responsibility is to read the other information available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Accounting Standards and other accounting principles generally accepted in India. This responsibility also includes 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 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 are responsible for overseeing the Company's financial reporting process.

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

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

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

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

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by section 143(3) of the Act, based on our audit we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the company so far it appears from our examination of those books.

    c) The Balance sheet, Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

    d) In our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

    e) On the basis of written representations received from the directors as on 31 March, 2021, taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in **"Annexure A"**. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

   i. The company has disclosed the impact of pending litigations on its financial position in its Financial Statements.

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in **"Annexure B"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg. No.: 103264W

Atul A Kale
Partner
Membership No.109947

Place: Mumbai
Date: 23rd June 2021
UDIN: 21109947AAAAPL5260

Annexure "A" to the Independent Auditor's Report

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the Internal financial controls over financial reporting of **KOTAK MAHINDRA PENSION FUND LIMITED** ("the Company") as of 31st March, 2021 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS Financial Statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS Financial Statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg. No.: 103264W

Atul A Kale
Partner
Membership No.109947

Place: Mumbai
Date: 23rd June 2021

UDIN: 21109947AAAAPL5260

Annexure "B" to the Independent Auditor's Report

In the Annexure, as required by the **Companies (Auditor's Report) Order, 2016** issued by the Central Government in terms of Section 143 (11) of the Companies Act 2013, on the basis of checks, as we considered appropriate, we report on the matters specified in paragraph 3 and 4 of the said order,

i) a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets for the year under audit in the soft (computerized) form.

b) We have been informed that the physical verification of fixed assets was carried out by the management during the year, which in our opinion is reasonable having regard to the nature of the assets. We have been informed that no material discrepancy was noted on such verification.

c) No immovable properties are held by the company. Hence, the clause is not applicable.

ii) Considering the nature of the business and services rendered by the company, provisions of clause 3 (ii) of the CARO relating to inventory are not applicable.

iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. Therefore provisions of clause 3 (iii) a, (iii) b, (iii) c of the CARO are not applicable.

iv) The Company has not granted any loans or provided any guarantees or securities covered under section 185 & section 186 of the Act. In respect of investment made by the company, in our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 186 of the Act.

v) During the year, the company has not accepted any deposits from public.

vi) Central Government has not prescribed any service rendered by the company under section 148(1) of the Companies Act for maintenance of Cost records.

vii) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including the Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Goods and Services Tax, duty of Excise, Value Added Tax, cess and any other statutory dues applicable to it.

b) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, Goods and Services Tax, custom duty, excise duty, cess which have not been deposited on account of any dispute except the following:

Sr. No.	Name of the Statute	Financial Year	Amount	Forum where dispute is pending
1.	Income Tax Act	2010-11	14,030	Dy Commissioner of Income Tax

viii) In our opinion and according to the information and explanation given to us, the company does not have any loan or borrowings from a financial institution or bank or government or debenture holders. Therefore, provisions of clause 3 (viii) of the CARO are not applicable.

ix) During the year, the company has not raised any money by way of Initial Public Offer or further public offer nor obtained any term loans. Therefore, provisions of clause 3 (ix) of the CARO are not applicable.

x) According to the information and explanation given to us, no fraud on or by the company, by its officers and employees has been noticed or reported during the course of our audit.

xi) The company's managerial remuneration has been provided with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

xii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 3 (xii) of the CARO are not applicable.

xiii) In our opinion and according to the information and explanation given to us, transactions with the related parties are in compliance with sections 177 and 188 of the act where applicable and details of such transactions have been disclosed in the Ind AS Financial Statements as required by the applicable Accounting standards.

xiv) In our opinion and according to the information and explanation given to us, during the year the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Therefore, the provisions of clause 3 (xiv) of the CARO are not applicable.

xv) In our opinion and according to the information and explanation given to us, during the year the company has not entered into non-cash transactions with the directors or persons connected with the directors and hence the provisions of Clause 3 (xv) of the CARO are not applicable.

xvi) The company is required to be registered under Section 45IA of the Reserve Bank of India Act, 1934.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg. No.: 103264W

Atul A Kale
Partner
Membership No.109947

Place: Mumbai
Date: 23rd June 2021
UDIN: 21109947AAAAPL5260

Balance Sheet

as at 31st March, 2021

(Amount in ₹)

Particulars	Note No.	As at 31-March-21	As at 31-March-20
ASSETS			
Financial assets			
Cash and cash equivalents	2	574,198	91,955
Bank Balance other than above	3	2,582,807	1,473,794
Receivables			
(I) Trade receivables	4	410,207	345,218
Loans	5	-	195,246
Investments	6	275,960,740	298,229,258
Sub total		**279,527,952**	**300,335,471**
Non-financial assets			
Current Tax assets (Net)		251,296	215,718
Property, Plant and Equipment	7	458,953	56,732
Intangible assets	8	308,501	277,902
Other Non-financial assets	9	511,687	358,859
Sub total		**1,530,437**	**909,212**
Total Assets		**281,058,389**	**301,244,683**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	10	1,367,575	1,131,427
Subordinated Liabilities	20	-	-
Other Financial liabilities	11	2,831,173	2,500,000
Sub total		**4,198,748**	**3,631,427**
Non-Financial liabilities			
Current tax liabilities (Net)		-	2,461,955
Provisions	12	4,176,950	4,365,132
Other non-financial liabilities	13	572,064	552,598
Sub total		**4,749,014**	**7,379,685**
EQUITY			
Equity Share Capital	14	280,000,000	280,000,000
Other equity	15	(7,889,373)	10,233,571
Sub total		**272,110,627**	**290,233,571**
Total Liabilities and equity		**281,058,389**	**301,244,683**
Significant Accounting Policies & Notes on Accounts	1		

In terms of our report attached.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg No.103264W

Atul A Kale
Partner
Mem No.F-109947

Mumbai, 23rd June, 2021

For and on behalf of the Board of Directors

Chief Executive Officer

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Chief Financial Officer

Company Secretary

Profit and Loss Account

for the year ended 31st March, 2021

(Amount in ₹)

	Particulars	Note no.	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
	REVENUE FROM OPERATIONS			
(i)	Interest income	16	121,766	147,528
(ii)	Fees and Commission Income	17	1,279,247	913,537
(iii)	Net gain on fair value changes	18	11,681,482	20,263,663
(I)	**Total revenue from operations**		**13,082,495**	**21,324,728**
	EXPENSES			
(i)	Finance costs	19	100	238
(ii)	Impairment on financial instruments	20	(10,378)	6,225
(iii)	Employee Benefits expenses	21	23,144,542	20,007,881
(iv)	Depreciation, amortization and impairment	22	244,483	217,694
(v)	Other expenses	23	10,822,076	12,711,562
(II)	**Total expenses**		**34,200,823**	**32,943,600**
(II)	**Profit / (loss) before exceptional items and tax (I-II)**		**(21,118,328)**	**(11,618,872)**
(IV)	**Tax expense**			
	(1) Current tax		-	2,564,000
	(2) Current tax pertaining to prior periods		(2,434,925)	2,314,130
	Total tax expense (1+2)		**(2,434,925)**	**4,878,130**
(V)	**Profit/(loss) for the year (III-IV)**		**(18,683,403)**	**(16,497,002)**
(VI)	**Other comprehensive income**			
	- Remeasurements of the defined benefit plans		(192,423)	126,506
	Sub-total		**(192,423)**	**126,506**
	Income tax relating to items that will not be reclassified to profit or loss		-	-
	Total (A)		**(192,423)**	**126,506**
	Other comprehensive income (A + B)		**(192,423)**	**126,506**
(VII)	**Total Comprehensive Income for the year**		**(18,875,826)**	**(16,370,496)**
(VIII)	Earnings per equity share - Basic & diluted (₹)	24	(0.67)	(0.58)

