

Never normal

Kotak Mahindra Asset Management Company Limited

Annual Report 2020-21

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Directors' Report

To The Members of

Kotak Mahindra Asset Management Company Limited

Your Directors present their Twenty Seventh Annual Report together with the Audited Financial Statements of the Company for the financial year ended 31st March, 2021.

1. FINANCIAL HIGHLIGHTS

	(Rupees in lakhs)	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Gross income	64,531	63,355
Profit before Depreciation and Tax	43,866	43,274
Depreciation and Amortization	1,090	1,258
Profit before Tax	42,776	42,016
Profit after Tax	32,327	31,174
Other Comprehensive Income	31	2
Balance of Profit from previous years	68,725	40,569
Amount available for appropriation	101,083	71,745
Appropriations		
Less: Dividend paid	-	2,384
Less: Tax on equity dividend paid	-	490
Less: Effect on adoption of IND AS - 116 Leases	-	146
Surplus carried forward to the Balance Sheet	101,083	68,725

2. DIVIDEND

Your Directors recommend a dividend of ₹ 5,960 lakh excluding dividend distribution tax.

Transfer to reserves:

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

SHARE CAPITAL

The issued, subscribed and paid up share capital of the Company is ₹ 29,800,000/- divided into 29,800,000 Equity Shares of ₹ 10/- each. There has been no change in the share capital during the year.

3. REVIEW OF OPERATIONS OF THE COMPANY

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

The industry registered a growth of 19.2% YOY in Q4FY2021 over Q4FY2020 with the Quarterly Average Assets under Management (QAAUM) for Q4FY2021 at ₹ 32.37 lakh crore.

During the same period, on the basis of percentage growth in QAAUM, KMAMC was amongst the third fastest growing Mutual Fund House – within the top 10 Fund Houses ranked by QAAUM. The QAAUM which stood at ₹ 234,798 crore for Jan-Mar 2021 has seen growth of around 26% in Q4FY2021 over Q4FY2020. KMAMC jumped one rank and is now the 5th largest Fund House in the country in terms of QAAUM as on 31st March, 2021 vis-à-vis 31st March, 2020. Market Share in QAAUM has grown to 7.25% in Q4FY2021 from 6.86% in Q4FY2020 and 5.41%, 3 years back. The annual AAUM of KMAMC for FY2021 was ₹ 202,826 crore against ₹ 173,394 crore FY2020, a growth of 17%.

KMAMC has 25.9 lakh unique investors basis the RTA data against industry of 227 lakh, a market share of 11.38% in March 2021, against a share of 11.1% in March 2020.

KMAMC ended the year with discretionary AUM under the portfolio management business of ₹ 1,645 crore as on 31st March, 2021 against ₹ 1,597 as on 31st March, 2020

There is a marginal increase in revenue from operations to ₹ 599.3 crore from ₹ 596.0 crore. The overall costs increased to ₹ 217.5 crore in FY2021 against ₹ 213.4 crore in FY 2019-20. Hence, the overall Profit Before Tax has marginally increased to ₹ 427.8 crore in FY 2020-2021 compared to ₹ 420.1 crore in FY 2019-20.

New Schemes Launched in FY 2020-21

- The first NFO of FY 2020-21 was launched in December 2020 Kotak ESG Opportunities Fund which collected ₹ 1,500 Crore.
- Kotak International REIT FOF was launched in December 2020, which garnered a total of ₹ 121 Crore.
- Kotak NASDAQ 100 Fund of Fund was launched in February 2021 which NFO collection was ₹ 233 Crore.
- Kotak IT ETF was launched in March 2021, which collected ₹ 23 Crore. In NFO
- Kotak Nifty Next 50 Index Fund was launched in March 2021 which collected ₹ 42 Crore. In NFO

Digitisation initiatives:

Investor Related Key Developments

- Partnered with the various digital-only player to strengthen the online presence and give investors more options to invest online.
- Launched enhanced BOT for investors and Distributors on various channels like WhatsApp, Google Assist apart from website
- Strengthen infrastructure for distributor app 'Business Hub' for initiating transactions from home, which get used by more than 15000 distributors.
- Leveraged digital and social media to connect with customers.
- Launched a Simplified version of digital KYC based on Aadhaar OTP, which will significantly reduce steps for onboarding new investors.
- Assets under management through the website grew by 125%
- Investor base through website grew by 28%

Market influences:

Equity Market Overview:

From an equity market perspective, FY 2020-21 can be characterized as a year of two halves. The year started out with a strict nationwide lockdown being imposed in order to curb the spread of the coronavirus. However, as the pace of infections in the first wave peaked out in the early parts of September 2020, lockdown restrictions eased and we saw an improvement in overall economic activity. By February 2021, most of the high frequency economic indicators moved back close to their pre-Covid levels.