In terms of our report attached.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg No.103264W

Atul A Kale
Partner
Mem No.F-109947

Mumbai, 23rd June, 2021

For and on behalf of the Board of Directors

Chief Executive Officer

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Chief Financial Officer

Company Secretary

Cash Flow Statement

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) Before Tax	(21,118,328)	(11,618,872)
Adjustments for:		
Depreciation, amortisation and impairment	244,482	217,694
Fair Valuation of Defined Obligation	(192,423)	126,506
Fair valuation of ESOP / SARS	753,048	66,182
Net unrealised gain / (loss) on financial instruments measured at fair value	25,057,610	12,149,578
Impairment on financial instruments	(10,378)	6,225
(Profit) / Loss on sale of tangible asset (Net)	-	-
Net (gain)/ loss on sale of Non-current investments	(36,739,092)	(32,413,240)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	**(32,005,081)**	**(31,465,927)**
Movements in working capital :		
Increase/ (decrease) in trade payables	236,148	321,345
Increase/ (decrease) in other financial liabilities	331,173	500,000
Increase / (decrease) in provisions	(188,350)	345,888
Increase/ (decrease) in other non financial liabilities	19,466	(5,369)
Decrease / (increase) in trade receivables	(64,921)	(89,234)
Decrease / (increase) in loans and advances	205,392	476,869
Decrease / (increase) in other non financial assets	(152,827)	273,250
CASH USED IN OPERATIONS	(31,619,001)	(29,643,178)
Direct Taxes Paid	(62,608)	(2,418,744)
NET CASH USED IN OPERATING ACTIVITIES (A)	**(31,681,609)**	**(32,061,922)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(677,301)	(387,500)
Sale of fixed assets	-	-
Investments		
Purchase	(118,000,000)	(125,000,000)
Proceeds from sale	151,950,000	157,300,000
NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B)	**33,272,699**	**31,912,500**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B)	**1,591,090**	**(149,422)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,566,729	1,716,152
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,157,819**	**1,566,730**
Components of cash and cash equivalents		
With banks- on current account	574,347	92,013
- on deposit account	2,583,473	1,474,716
Cash & Cash Equivalents Before Impairment Provision	**3,157,820**	**1,566,729**
Impairment Loss Allowances	(814)	(980)
Cash & Cash Equivalents As Per Balance Sheet	**3,157,006**	**1,565,749**

Summary of significant accounting policies (note 1)

The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Ind AS-7 "Cash Flow Statements"

The corresponding amounts of previous year have been re-grouped, wherever necessary.

In terms of our report attached.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg No.103264W

Atul A Kale
Partner
Mem No.F-109947

Mumbai, 23rd June, 2021

For and on behalf of the Board of Directors

Chief Executive Officer

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Chief Financial Officer

Company Secretary

Statement of Changes in Equity

for the year ended 31st March, 2021

A. EQUITY SHARE CAPITAL

(Amount in ₹)

Particulars	Balance at the beginning of the period	Changes in equity share capital during the year	Balance at the end of the period
Equity shares of ₹ 10 each fully paid up			
As on 1-April-2019	280,000,000		280,000,000
As on 31-Mar-2020	280,000,000		280,000,000
As on 31-Mar-2021	**280,000,000**		**280,000,000**

B. OTHER EQUITY

(Amount in ₹)

Particulars	Reserves and Surplus		Total
	Surplus in Statement of Profit and Loss	Capital Contribution from parent	
Opening balance as on 01-April-2020	9,464,754	768,817	10,233,571
(Loss) for the year	(18,683,403)	-	(18,683,403)
Fair value of ESOP's	-	752,880	752,880
Remeasurments of defined benefit plans	(192,423)	-	(192,423)
Changes during the year	(18,875,826)	752,880	(18,122,946)
Closing balance as on 31-March-2021	**(9,411,072)**	**1,521,697**	**(7,889,375)**

In terms of our report attached.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg No.103264W

Atul A Kale
Partner
Mem No.F-109947

Mumbai, 23rd June, 2021

For and on behalf of the Board of Directors

Chief Executive Officer

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Chief Financial Officer

Company Secretary

1.1. CORPORATE INFORMATION

Kotak Mahindra Pension Fund Limited ('the Company') is a company domiciled in India and incorporated on 23rd March, 2009 with its registered office situated at 27 BKC C-27, G Block, Bandra-Kurla Complex, Bandra East, Mumbai. The Company is incorporated to manage the investments of the National Pension System as formed by the Government of India through the Pension Fund Regulatory & Development Authority (PFRDA). The investments are held by the Board of Trustees of the National Pension System Trust, established by the PFRDA under the Indian Trusts Act, 1882.

1.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Preparation

a) Statement of compliance

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

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. These financial statements were authorized for issue by the Company's Board of Director's on 23rd June 2021.

b) Basis of measurement

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

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

B. Functional and presentation currency

The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

C. Use of estimates and judgements

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

Judgment, estimates and assumptions are required in particular for:

I. Revenue

Identifying performance obligation in the contract:

The Company manages the investments of the National Pension System as formed by the Government of India through the Pension Fund Regulatory & Development Authority (PFRDA). The Company has determined all the above services are capable of being distinct because the Company can provide those services on stand-alone basis and customer can benefit from those services on its own.

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

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

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

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

III. Recognition and Measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial valuation. Key actuarial assumptions which form the basis of above valuation includes discount rate, trends in salary escalation, demographics and life expectancy. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations. Further details are disclosed in Note 28.

Notes to the Financial Statement

for the year ended 31st March, 2021

IV. Recognition of deferred tax assets

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

V. Recognition and measurement of provisions and contingencies

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

VI. Discounting of long-term financial assets/liabilities

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

VII. Fair value of share-based payments

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

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

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

VIII. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. For further details about determination of fair value please refer Note 29.

IX. Business model assessment

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

X. Effective Interest Rate (EIR) method

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

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

XI. Impairment of financial assets

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

Notes to the Financial Statement

for the year ended 31st March, 2021

XII. Impairment of non-financial assets

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

XIII. Determination of lease term

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

XIV. Discount rate for lease liability

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

D. New standards and amendments to existing Ind AS:

The Ministry of Corporate Affairs notifies new standard or amendments to existing standards. There is no such notification which would have been applicable from April 01, 2021.

1.3. SIGNIFICANT ACCOUNTING POLICIES

A. Property, plant and equipment

i. Recognition and measurement

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

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

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

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

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

Computers	3 years
Office Equipment	5 years
Vehicles	4 years

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

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

Notes to the Financial Statement

for the year ended 31st March, 2021

B. Intangible assets

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Amortization

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

Software (including development) expenditure	3 years

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

C. Accounting for Operating Leases as a Lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases. Payments made under operating leases are generally recognised in the Statement of Profit and Loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessors expected inflationary cost increases.