The equity markets too, rejoiced the opening up trade and pent up demand helped fuel a rally. Improving earnings growth trajectory, policy support both monetary and fiscal, and the start of the inoculation drive, further helped the equity market up move. In FY 2020-21, the Nifty-50 delivered a return of almost 77%. Unlike the previous couple of years, market movement became more broad-based in nature with the Nifty Midcap index outperforming with returns of around 107% in FY 2020-21.

During the year, both the Government and the RBI responded by announcing a string of fiscal and monetary measures to help ease the impact of the pandemic. RBI time and again clearly reiterated their accommodative stance and assured that they would strive towards ensuring adequate liquidity in the system for as long as needed to get growth back on a structural basis.

The Union Budget 2021-22 was presented against the backdrop of a very challenging economic environment due to Covid 19. It was clearly an expansionary budget with a focus on growth and furthering the importance of Aatmanirbhar Bharat in order to boost manufacturing in India which in turn would provide the necessary boost for job creation. The budget focused on capital spend on the one hand and asset monetization on the other in order to channelize the same towards the investment expenditure necessary to boost growth on a more structural basis over the next few years.

From a thematic perspective, we have been witnessing consolidation across industries with shift in market share from the unorganized to the organized segments. India, through its Production Linked Incentive (PLI) scheme is also seeking to garner a share in the shift of global supply chains away from China and spur manufacturing growth in India. Digital adoption is evident with companies accelerating their move towards automation and greater cloud adoption as work from home has become more of a norm.

Given this backdrop, we continue with our disciplined approach to investing and follow our investment philosophy of Growth at a Reasonable Price (GARP). In the last few years, starting from 2018, when we became signatories to UNPRI (United Nations Principles for Responsible Investment), we have embedded ESG (Environment, Social and Governance) factors into our overall investment philosophy. During the year, we also became signatories to Climate Action 100+ in order to further demonstrate our commitment towards tackling climate change and engage with companies in order to reduce greenhouse gas emissions in line with the Paris Agreement.

While the times are challenging and we cannot rule out equity market volatility, we advise investors to keep investing through mutual funds in a systematic manner for the medium to long-term keeping in mind individual risk profile and return expectations.

Debt Market Overview

Fiscal Year 2020-21 had one predominant theme: Covid-19 – a pandemic which gripped the entire world. Countries across the world braved the pandemic and have attempted to find the right balance between lockdowns and minimizing economic loss. Medical practitioners worked tirelessly to roll out vaccines at breakneck speed. For India, the pandemic led to total shut down of activity for months in a row, which hit the government tax revenues very hard.

On the other hand, expenditure rose sharply as the Government did whatever seemed appropriate towards fiscal support. It was probably the toughest time for RBI to manage the massive borrowing program for the Central Government of over ₹ 12 Lakh crore and about ₹ 8 lakh crore for the State Government in FY 2020-21. However, the RBI managed to keep the yields anchored using a variety of monetary tools such as Open market Operations (OMO), simultaneous purchase of long bonds and sale of short bonds (Operation Twist), Long term Repo Operations (LTRO), Targeted Long Term Repo (TLTRO), a cut in the Cash Reserve Ratio (CRR) etc.

During the year, the Reserve Bank cut rates once by 40 bps in an unscheduled policy meet in May 2020, whilst keeping the outlook accommodative throughout the year. India's GDP growth hit a multi decade low due to lockdowns and the resultant lack of activity. Inflation too slowed down after peaking at 7.61% in October 2020, coming lower than RBI's upper tolerance band of 6%. India accumulated healthy forex reserves over the year to reach USD 580 Billion (from USD ~480 billion) as the economic shutdown led to bumper savings on import front, leading to sharp contraction in trade deficit. The current account is expected to record a surplus for FY 2020-21. Exports and imports both dipped by 7% and 11% respectively due to the effects of the pandemic. INR remained well bid throughout the year, appreciating by around 4% in FY 2020-21 despite having net negative debt flows by foreign investors. One of the positive impact of the shutdown was that only formal electronic channel was open for business. This probably led to decent growth in GST collections over the year to reach a high of ₹ 1.24 Lakh Crore.