D. Revenue recognition of income

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

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

Nature of services - Asset Management Services

The Company manages the investments of the National Pension System as formed by the Government of India through the Pension Fund Regulatory & Development Authority (PFRDA).

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

Investment Management Fee is recognised at specific rates agreed with the relevant schemes, applied on the daily net assets managed

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the company, and the amount of the dividend can be measured reliably.

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

Interest income on financial assets is recognized on an accrual basis using effective interest method. Interest revenue is continued to be recognised at the original effective interest rate applied on the gross carrying amount of assets falling under impairment stages 1 and 2 as against on amortised cost for the assets falling under impairment stage 3.

E. Income Tax

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

Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

Notes to the Financial Statement

for the year ended 31st March, 2021

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset only if:

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

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

F. Employee benefits

Defined Contribution Plan

Provident Fund/Employee State Insurance Scheme

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

New Pension Scheme

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

Defined Benefit Plan

Gratuity

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

Remeasurement of all defined benefit plans, which comprise actuarial gains and losses and the effect of asset ceiling, if applicable are recognised immediately in OCI in the year they are incurred. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss. Remeasurements are not reclassified to profit or loss in subsequent period.

Compensated Absences

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

Other Employee Benefits

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

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

Notes to the Financial Statement

for the year ended 31st March, 2021

G. Earnings per share

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

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

H. Impairment of non-financial assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount in the Statement of Profit and Loss.

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

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

I. Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognised but disclosed in the notes.

J. Share based payments

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

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

Stock Appreciation Rights ("SARs") - Cash Settled

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

K. Segment reporting

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

Notes to the Financial Statement

for the year ended 31st March, 2021

L. Financial Instruments

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

Financial assets

Recognition and Initial measurement

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

Classification

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

Business model assessment

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

Notes to the Financial Statement

for the year ended 31st March, 2021

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

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

Equity instruments at FVOCI

The Company subsequently measures all equity investments at fair value through profit or loss, unless the Company has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of definition of Equity under Ind AS 30 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

Financial liabilities

The company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Liabilities which are classified at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value.

M. Impairment of Financial Assets

Methodology for computation of Expected Credit Losses (ECL)

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

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

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

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

ECL is probability weighted estimate of credit losses estimated by determining the probability of default ('PD'), Exposure At Default ('EAD') and loss given default ('LGD').

For trade receivables the Company applies a simplified approach. It recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses on these financial assets are estimated considering the credit worthiness of counter parties and their credit ratings adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

N. Derecognition of financial assets and financial liabilities

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

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in the Statement of Profit and Loss.

Financial liabilities

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

Notes to the Financial Statement

for the year ended 31st March, 2021

O. Modifications of financial assets and financial liabilities

Financial assets

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

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different.

Measurement of fair values

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

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

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

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

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

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

P. Cash and cash equivalents

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

Q. In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in India and around the world. During the financial year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. The Q1FY21 was worst affected due to pandemic. However, there was an economic recovery in Q2FY21 and Q3FY21 as lockdowns eased consequent to reduction in COVID-19 cases. Although government has started vaccination drive, COVID-19 cases have significantly increased in recent months due to second wave as compared to earlier levels in India. Various state governments have again announced strict measures include lockdowns to contain this spread. As COVID vaccines get administered to more and more people, businesses in sectors impacted by pandemic may pick up. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to get back to normal.

The Company continues to closely monitor the situation and in response to this health crisis has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The Company, however, has not experienced any significant disruptions in the past one year and has no impact on carrying value of assets / liabilities based on the external or internal information available up to the date of approval of financial statements. The future direct and indirect impact of COVID-19 on Company business, results of operations, financial position and cash flows remains uncertain.

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 2 CASH AND CASH EQUIVALENTS :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Balances with banks	574,347	92,013
Sub total	**574,347**	**92,013**
Less: Impairment loss allowance	(149)	(58)
Total	574,198	91,955

NOTE 3 BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Fixed deposit with bank	2,583,473	1,474,716
Sub total	**2,583,473**	**1,474,716**
Less: Impairment loss allowance	(666)	(922)
Total	**2,582,807**	**1,473,794**

NOTE 4 RECEIVABLES :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Unsecured, considered good	410,313	345,392
Sub total	**410,313**	**345,392**
Less: Impairment loss allowance	(106)	(173)
Total	**410,207**	**345,218**

NOTE 5 LOANS :

(Amount in ₹)

Particulars			As at 31-Mar-21	As at 31-Mar-20
(A)				
(i)	Employee Loan		-	205,392
	Sub total		**-**	**205,392**
	Less: Impairment loss allowance		-	(10,146)
	Total		**-**	**195,246**
(B)				
(i)	Unsecured		-	205,392
	Total Gross (B)		**-**	**205,392**
	Less: Impairment loss allowance		-	(10,146)
	Total Net (B)		**-**	**195,246**
(C)				
(I)	**Loans in India**			
	(i)	Public Sector	-	-
	(iI)	Others	-	205,392
Total Gross (C) (I)			**-**	**205,392**
Less: Impairment loss allowance			-	(10,146)
Total Net (C) (I)			**-**	**195,246**
(II)	**Loans outside India**		**-**	**-**
	Less: Impairment allowance		-	-
Total Net (C) (II)			**-**	**-**
Total (C) (I) and (II)			**-**	**195,246**

Notes to the Financial Statement
for the year ended 31st March, 2021

NOTE 6 INVESTMENTS :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Mutual funds	275,960,740	298,229,258
Total Gross (A)	**275,960,740**	**298,229,258**
(i) Investments outside India	-	-
(ii) Investments in India	275,960,740	298,229,258
Total (B)	**275,960,740**	**298,229,258**
Less: Impairment allowance	-	-
Total Net	**275,960,740**	**298,229,258**
Ammortised cost		
At fair value through profit or loss	275,960,740	298,229,258
	275,960,740	**298,229,258**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(Amount in ₹)

Particulars	Office equipment	Computers	Total
Gross carrying amount as at 1-April-2019	**5,232**	**66,874**	**72,106**
Additions during the year		65,500	65,500
Disposals during the year			-
Gross carrying amount as at 31-March-2020	**5,232**	**132,374**	**137,606**
Accumulated depreciation as at 1-April-2019	**5,232**	**57,482**	**62,714**
Depreciation for the year	-	18,160	18,160
Disposals during the year	-	-	-
Accumulated depreciation as at 31-March-2020	**5,232**	**75,642**	**80,874**
Net carrying amount as on 31-March-2020	**-**	**56,732**	**56,732**
Gross carrying amount as at 31-March-2020	**5,232**	**132,374**	**137,606**
Additions during the year	40,300	450,801	491,101
Disposals during the year			-
Gross carrying amount as at 31-March-2021	**45,532**	**583,175**	**628,707**
Accumulated depreciation as at 31-March-2020	**5,232**	**75,642**	**80,874**
Depreciation for the year	3,127	85,754	88,880
Disposals during the year	-	-	-
Accumulated depreciation as at 31-March-2021	**8,358**	**161,396**	**169,754**
Net carrying amount as at 31-March-2021	**37,173**	**421,779**	**458,953**

Impairment loss and reversal of impairment loss

There is no impairment loss recognized for tangible assets

NOTE 8 INTANGIBLE ASSETS

(Amount in ₹)