During the year, credit markets settled down after having a turbulent beginning at the start of the year. While the sovereign yield curve steepened, credit spreads witnessed compression. The benchmark 10 year GOI bond started the year at 6.30% levels and was trading about 14 bps lower at 6.16% by the end of the year. Volatility remained throughout the year as the yields traded in the range of 6.3% and 5.7%. Liquidity remained in surplus mode throughout the year, in the range of ₹ 5-8 lakh crore.

The year was thus characterised by easy liquidity, softer commodity prices and lower interest rates – a powerful combination for fixed income investors.

Scheme Performance:

The snapshot of the performance for FY-2020-21 of the key schemes is as under:

Equity Schemes – Regular Growth Plan	Benchmark	FY 2020-21 Returns (%)	Benchmark Returns (%)	Performance (%)
Kotak Small cap Fund	Nifty Small cap 100 TRI	127.77%	127.45%	0.32%
Kotak Pioneer Fund	85% IISL Kotak India Pioneering Innovations + 15% MSCI ACWI Information Technology Index TR	101.15%	83.05%	18.10%
Kotak Emerging Equity Fund	Nifty Midcap 100 TRI	94.27%	103.91%	-9.64%
Kotak Infrastructure and Economic Reform Fund	India Infrastructure Index (Customized Index by IISL)	82.92%	72.62%	10.30%
Kotak India EQ Contra Fund	Nifty 100 TRI	77.06%	71.18%	5.88%
Kotak Equity Opportunities Fund	Nifty 200 TRI	71.44%	74.61%	-3.17%
Kotak Taxsaver Fund	Nifty 500 TRI	71.36%	77.58%	-6.22%
Kotak Bluechip Fund	Nifty 50 TRI	71.05%	72.54%	-1.49%
Kotak Focused Equity Fund	Nifty 200 TRI	70.09%	74.61%	-4.52%
Kotak Equity Hybrid	Nifty 50 Hybrid Composite Debt 70:30 Index	67.34%	48.18%	19.16%
Kotak Flexicap Fund	Nifty 200 TRI	66.46%	74.61%	-8.15%
Kotak Balanced Advantage Fund	NIFTY 50 Hybrid Composite Debt 50:50 Index	42.26%	38.37%	3.89%
Kotak Equity Savings Fund	75% Nifty 50 Arbitrage Index and 25% Nifty 50 TRI	25.57%	17.19%	8.38%
Kotak ESG Opportunities Fund*	Nifty 100 ESG Index TRI	4.62%	10.20%	-5.58%
Kotak Equity Arbitrage Fund	Nifty 50 Arbitrage Index	3.58%	2.34%	1.24%

*Kotak ESG Opportunities Fund was launched in Dec'20. Thus, FY 2020-21 returns consist from Dec'20 to Mar'21.

Debt Schemes – Regular Growth Plan	Benchmark	FY 2020-21 Returns (%)	Benchmark Returns (%)	Performance (%)
Kotak Debt Hybrid Fund	CRISIL Hybrid 85+15 - Conservative Index	24.23%	16.57%	7.66%
Kotak Floating Rate Fund	NIFTY Ultra Short Duration Debt Index	8.18%	4.91%	3.27%
Kotak Dynamic Bond Fund	Nifty Composite Debt Index	7.89%	8.62%	-0.73%
Kotak Corporate Bond Fund	CRISIL Corporate Bond Composite Index	7.79%	9.22%	-1.43%
Kotak Banking and PSU Debt Fund	CRISIL Banking and PSU Debt Index	7.70%	7.20%	0.50%
Kotak Bond Short Term Fund	NIFTY Short Duration Debt Index	7.51%	8.21%	-0.70%
Kotak Gilt Fund	Nifty All Duration G-Sec Index	6.86%	6.37%	0.49%
Kotak Bond Fund	NIFTY Medium to Long Duration Debt Index	6.81%	8.68%	-1.87%
Kotak Low Duration Fund	NIFTY Low Duration Debt Index	6.64%	5.91%	0.73%
Kotak Medium Term Fund	NIFTY Medium Duration Debt Index	6.42%	9.34%	-2.92%
Kotak Credit Risk Fund	CRISIL Composite AA Short Term Bond Index	6.17%	10.29%	-4.12%
Kotak Savings Fund	NIFTY Ultra Short Duration Debt Index	5.10%	4.91%	0.19%
Kotak Money Market Fund	Nifty Money Market Index	5.05%	4.48%	0.57%
Kotak Liquid Fund	Nifty Liquid Index	3.51%	3.70%	-0.19%
Kotak Overnight Fund	NIFTY 1D Rate Index	2.91%	3.08%	-0.17%

Awards:

During FY 2020-21, the Company has won number of awards,

- KOTAK MF wins Morningstar Best Fund House of the Year Award 2020
- Business Today – Money Today Financial Services Awards 2021
- Best Value Creator Fund – Kotak Corporate Bond Fund
- Best Fund Manager (Debt) – Mr. Deepak Agrawal

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 Q1FY2021 was worst affected due to pandemic. However, there was an economic recovery in Q2 FY2020-21 and Q3FY 2020-21 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.

Investor Awareness Program:

KMAMC has been conducting investor awareness programs throughout India as an efforts to educate and make prospective investors aware about Mutual Funds. During the year ended 31st March, 2021, 38 Investor Awareness Programs were conducted across India (virtually) which were attended by approximately 1,529 investors. During these webinars, people were educated about mutual funds and how it can benefit it in their life. The company has also conducted programmes in adopted locations like Bhagapur, Solapur, Kullu, Agra, Rohtak, Panipat, Gwalior, Kangra and Gorakhpur.

Further, to increase awareness about mutual fund investments, KMAMC did 'Let's Plan' campaign on social media that educated people about why and how they should start planning for their goals. This campaign communicated the importance of investing from an early age to planning your retirement.

Kotak Mahindra Mutual Fund launched following two campaigns under IAP:

Kotak Mutual Fund launched its digital campaign #SapnoPeKoiLockdownNahiHota that addresses the various situations and plans consumers are looking forward to achieving post the end of the lockdown, the campaign encouraged people to opt for a financial plan in order to fulfil their dreams.

Kotak Mutual Fund launched 'Investmentor' campaign, in association with Network 18, to give in-depth knowledge about mutual funds.

4. SUBSIDIARY

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 30th April, 2009.

PFRDA has, vide their letter dated 19th April, 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. Pursuant to the acquisition of shares on 17th May, 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 23rd December, 2020 issued by Pension Fund Regulatory and Development Authority (PFRDA), a proposal was submitted by KMBL and KMAMC as co-sponsors on 20th January, 2021 for managing NPS Corpus through existing Pension Fund Company – KMPFL. PFRDA has approved the sponsors vide letter of appointment dated 19th May, 2021 and issued a Certificate of registration no. PFRDA/PF/2021/006 dated 1st June, 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. 1st June, 2021 is as follows;

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 150,000 Cr	0.03%

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, 2021) 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 578,024 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 5,809 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 31st March, 2021 is ₹ 211.18 lakh (Previous year – loss ₹ 116.19 lakh.)

5. KEY SEBI CIRCULARS

- SEBI circular dated 12th June, 2020 on Investment by the sponsor or asset management company in scheme
- SEBI letter dated 29th June, 2020 regarding Implementation of Amendments in Indian Stamp Act, 1899 brought out through Finance Act, 2019 and rules made thereunder
- SEBI circular dated 22nd July, 2020 on Transaction in Corporate Bonds/Commercial Papers through RFQ platform and enhancing transparency pertaining to debt scheme.
- SEBI circular dated 10th August, 2020 and 23rd September, 2020-Resources for Trustees of Mutual Fund
- SEBI circular dated 1st September, 2020 - Disclosure of debt and money market securities transactions
- SEBI circular dated 2nd September, 2020 - Review of provision regarding segregation of portfolio due to the COVID - 19
- SEBI circular dated 17th September, 2020 – Circular Mutual Fund
- SEBI circular dated 1st October, 2020 - Review of provisions regarding valuation of debt and money market instruments due to the COVID - 19 pandemic
- SEBI circular dated 5th October, 2020 - Review of Dividend option(s) / Plan(s) in case of Mutual Fund Schemes
- SEBI circular dated 5th October, 2020 - Product Labeling in Mutual Fund schemes – Risk-o-meter
- SEBI circular dated 8th October, 2020 - Guidelines on Inter Scheme Transfers of Securities.
- SEBI (Mutual Funds) (Second Amendment), Regulations, 2020 – Notified in Official gazette dated 29th October, 2020.