Particulars	Software	Total
Gross carrying amount as at 1-April-2019	**556,230**	**556,230**
Additions during the year	322,000	322,000
Disposals during the year		-
Gross carrying amount as at 31-March-2020	**878,230**	**878,230**
Accumulated amortisation as at 1-April-2019	**400,793**	**400,793**
Amortisation for the year	199,534	199,534
Disposals during the year		-
Accumulated amortisation as at 31-March-2020	**600,327**	**600,327**
Net carrying amount as at 31-March-2020	**277,902**	**277,902**

Notes to the Financial Statement

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	Software	Total
Gross carrying amount as at 31-March-2020	**878,230**	**878,230**
Additions during the year	186,200	186,200
Disposals during the year		-
Gross carrying amount as at 31-March-2021	**1,064,430**	**1,064,430**
Accumulated amortisation as at 31-March-2020	**600,327**	**600,327**
Amortisation for the year	155,602	155,602
Disposals during the year		-
Accumulated amortisation as at 31-March-2021	**755,930**	**755,930**
Net carrying amount as at 31-March-2021	**308,501**	**308,501**

Impairment loss and reversal of impairment loss

There is no impairment loss recognised for intangible assets

NOTE 9 OTHER NON FINANCIAL ASSETS :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Prepaid Expenses	445,043	307,555
GST receivable (Net)	66,644	51,304
Total	**511,687**	**358,859**

NOTE 10 PAYABLES :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
(I) Trade Payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	1,367,575	1,131,427
Total (I)	**1,367,575**	**1,131,427**

NOTE 11 OTHER FINANCIAL LIABILITIES :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Incentive Payable	2,831,173	2,831,173
Total	**2,831,173**	**2,831,173**

NOTE 12 PROVISIONS :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Provision for employee benefits	1,000,895	865,825
Provision for gratuity	2,365,392	2,491,778
Provision for stock appreciation rights	810,663	1,007,529
Total	**4,176,950**	**4,365,132**

NOTE 13 OTHER NON-FINANCIAL LIABILITIES :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Statutory dues payable	572,064	552,598
Total	**572,064**	**552,598**

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 14 EQUITY SHARE CAPITAL

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Authorised		
6,00,00,000 (31 March 2020 6,00,00,000) equity shares of ₹10/- each	600,000,000	600,000,000
Issued, subscribed and paid-up		
2,80,00,000 (31 March 2020 2,80,00,000) equity shares of ₹ 10/- each, fully paid up	280,000,000	280,000,000
	280,000,000	**280,000,000**

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

Particulars	No. of shares	Amount
Equity shares of ₹ 10 each, fully paid-up		
As at 1 April 2019	28,000,000	28,000,000
Add : Issued during the year		
As at 31 March 2020	**28,000,000**	**28,000,000**
Add : Issued during the year		
As at 31 March 2021	**28,000,000**	**28,000,000**

b. Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. 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.

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

Particulars	31-Mar-21		31-Mar-20	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Asset Management Company Limited	26,800,000	95.71	26,800,000	95.71
Kotak Mahindra Bank Limited	1,200,000	4.29	1,200,000	4.29
	28,000,000	**100.00**	**28,000,000**	**100.00**

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

Particulars	31-Mar-21		31-Mar-20	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Asset Management Company Limited	26,800,000	95.71	26,800,000	95.71
	26,800,000	**95.71**	**26,800,000**	**95.71**

NOTE 15 OTHER EQUITY :

(Amount in ₹)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Surplus in Statement of Profit and Loss	(9,411,070)	9,464,754
Capital Contribution from parent	1,521,697	768,817
Total	**(7,889,373)**	**10,233,571**

15.1 Nature and purpose of reserve

Surplus in Statement of Profit and Loss

Surplus in profit or loss account represents surplus/deficit of the company and are available for distribution to shareholders.

Capital Contribution from parent

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

Notes to the Financial Statement
for the year ended 31st March, 2021

NOTE 16 INTEREST INCOME :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
On Financial Assets measured at Amortised Cost		
Other interest income	121,766	147,528
Total	**121,766**	**147,528**

NOTE 17 FEES AND COMMISSION INCOME :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Management Fees	1,279,247	913,537
Total	**1,279,247**	**913,537**

NOTE 18 NET GAIN/(LOSS) ON FAIR VALUE CHANGES :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
(A) Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investments	11,681,482	20,263,663
Total Net gain/(loss) on fair value changes (C = A+B)	**11,681,482**	**20,263,663**
Fair value changes:		
Realised	36,739,092	32,413,240
Unrealised	(25,057,610)	(12,149,578)
Total Net gain/(loss) on fair value changes (D)	**11,681,482**	**20,263,664**

NOTE 19 FINANCE COSTS :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Other interest expense - Bank Charges	100	238
	100	**238**
Ammortised cost		
At fair value through profit or loss	100	238
	100	**238**

NOTE 20 IMPAIRMENT ON FINANCIAL INSTRUMENTS :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Loans	(10,146)	5,711
Receivables	(67)	110
Bank Balances	91	(55)
Fixed Deposit	(256)	459
Total	**(10,378)**	**6,225**

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 21 EMPLOYEE BENEFITS EXPENSES :

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Salaries and wages	20,259,475	18,176,831
Contribution to provident and other funds	997,468	866,556
Share Based Payments to employees	1,886,639	954,841
Staff welfare expenses	960	9,653
Total	**23,144,542**	**20,007,881**

NOTE 22 DEPRECIATION, AMORTISATION AND IMPAIRMENT

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Software	155,602	199,534
Office equipment	3,127	-
Computers	85,754	18,160
Total	**244,483**	**217,694**

NOTE 23 OTHER EXPENSES

(Amount in ₹)

Particulars	For the Year Ended 31st March 2021	For the Year Ended 31st March 2020
Rent, taxes and energy costs	3,200,565	3,456,554
Repairs and maintenance	77,273	94,554
Communication Costs	161,252	45,506
Computer related expenses	664,961	683,361
Travel related expenses	25,210	96,460
Printing and stationery	4,106	10,522
Business promotion, Distribution and Mutual Fund expenses	1,683,284	1,459,518
Membership subscription	1,421,512	1,287,920
Reimbursement of common administrative cost	600,000	1,200,000
Director's fees, allowances and expenses	515,000	545,000
Auditor's fees and expenses	175,000	179,680
Legal and Professional charges	304,534	1,598,242
Insurance	1,171	3,284
Royalty Expenses	500,000	-
Other expenditure	1,488,208	2,050,960
Total	**10,822,076**	**12,711,562**
Professional fees include fees payable to the auditor		
(a) As auditor	175,000	175,000
(b) Reimbursement of expenses	-	4,680
Total	**175,000**	**179,680**

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 24 EARNINGS PER SHARE

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

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

(Amount in ₹)

Sr. No.	Particulars	For the year ended 31-Mar-21	For the year ended 31-Mar-20
A)	Net profit from continued operation attributable to equity holders	(18,875,826)	(16,370,496)
B)	**Profit attributable to equity holders of the Company adjusted for the effect of dilution**	**(18,875,826)**	**(16,370,496)**
C)	**Weighted average number of ordinary shares**	28,000,000	28,000,000
	Issued ordinary shares at 1 April	28,000,000	28,000,000
	Weighted average number of shares at 31 March	**28,000,000**	**28,000,000**
D)	**Face value per share (INR)**	10	10
E)	**Basic and diluted earnings per share (INR)**	(0.67)	(0.58)

NOTE 25 CONTINGENT LIABILITIES AND COMMITMENTS

(Amount in ₹)

Sr. No.	Particulars	As at 31-Mar-21	As at 31-Mar-20
	Contingent Liabilities:		
a)	In respect of demand from Income tax matters	14,030	86,180
	Total	**14,030**	**86,180**

NOTE 26 RELATED PARTY DISCLOSURES

Related party disclosures, as required by notified Ind AS 24 -'Related party Disclosures' are given below :

A. Names of Related Parties

Particulars	Country of Incorporation	Proportion of ownership interest
Holding Company		
Kotak Mahindra Asset Management Company Limited	India	95.71%
Names of related parties by whom significant influence is exercised		
Kotak Mahindra Bank Limited	India	
Kotak Mahindra Life Insurance Limited	India	
Kotak Mahindra General Insurance Company Limited	India	
Key Management Personnel		
Sandeep Shrikhande	India	
Independent Director		
Tushar Mavani		
Arun Palkar		
Noshir Dastur		
Sharadkumar Bhatia		

Notes to the Financial Statement

for the year ended 31st March, 2021

B. Transactions with key management personnel

i. Key management personnel compensation *

(Amount in ₹)

Sr. No.	Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
i.	Short-term employee benefits	2,981,472	2,835,783
ii.	Post-employment defined benefit	156,000	144,000
	Independent Director		
i.	Director Sitting Fees	515,000	545,000

* The above figures do not include provisions for encashable leave and gratuity, as separate actuarial valuation are not available.

Note 26 above provides the information about the Company's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Amount in ₹)

Nature of Transaction	Year ended March 31	Ultimate Holding Company	Holding Company	Fellow Subsidiaries
Balances Outstanding				
Balance in Current Account	2021	574,347		
	2020	89,118		
Fixed Deposit	2021	2,572,105		
	2020	1,465,035		
Interest accrued on FD	2021	11,368		
	2020	9,681		
Trade payable	2021	660,215	-	-
	2020	353,003	108,000	-
Transactions during the year				
Interest on Fixed Deposit	2021	117,575		
	2020	106,427		
Reimbursement of Expenses				
Rent	2021	2,999,208		
	2020	3,244,920		
Reimbursement of common administrative costs	2021		600,000	-
	2020		1,200,000	-
Reimbursement of opex cost	2021	580,851		
	2020	623,295		
Royalty Expenses	2021	500,000		
	2020	-		
Insurance Expenses	2021			1,171
	2020			-

NOTE 27 EMPLOYEE BENEFITS

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

(i) Defined Contribution Plans:

The Company makes Provident Fund contributions to Recognized Provident Fund for employees. The Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹8,57,392 (March 31, 2020 : ₹ 7,26,552) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to the Fund are at rates specified in the Rules of the Scheme.

(ii) Defined Benefit Plan:

Gratuity :-

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

Notes to the Financial Statement

for the year ended 31st March, 2021

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

	Note	As at March 31, 2021	As at March 31, 2020
Present value of Unfunded defined benefit obligation (A)		2,365,392	2,491,778
Fair value of plan assets (B)		-	-
Net (asset) / liability recognized in the Balance Sheet (A-B)		**2,365,392**	**2,491,778**

B. Movement in net defined benefit (asset) liability

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset)/liability	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Opening balance	2,491,778	2,154,890	-	-	2,491,778	2,154,890
Included in profit or loss						
Current service cost	248,894	240,669	-	-	248,894	240,669
Past service cost	-	-	-	-	-	-
Interest on Net Defined Benefit Liability/ (Assets)	151,368	146,827	-	-	151,368	146,827
	2,892,040	**2,542,386**	**-**	**-**	**2,892,040**	**2,542,386**
Included in OCI						
Remeasurement loss / (gain):						
Actuarial loss / (gain) arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	33,234	(16,292)	-	-	33,234	(16,292)
Experience adjustment	159,189	(110,214)	-	-	159,189	(110,214)
Actual return on plan assets less interest on plan assets	-	-	-	-	-	-
	192,423	**(126,506)**	**-**	**-**	**192,423**	**(126,506)**
Other						
Contributions paid by the employer	-	-	-		-	-
Benefits paid	-	-	-		-	-
Liabilities assumed / (settled)*	(719,071)	75,898	-	-	(719,071)	75,898
Closing balance	**2,365,392**	**2,491,778**	**-**	**-**	**2,365,392**	**2,491,778**
Represented by						
Net defined benefit asset					-	-
Net defined benefit liability					2,365,392	2,491,778
					2,365,392	**2,491,778**

C. Expenses recognized in statement of profit and loss

	As at March 31, 2021	As at March 31, 2020
Current service cost	248,894	240,669
Past service cost	-	-
Interest on net defined benefit liability / (asset)	151,368	146,827
	400,262	**387,496**

Notes to the Financial Statement
for the year ended 31st March, 2021

D. Remeasurements recognized in other comprehensive income

	As at March 31, 2021	As at March 31, 2020
Actuarial loss / (gain) arising from:		
Financial assumptions	33,234	(16,292)
Demographic assumptions	-	-
Experience adjustments	159,189	(110,214)
Actual return on plan assets less interest on plan assets	-	-
Adjustment to recognize the effect of asset ceiling	-	-
	192,423	**(126,506)**

E. Defined benefit obligations

i. Actuarial assumptions

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

	As at March 31, 2021	As at March 31, 2020
Discount rate (p.a.)	6.20%	6.40%
Salary escalation rate (p.a.)	7.00%	0.00% until year 1 inclusive, then 7.00%

ii. Sensitivity analysis

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

	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (50 bps movement)	81,523	(86,927)	84,065	(88,929)
Salary escalation rate (50 bps movement)	(52,791)	50,592	(62,836)	61,581

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

F. Experience adjustments

	Year ended 31st March				
	2021	2019	2018	2017	2016
Present value of defined benefit obligation	2,365,392	2,491,778	2,154,890	1,679,216	1,102,905
Fair value of plan assets Surplus / (Deficit)	(2,365,392)	(2,491,778)	(2,154,890)	(1,679,216)	(1,102,905)
Experience adjustments on plan assets / liabilities	159,189	(110,213)	81,184	111,826	(114)

G. Accumulated Compensated Absences

The Company provides for accumulated compensated absences as at the balance sheet date on the basis of an actuarial valuation. The Company recognized ₹ 56,887 (Previous year : ₹(90,413) for Compensated Absences in the Statement of Profit and Loss.