- SEBI circular dated 5th November, 2020 - Enhancement of Overseas Investment limits for Mutual Funds
- SEBI circular dated 6th November, 2020 - Norms regarding holding of liquid assets in open ended debt schemes & stress testing of open ended debt schemes
- SEBI circular dated 6th November, 2020 - Introduction of "Flexi Cap Fund" as a new category under Equity Schemes
- SEBI circular dated 31st December, 2020 – Uniformity in applicability of NAV across various schemes upon realization of funds
- SEBI circular dated 15th January, 2021 - Norms for investment and disclosure by Mutual Funds in Exchange Traded Commodity Derivatives ("ETCDs")
- SEBI circular dated 2nd February, 2021 - Setting up of Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds
- SEBI circular dated 4th March, 2021 - Circular on Mutual Funds
- SEBI circular dated 5th March, 2021 - Guidelines for votes cast by Mutual Funds
- SEBI circular dated 10th March, 2021 and 22nd March, 2021 - Review of norms regarding investment in debt instruments with special features, and the valuation of perpetual bonds and subsequent clarification thereof

6. UPDATES ON KEY EVENTS:

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

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

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

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

The reply of the letter dated 31st May, 2019, was filed with SEBI by Trustees on 14th October, 2019, and by required officials of AMC on 23rd October, 2019.

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

Order from SEBI is awaited in this regard.

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

- Kotak Mahindra Asset Management Company Limited (AMC) has been served a Show Cause Notice (SCN) by SEBI, vide its letter No. SEBI/HO/IMD/DF2/OW/P/2020/13217/1 dated 13th August, 2020, issued under Section 11(1), 11B and 11B(2) of Securities and Exchange Board of India Act, 1992 read rule 4 (1) of the SEBI (Procedure for holding Inquiry and imposing Penalties) Rules, 1995 for inquiry and imposing penalty under sections 15D (b) and 15 HB of the act read with provisions of the SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Asset Management Co. Ltd. Further in this regard, AMC Employees and Trustee Company have been served a Show Cause Notice no. EAD/EAD6/BJD/AB/2020/16954/1 dated 12th October, 2020, under Section 11(1), 11B and 11B(2) of Securities and Exchange Board of India Act, 1992 read rule 4 (1) of the SEBI (Procedure for holding Inquiry and imposing Penalties) Rules, 1995 for inquiry and imposing penalty under sections 15D (b) and 15 HB of the act read with provisions of the SEBI (Mutual Fund) Regulations, 1996. The alleged charge is, that on maturity date of Kotak FMP Series 187, 189, 193 and 194 close ended debt schemes, investors were not paid full proceeds on the declared NAV due to pending recovery of dues from Essel Group of Companies.

Reply to the Show Cause notice dated 13th August, 2020 was filed with SEBI on 17th December, 2020. Reply to the Show Cause notice dated 12th October, 2020 was filed with SEBI on 8th February, 2021.

Reply to the Show Cause notice dated 12th October, 2020 on behalf of few AMC Employees was filed with SEBI on 22nd March, 2021.

The Hearing for show cause notice dated 13th August, 2020 was held on 16th April, 2021 before whole time members of SEBI. Post hearing, SEBI had raised certain queries, which were replied by the Company.

7. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Mr. Chengalath Jayaram (DIN 00012214) would retire by rotation at the Twenty Seventh Annual General Meeting (AGM) and, being eligible, has offered himself for re-appointment.

The Board of Directors recommend re-appointment of Mr. Chengalath Jayaram (DIN 00012214), as Director at the ensuing AGM.

Directors appointed during the year

No new Director was appointed during the year.

Board Evaluation

A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for the year 2020-21. The evaluation was done using individual questionnaires, covering various aspect of performance, including composition, relationship among Directors, director competency, contribution to risk management compliance roles and responsibilities, board procedures, processes, functioning and effectiveness.