H. Long Service Award

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

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 28 SHARE-BASED PAYMENTS

A. Description of share-based payment arrangements

Share option plans (equity-settled)

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

(a) Kotak Mahindra Equity Option Scheme 2007; and

(b) Kotak Mahindra Equity Option Scheme 2015

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

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

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

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

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

As at 31st March, 2021

Scheme reference	Grant Date	Mode of settlement accounting	No of Share Options outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
ESOP 2015-07	15-May-17	Equity settled	34	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.13
ESOP 2015-14	18-May-18	Equity settled	344	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.12
ESOP 2015-19	20-May-19	Equity settled	1,841	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.12
ESOP 2015 -25	07-Aug-20	Equity settled	1,490	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	3.90

As at 31st March, 2020

Scheme reference	Grant Date	Mode of settlement accounting	No of Share Options outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
ESOP 2015-07	15-May-17	Equity settled	1,092	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.13
ESOP 2015-14	18-May-18	Equity settled	2,324	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.12
ESOP 2015-19	20-May-19	Equity settled	2,630	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.12

Notes to the Financial Statement

for the year ended 31st March, 2021

B. Measurement of fair values

Equity-settled share-based payment arrangements

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

The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behavior.

As at 31st March, 2021

Scheme	Grant Date	Vesting period (Years)	Exercise period (Years)	Expected life (Years)	Exercise Price (INR)	Market price (INR)	Risk free rate	Annual Dividend yield	Volatility	Fair value per share options (INR)
ESOP 2015-07	15-May-17	1.30	0.48	1.54	955.00	954.65	6.64%	0.06%	20.74%	145.98
ESOP 2015-07	15-May-17	2.46	0.50	2.71	955.00	954.65	6.77%	0.06%	35.44%	289.06
ESOP 2015-07	15-May-17	3.13	0.50	3.38	955.00	954.65	6.88%	0.06%	33.81%	320.11
ESOP 2015-07	15-May-17	3.63	0.50	3.88	955.00	954.65	6.95%	0.06%	34.20%	349.84
ESOP 2015-14	18-May-18	1.20	0.50	1.45	1,271.00	1,270.70	7.44%	0.06%	18.68%	184.60
ESOP 2015-14	18-May-18	2.46	0.50	2.71	1,271.00	1,270.70	7.83%	0.06%	32.95%	383.29
ESOP 2015-14	18-May-18	3.12	0.50	3.37	1,271.00	1,270.70	7.97%	0.06%	32.13%	433.45
ESOP 2015-14	18-May-18	3.62	0.50	3.87	1,271.00	1,270.70	7.99%	0.06%	31.43%	465.70
ESOP 2015-19	20-May-19	1.20	0.50	1.45	1,460.00	1,460.00	6.63%	0.05%	23.24%	230.35
ESOP 2015-19	20-May-19	2.45	0.50	2.70	1,460.00	1,460.00	6.83%	0.05%	21.16%	330.89
ESOP 2015-19	20-May-19	3.12	0.50	3.37	1,460.00	1,460.00	6.94%	0.05%	21.32%	387.19
ESOP 2015-19	20-May-19	3.62	0.50	3.87	1,460.00	1,460.00	7.03%	0.05%	31.00%	508.28
ESOP 2015-25	07-Aug-20	1.07	0.48	1.31	1,341.00	1,340.10	3.61%	0.06%	39.75%	267.12
ESOP 2015-25	07-Aug-20	2.32	0.48	2.56	1,341.00	1,340.10	4.40%	0.06%	33.09%	340.57
ESOP 2015-25	07-Aug-20	2.90	0.50	3.15	1,341.00	1,340.10	4.85%	0.06%	30.71%	370.15
ESOP 2015-25	07-Aug-20	3.40	0.50	3.65	1,341.00	1,340.10	5.06%	0.06%	29.29%	395.03

As at 31st March, 2020

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

The following table lists the average inputs to the models used for the plans for the year ended 31st March, 2021.

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

Notes to the Financial Statement

for the year ended 31st March, 2021

C. Reconciliation of outstanding share options

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

Scheme	Grant Date	31-Mar-21 Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Lapsed during the year	Forfeited during the year	Outstanding at the end of the year	Exercisable at the end of the year
ESOP 2015-07	15-May-17	1,092		(34)	(1,024)			34	34
ESOP 2015-14	18-May-18	2,324		(258)	(1,722)			344	
ESOP 2015-19	20-May-19	2,630		(789)				1,841	
ESOP 2015-25	07-Aug-20		1,490	-				1,490	
		6,046	**1,490**	**(1,081)**	**(2,746)**	**-**	**-**	**3,709**	**34**

Scheme	Grant Date	31-Mar-20 Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Lapsed during the year	Forfeited during the year	Outstanding at the end of the year	Exercisable at the end of the year
ESOP 2015-02	19-May-16	368	-	(368)	-	-	-	-	
ESOP 2015-07	15-May-17	1,911	-	(819)	-	-	-	1,092	
ESOP 2015-14	18-May-18	3,320	-	(996)	-	-	-	2,324	
ESOP 2015-19	20-May-19		2,630	-	-	-	-	2,630	
		5,599	**2,630**	**(2,183)**		**-**	**-**	**6,046**	**-**

* This represents transfer of employees within Bank and its subsidiaries

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,399.01 (Previous year: ₹ 935.55).

ESOP Scheme	Range of exercise prices (₹)	31st March, 2021 Number of options outstanding	31st March, 2021 Weighted average remaining contractual life of options (in years)	31st March, 2021 Weighted average exercise price (₹)	31st March, 2020 Number of options outstanding	31st March, 2020 Weighted average remaining contractual life of options (in years)	31st March, 2020 Weighted average exercise price (₹)
ESOP 2015-02	701-800						
ESOP 2015-07	901-1000	34	0.25	955.00	1,092	1.00	955.00
ESOP 2015-14	1201-1300	344	0.61	1,271.00	2,324	1.61	1,271.00
ESOP 2015-19	1401-1500	1,841	1.61	1,460.00	2,630	2.08	1,460.00
ESOP 2015-25	1301-1400	1,490	2.13	1,341.00			

ii. Stock Appreciation Rights (cash-settled)

During the year, the management had approved SARs to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees. The Company under its various plans / series has granted 390 SARs during FY 2020-21. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 0.25 years to 3.46 years

As at 31st March, 2021

Scheme reference	Grant Date	Mode of settlement accounting	No of SARs outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
2015-17 (Series 17)	18-May-18	Cash settled	92	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-17 (Series 22)	20-May-19	Cash settled	378	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.66
2015-17 (Series 28)	07-Aug-20	Cash settled	390	30% - 2021-22 30% - 2022-23 40% - 2023-24	3.66

Notes to the Financial Statement

for the year ended 31st March, 2021

As at 31st March, 2020

Scheme reference	Grant Date	Mode of settlement accounting	No of SARs outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
2015-9 (Series 9)	15-May-17	Cash settled	236	30% - 2018-19 30% - 2019-20 40% - 2020-21	3.67
2015-17 (Series 17)	18-May-18	Cash settled	546	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-17 (Series 22)	20-May-19	Cash settled	540	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.66

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

As at 31st March, 2021

Scheme	Grant Date	Vesting period (Years)	Expected life (Years)	Exercise Price (INR)	Weighted average share price	Risk free rate	Annual Dividend yield	Volatility	Fair value per SARs (INR)
Series 2015-17 (Series 17)									
Tranche VII	18-May-18	0.25	0.25	-	1,781.25	3.45%	0.04%	30.03%	1,781.05
Tranche VIII	18-May-18	0.27	0.27	-	1,781.25	3.46%	0.04%	29.69%	1,781.03
Tranche IX	18-May-18	0.29	0.29	-	1,781.25	3.47%	0.04%	28.84%	1,781.02
Tranche X	18-May-18	0.75	0.75	-	1,781.25	3.75%	0.04%	31.29%	1,780.65
Tranche XI	18-May-18	0.77	0.77	-	1,781.25	3.76%	0.04%	31.90%	1,780.63
Tranche XII	18-May-18	0.79	0.79	-	1,781.25	3.77%	0.04%	32.27%	1,780.62
Series 2015-17 (Series 22)									
Tranche IV	20-May-19	0.59	0.59	-	1,781.25	3.66%	0.04%	32.26%	1,780.78
Tranche V	20-May-19	0.61	0.61	-	1,781.25	3.67%	0.04%	32.22%	1,780.76
Tranche VI	20-May-19	0.62	0.62	-	1,781.25	3.68%	0.04%	32.18%	1,780.75
Tranche VII	20-May-19	1.25	1.25	-	1,781.25	3.96%	0.04%	43.26%	1,780.25
Tranche VIII	20-May-19	1.27	1.27	-	1,781.25	3.96%	0.04%	43.01%	1,780.23
Tranche IX	20-May-19	1.29	1.29	-	1,781.25	3.97%	0.04%	42.73%	1,780.22
Tranche X	20-May-19	1.75	1.75	-	1,781.25	4.14%	0.04%	38.90%	1,779.85
Tranche XI	20-May-19	1.77	1.77	-	1,781.25	4.15%	0.04%	38.70%	1,779.83
Tranche XII	20-May-19	1.79	1.79	-	1,781.25	4.16%	0.04%	38.57%	1,779.82
Series 2015-17 (Series 28)									
Tranche I	07-Aug-20	0.42	0.42	-	1,781.25	3.56%	0.04%	29.09%	1,780.91
Tranche II	07-Aug-20	0.44	0.44	-	1,781.25	3.57%	0.04%	33.39%	1,780.90
Tranche III	07-Aug-20	0.46	0.46	-	1,781.25	3.58%	0.04%	33.44%	1,780.88
Tranche IV	07-Aug-20	1.67	1.67	-	1,781.25	4.11%	0.04%	39.50%	1,779.91
Tranche V	07-Aug-20	1.69	1.69	-	1,781.25	4.11%	0.04%	39.34%	1,779.90
Tranche VI	07-Aug-20	1.71	1.71	-	1,781.25	4.12%	0.04%	39.27%	1,779.88
Tranche VII	07-Aug-20	2.25	2.25	-	1,781.25	4.43%	0.04%	35.47%	1,779.45
Tranche VIII	07-Aug-20	2.27	2.27	-	1,781.25	4.45%	0.04%	35.35%	1,779.44
Tranche IX	07-Aug-20	2.29	2.29	-	1,781.25	4.47%	0.04%	35.27%	1,779.42
Tranche X	07-Aug-20	2.75	2.75	-	1,781.25	4.97%	0.04%	34.44%	1,779.05
Tranche XI	07-Aug-20	2.77	2.77	-	1,781.25	5.00%	0.04%	34.32%	1,779.03
Tranche XII	07-Aug-20	2.79	2.79	-	1,781.25	5.02%	0.04%	34.24%	1,779.02

Notes to the Financial Statement

for the year ended 31st March, 2021

As at 31st March, 2020

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

The following table lists the average inputs to the models used for the plans for the year ended 31st March, 2021.

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

Notes to the Financial Statement
for the year ended 31st March, 2021

Reconciliation of Stock Appreciation Rights (cash-settled)

Scheme	Grant Date	31-Mar-21					
		Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Forfeited during the year	Outstanding at the end of the year
2015-9 (Series 9)	15-May-17	236		(236)			-
2015-17 (Series 17)	18-May-18	546		(234)	(220)		92
2015-17 (Series 22)	20-May-19	540		(162)			378
2015-17 (Series 28)	07-Aug-20		390				390
		1,322	**390**	**(632)**	**(220)**	**-**	**860**

Scheme	Grant Date	31-Mar-20					
		Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Forfeited during the year	Outstanding at the end of the year
2015-4 (Series 4)	19-May-16	100	-	(100)	-	-	-
2015-9 (Series 9)	15-May-17	413	-	(177)	-	-	236
2015-17 (Series 17)	18-May-18	780		(234)	-	-	546
2015-17 (Series 22)	20-May-19		540		-	-	540
		1,293	**540**	**(511)**		**-**	**1,322**

* This represents transfer of employees within Bank and its subsidiaries

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

(Amount in ₹)

Year ended 31st March,	2021	2020
Total Employee compensation cost pertaining to share-based payment plans	1,886,639	954,841
Compensation cost pertaining to equity-settled employee share-based payment plan included above	752,880	66,393
Closing balance of liability for cash-settled options	810,663	1,007,529
Total intrinsic value of liabilities for vested benefits	**-**	**-**

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 29 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Classification of financial assets and financial liabilities:

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

(Amount in ₹)

Particulars	As at 31-Mar-21			As at 31-Mar-20		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial assets						
Cash and cash equivalents	-	-	574,347			92,013
Receivables:						
Trade receivables	-	-	410,207			345,218
Loans	-	-	-			682,261
Investments	275,960,740			298,229,258		
Total financial assets	**275,960,740**	**-**	**984,554**	**298,229,258**	**-**	**1,119,492**
Financial liabilities						
Payables						
Trade Payables			1,367,575			1,131,427
Other Financial liabilities			2,831,173			2,500,000
Total financial liabilities	**-**	**-**	**4,198,748**	**-**	**-**	**3,631,427**

B. Fair value hierarchy:

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

(Amount in ₹)

Particulars	As at 31-Mar-21				As at 31-Mar-20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investments at FVTPL								
- Mutual funds	275,960,740			275,960,740	298,229,258	-	-	298,229,258
Total financial assets	**275,960,740**	**-**	**-**	**275,960,740**	**298,229,258**	**-**	**-**	**298,229,258**

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

(Amount in ₹)

Particulars	As at 31-Mar-21				As at 31-Mar-20			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Loans								
- Loans given to Employee	-	-	-	-	-	-	682,261	682,261
Total financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**682,261**	**682,261**

C. Measurement of fair values

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

The categories used are as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

Notes to the Financial Statement
for the year ended 31st March, 2021

Fair value of financial assets and liabilities measured at amortised cost

(Amount in ₹)

Particulars	As at 31-Mar-21		As at 31-Mar-20	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	574,347	574,347	92,013	92,013
Receivables:				
Trade receivables	410,207	410,207	345,218	345,218
Loans				
- Loans given to Employee	-	-	682,261	682,261
	984,554	**984,554**	**1,119,492**	**1,119,492**
Financial liabilities				
Payables				
Trade Payables	1,367,575	1,367,575	1,131,427	1,131,427
Other Financial liabilities	2,831,173	2,831,173	2,500,000	2,500,000
Total financial liabilities	**4,198,748**	**4,198,748**	**3,631,427**	**3,631,427**

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

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

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

Financial instruments not measured at fair value

Instrument type	Valuation technique
Loans	The fair values of loans that do not reprice or mature frequently are estimated using discounted cash flow models. The discount rates are based on internal models and consequently for the purposes of level disclosures categorized under Level 3. The Level 3 loans would decrease (increase) in value based upon an increase (decrease) in discount rate.

D. Financial risk management

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

- Credit risk; and
- Liquidity risk

i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans and advances.