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

Key Managerial Personnel (KMPs)

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

Appointment and Remuneration Policy for Directors and Key Managerial Personnel

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

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

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Company. Employees classified into 3 groups:
 - o Key Managerial Personnel
 - o Senior Management i.e. (personnel of the Company who are members of its core management team, excluding the Board of Directors, comprising all members of management one level below the executive directors, including the functional heads)
 - o All other employees
- Compensation structure is broadly divided into Fixed, Variable and ESOPs
 - o Fixed Pay – Total cost to the Company i.e. Salary, Retirements and Other Benefits
 - o Variable Pay–Linked to assessment of performance and potential based on Balanced Key Result Areas(KRAs),Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes – Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
 - o Stock Appreciation Rights (SARs) : These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time.
 - o ESOPs– Employee Stock Options (ESOP) of Kotak Mahindra Bank Ltd. granted on a discretionary basis to employees based on their performance and potential with the objective of retaining the employee.
- Compensation Composition–The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non-Cash within Variable pay outlined for each category of employee classification.

- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Claw back clauses applicable on Deferred Variable Pay.
- The criteria for payment of commission to Independent Directors have been included in the Remuneration Policy.

Approval of the shareholders for payment of profit based commission to Independent Directors and Non-Executive Director (i.e. directors who are not in employment of Kotak Bank or its subsidiaries) of the Company for FY 2020-21 is being sought at the ensuing Annual General Meeting of the Company.

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

8. NUMBER OF BOARD MEETINGS

Board Meetings

During the year ended 31st March, 2021, 8 meetings of the Board of Directors were held. Details are as follows:

Sr. No.	Date of Meeting
1.	24 th April, 2020
2.	11 th June, 2020
3.	18 th July, 2020
4.	27 th August, 2020
5.	19 th October, 2020
6.	28 th December, 2020
7.	22 nd January, 2021
8.	30 th March, 2021

Declaration from Independent Directors

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

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

9. COMMITTEES

(A) Audit Committee

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

During the year ended 31st March, 2021, 6 meetings of the Committee were held. There was no case where recommendation of the Audit Committee was not accepted by the Board of Directors.

Details of meetings are as follows:

Sr. No.	Date of Meeting
1.	24 th April, 2020
2.	6 th June, 2020
3.	17 th July, 2020
4.	19 th October, 2020
5.	18 th January, 2021
6.	30 th March, 2021

(B) Nomination And Remuneration Committee

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

During the year ended 31st March, 2021, 3 meetings of the Committee were held.

(C) Csr Committee

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

During the year ended 31st March, 2021, 2 meetings of the Committee were held.

Sr. No.	Date of Meetings
1.	20 th July, 2020
2.	22 nd March, 2021

(D) Information Technology Strategy Committee

The Company has constituted Board level "Information Technology Strategy Committee in accordance with Sebi Circular SEBI/HO/IMD/DF2/CIR/P/2019/57 dated 11th April, 2019, the Technology Committee presently consists of, Mr. Krishnakumar Natarajan (Chairman), Ms. Anjali Bansal and Mr. Nilesh Shah with any two members forming the quorum.

During the year ended 31st March, 2021, 3 meetings of the Committee were held.

Sr. No.	Date of Meeting
1.	2 nd June, 2020
2.	24 th August, 2020
3.	18 th March, 2021

10. AUDITORS

Statutory Auditors

The term of M/s. S.R. Batliboi & Co. LLP, Chartered Accountants got completed in the 26th Annual general meeting of the company held on 13th August, 2020. The Board at its meeting held on 11th June, 2020 approved the appointment of Price Waterhouse Chartered Accountants LLP, (Firm Registration No. 012754N/N500016) as statutory auditors of the Company, On receipt of letter from M/s. Price Waterhouse Chartered Accountants LLP, to the effect that their appointment, if made, would be according to the terms and conditions prescribed under section 139 and 141 of the Companies Act, 2013 and rules framed there under, they were appointed as the Statutory Auditors of the Company in place of retiring auditors M/s. S. R. Batliboi & Co. LLP, for a period of five years from the conclusion of the Annual General Meeting of FY 2020-21 until the conclusion of the Annual General Meeting of FY 2024-25 of the Company, subject to ratification by the members every year.

In terms of Section 139 of the Companies Act, 2013, M/s. Price Waterhouse Chartered Accountants LLP, were appointed as the Statutory Auditors of your Company for a period of five years from the conclusion of the Annual General Meeting of FY 2019-20 until the conclusion of the Annual General Meeting of FY 2024-25 of the Company. Pursuant to Section 40 of the Companies (Amendment) Act, 2017 (i.e. Section 139 of the Companies Act, 2013) which was notified with effect from 7th May, 2018, ratification of the appointment of the Statutory Auditors by the members at every Annual General Meeting is no longer required. Accordingly, ratification resolution is not being taken up at the ensuing Annual General Meeting.

The Statutory Auditor's 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.

Secretarial Auditors

Pursuant to Section 204 of the Companies Act, 2013, The Company has appointed M/s. Parikh & Associates, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the year ended 31st March, 2021 is annexed to this Report.

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

11. INTERNAL FINANCIAL CONTROLS

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

12. RELATED PARTY TRANSACTIONS

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

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

All Related Party Transactions as required under Accounting Standard 18 are reported in Notes to the Financial Statements.

13. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

14. WHISTLE BLOWER POLICY

The Company has also put in place a Whistle Blower Policy to raise concerns internally and to disclose information which the individual believes shows malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any law. During the year, no employee was denied access to the Audit Committee. The policy is also placed on our website.

15. CORPORATE SOCIAL RESPONSIBILITY

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

1. Mr. Sanjiv Malhotra
2. Mr. Krishnakumar Natarajan
3. Mr. Chengalath Jayaram
4. Mr. Gaurang Shah
5. Ms. Anjali Bansal

Kotak Mahindra Asset Management Company Ltd. (KMAMC) recognises the immense opportunity it has to bring about a positive change in the lives of the communities through its business operations and corporate social responsibility (CSR) initiatives.

KMAMC aspires to be a trusted partner and contributes significantly towards the economic, environmental and social growth of the nation. This policy sets out KMAMC's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India.

While ensuring that its CSR Policy, projects and programmes are compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India's notifications issued from time-to-time, KMAMC also endeavours to align its CSR projects and programmes with government initiated social development programmes and interventions.

The Company's CSR policy is available on the Company's website viz. URL: https://kotakmf.com/Information/corporate-disclosure/KMAMC_CSR_Policy/KMAMC_CSR_Policy_24.04.2020.pdf

The average net profit U/S 198 of the Company for the last three financial years preceding 31st March, 2021 is ₹ 294.15 Crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2020-21 is ₹ 5.88 Crore.

The CSR expenditure incurred for the period 1st April, 2020 to 31st March, 2021 under Section 135 of Companies Act, 2013 amounts to ₹ 5.88 Crore as against ₹ 1.75 Crore CSR spend for the same period in FY 2019-20. The amount transferred to unspent CSR account is ₹ 2.67 Crore in FY 2020-21. CSR expenditure of ₹ 5.88 Crore in FY 2020-21 as a percentage of average net profit U/S 198 of the Company for the last three financial years preceding 31st March, 2021 at ₹ 294.15 Crore is 2.00%.

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

The implementation of the CSR projects and programmes is done directly and /or through selected partner who may be either governmental agencies, NGOs and/or other institution, having a proven track record to implement cost and process efficient CSR projects and/or programmes that are scalable, sustainable, and have measurable social outcomes and impact. Also, the implementation is done through employee volunteering. The Company's CSR footprint has been consistently increasing over the years.

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

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

The details of CSR programmes and Expenditure U/S 135 of the Companies Act, 2013, for FY 2020-21, are annexed to this report.

Risk Management

SEBI circular MFID/CIR/15/19133/2002 dated 30th September, 2002 governs Mutual Funds on Risk Management. The said circular details guidelines in the areas of Fund Management, Operations, Customer Service, Marketing and Distribution and other business risks. These practices are being audited by the Internal Auditors and the audit report on risk management is presented to the Boards of the Company and Kotak Mahindra Trustee Company Limited,

every six months. Over and above this, SEBI has mandated a system audit and cyber security audit for mutual funds to be conducted every year, by an independent auditor. The same has been implemented by the Company.

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

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

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

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

Liquidity Management

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

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

The Company invests its surplus funds in predominantly Liquid/Overnight/money market/arbitrage schemes of the Kotak Mahindra Mutual Fund, which have minimal duration risk and are liquid. The Company also invests in certain schemes launched, other than the statutory stipulated amounts, basis specific approval of the Board. The Company's surplus funds were invested by the authorised personnel of the Company as per the mandate of the Board of Directors. The Company also has Manual of Policies and Procedures for expenditure management (including capital and revenue). All expenses during the year were in accordance with the policy. Additionally, the Company has invested in the growth option of all its open ended schemes in accordance with the guidelines as specified under SEBI (Mutual Fund) Regulations, 1996.