The carrying amounts of following financial assets represent the maximum credit risk exposure:-

(Amount in ₹)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Trade receivables	410,313	345,392
Cash and cash equivalents	574,347	92,013
Bank Balance other than (a) above	2,583,473	1,474,716
Loan to Employees	-	205,392
Total	**3,568,133**	**2,117,512**

Notes to the Financial Statement

for the year ended 31st March, 2021

a. Credit quality analysis

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

(Amount in ₹)

Particulars	Lifetime ECL (simplified approach)	
	As at 31st March, 2021	As at 31st March, 2020
Trade receivables		
Past due 0–30 days	-	
Past due 31–60 days	410,313	345,392
Past due 61–90 days	-	
Past due 90 days	-	
	410,313	345,392
Impairment loss allowance	(106)	(173)
Carrying amount	410,207	345,218

(Amount in ₹)

	As at 31st March, 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Other financial assets				
Current	3,157,820	-	-	3,157,820
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	3,157,820	-	-	3,157,820
Impairment loss allowance	(814)	-	-	(814)
Carrying amount	3,157,006	-	-	3,157,006

	As at 31st March, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Other financial assets				
Current	1,566,729	-	-	1,566,729
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	1,566,729	-	-	1,566,729
Impairment loss allowance	(980)	-	-	(980)
Carrying amount	1,565,749	-	-	1,565,749

Concentration of credit risk

b. Amounts arising from ECL

i. Inputs, assumptions and techniques used for estimating impairment

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The probability of default rates are based on the credit worthiness of counter parties and their credit ratings. The PD rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as Gross domestic product, change in gross fixed investments. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

Notes to the Financial Statement

for the year ended 31st March, 2021

Inputs considered in the ECL model:

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

- Stage 1: 0-30 days past due

- Stage 2: 31- 90 days past due

- Stage 3: More than 90 days past due

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

Definition of default

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

ii. **Impairment loss allowance**

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

Particulars	Past due 1–30 days	Past due 31–60 days	Past due 61–90 days	Past due more than 90 days
Trade receivables				
Balance as at 1st April, 2019		**64**		
New financial assets originated during the year		173		
Financial assets that have been derecognised during the period		(64)		
Balance as at 31st March, 2020	-	**173**	-	-
New financial assets originated during the year		106		
Financial assets that have been derecognised during the period		(173)		
Balance as at 31st March, 2021	-	**106**	-	-

Particulars	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Employee loans			
Balance as at 1st April, 2019	**4,435**	-	
New financial assets originated during the year	10,146	-	
Balance as at 31st March, 2020	**14,580**	-	-
New financial assets originated during the year	-	-	-
Financial assets that have been derecognised during the period	(14,580)		
Balance as at 31st March, 2021	-	-	-

Particulars	Bank Balances
Balance as at 1st April, 2019	**384**
New financial assets originated during the year	980
Financial assets that have been derecognised during the period	(384)
Balance as at 31st March, 2020	**980**
New financial assets originated during the year	814
Financial assets that have been derecognised during the period	(980)
Balance as at 31st March, 2021	**814**

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

Notes to the Financial Statement

for the year ended 31st March, 2021

Maturity Profile of Financial Liabilities

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

(Amount in ₹)

Particulars	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
As at 31-Mar-21							
Financial liabilities							
Trade and other Payables	1,367,575	1,367,575	1,367,575				
Other Financial Liabilities	2,831,173	2,831,173	2,831,173				
Total Financial Liabilities	**4,198,748**	**4,198,748**	**4,198,748**	**-**	**-**	**-**	**-**

Particulars	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
As at 31-Mar-20							
Financial liabilities		-					
Trade and other Payables	1,131,427	1,131,427	1,131,427				
Other Financial Liabilities	2,500,000	2,500,000	2,500,000				
Total Financial Liabilities	**3,631,427**	**3,631,427**	**3,631,427**	**-**	**-**	**-**	**-**

NOTE 30 DISCLOSURE U/S. 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

(Amount in ₹)

Particulars	31-Mar-21	31-Mar-20
The amounts remaining unpaid to micro and small suppliers as at the end of the year	-	-
Principal	-	-
Interest	-	-
The amounts of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006	-	-

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

Notes to the Financial Statement

for the year ended 31st March, 2021

NOTE 31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(Amount in ₹)

Particulars	31-Mar-21			31-Mar-20		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	574,198		574,198	91,955		91,955
Bank Balance other than above	2,582,807		2,582,807	1,473,794		1,473,794
Receivables			-			-
(I) Trade receivables	410,207		410,207	345,218		345,218
Loans	-		-	195,246		195,246
Investments	275,960,740		275,960,740	298,229,258		298,229,258
Sub total	**279,527,952**	**-**	**279,527,952**	**300,335,471**	**-**	**81,616**
Non-financial assets						
Current Tax assets (Net)		251,296	251,296		215,718	215,718
Property, Plant and Equipment		458,953	458,953		56,732	56,732
Intangible assets		308,501	308,501		277,902	277,902
Other Non-financial assets	511,687		511,687	358,859		358,859
Sub total	**511,687**	**1,018,749**	**1,530,436**	**358,859**	**550,352**	**909,212**
Total Assets	**280,039,639**	**1,018,749**	**281,058,388**	**300,694,331**	**550,352**	**990,828**
LIABILITIES						
Financial liabilities						
Payables						
(I) Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	1,367,575		1,367,575	1,131,427		1,131,427
Other Financial liabilities	2,831,173		2,831,173	2,500,000		2,500,000
Sub total	**4,198,748**	**-**	**4,198,748**	**3,631,427**	**-**	**3,631,427**
Non-Financial liabilities						
Current tax liabilities (Net)				2,461,955		
Provisions	4,176,950		4,176,950	4,365,132		4,365,132
Other non-financial liabilities	572,064		572,064	552,598		552,598
Sub total	**4,749,013**	**-**	**4,749,013**	**4,917,730**	**-**	**4,917,730**
Total Liabilities	**8,947,761**	**-**	**8,947,761**	**8,549,157**	**-**	**8,549,157**

Notes to the Financial Statement
for the year ended 31st March, 2021

NOTE 32 TAX EXPENSE

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the company can use the benefits thereform:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Fixed Assets Difference	19,608	134,639
Unabsorbed business losses	25,704,157	23,090,889
Unabsorbed depreciation	596,574	524,005
Provision for gratuity	595,322	647,862
Provision for Compensated Absenses	42,250	201,796
STCG	696,703	225,453
Stock Apprciation Right	203,976	261,948
MTM Adj on a/c of Fair value of Invt	(6,496,026)	(3,210,608)
ECL on Financial Assets	2,280	2,938
	21,364,844	**21,878,922**

In terms of our report attached.

For **Gokhale & Sathe**
Chartered Accountants
Firm Reg No.103264W

Atul A Kale
Partner
Mem No.F-109947

Mumbai, 23rd June, 2021

For and on behalf of the Board of Directors

Chief Executive Officer

Nilesh Shah
Director

Sudhakar Shanbhag
Director

Chief Financial Officer

Company Secretary

Kotak Mahindra Pension Fund Limited
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Bandra (E), Mumbai - 400 051
Company Website: www.kotakpensionfund.com
Kotak Mahindra Bank Website: www.kotak.com

CIN: U67200MH2009PLC191144