16. EMPLOYEES

The employee strength of your Company was 461 as of 31st March, 2021.

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

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

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

17. DEPOSITS

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

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

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

During the year ended 31st March, 2021 the Company's foreign exchange income was ₹ 6.08 crore (Previous year ₹ 5.76 crore), while the outgo was ₹ 0.36 crore (Previous year ₹ 0.36 crore).

19. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

As per 134(3) (l) of the Companies Act, 2013, there is one material change and commitment affecting the financial position of the Company which has occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report as follows:

Kotak Mahindra Pension Fund Limited (KMPFL), was a subsidiary of the Company as on 31st March, 2021 but on 17th May, 2021 Kotak Mahindra Bank acquired 13,080,000 equity shares (~46.7% equity shareholding) of Kotak Pension Fund from KMAMC and become a co-Sponsor of Kotak Pension Fund, along with KMAMC. Due to the aforesaid transaction, KMAMC ceased to be holding company of Kotak Mahindra Pension Fund Ltd. and KMBL became the holding company of KMPFL.

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

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

21. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. The Company has, in the preparation of the annual financial statements for the financial year ended 31st March, 2021, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2021 and of the Profit of the Company for the year ended 31st March, 2021;
- iii. The Directors had taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the annual financial statements on a going concern basis; and
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

22. SECRETARIAL STANDARDS

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

23. CHANGE IN THE NATURE OF BUSINESS

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

24. ANNUAL RETURN

The copy of the Annual Return (MGT-7) is available on the Company's website viz. URL: <https://kotakmf.com/Information/forms-and-downloads>.

ANNEXURES

Following statements/documents/reports are set out as Annexures to the Directors' Report:

- (a) Report on CSR activities pursuant to the provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – A).
- (b) Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 (Annexure B).

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

UDAY KOTAK
(DIN 00007467)
CHAIRMAN
Mumbai
Dated:

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

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

To,

The Members,

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (Not applicable to the Company during the audit period)
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not applicable to the Company during the audit period)
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time; (Not applicable to the Company during the audit period);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the audit period)
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the audit period)
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the Company during the audit period)
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 and amendments from time to time; (Not applicable to the Company during the audit period)
- (iv) Other Regulations applicable specifically to the Company namely:-
 - a) The Securities and Exchange Board of India (Mutual funds) Regulations, 1996 as amended;
 - b) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;

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

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

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. mentioned above. The Company has spent an amount of ₹ 3.22 Crore towards Corporate Social Responsibility as against an amount of ₹ 5.88 Crore to be spent during the year. There is an unspent amount of ₹ 2.67 Crore during the year.

We further report that:

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

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

Decisions at the Board Meetings were taken unanimously.

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

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

Place: Mumbai
Date: 24th June, 2021

For Parikh & Associates
Company Secretaries
Signature
Jigyasa N. Ved
Partner
FCS No: 6488 CP No: 6018
UDIN: F006488C000505833

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

Annexure A

To,
The Members

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED

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

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

Place: Mumbai
Date: 24th June, 2021

For Parikh & Associates
Company Secretaries
Signature
Jigyasa N. Ved
Partner
FCS No: 6488 CP No: 6018
UDIN: F006488C000505833

ANNEXURE – II

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES

TO BE INCLUDED IN THE DIRECTORS' REPORT FOR FINANCIAL YEAR COMMENCING ON OR AFTER 1st DAY OF APRIL, 2020

1. Brief outline on CSR Policy of the Company:

Kotak Mahindra Asset Management Company Ltd. (KMAMC) recognises the immense opportunity it has to bring about a positive change in the lives of the communities through its business operations and corporate social responsibility (CSR) initiatives.

KMAMC aspires to be a trusted partner and contributes significantly towards the economic, environmental and social growth of the nation. This policy sets out KMAMC's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India.

While ensuring that its CSR Policy, projects and programmes are compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India's notifications issued from time-to-time, KMAMC also endeavours to align its CSR projects and programmes with government initiated social development programmes and interventions.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation Nature Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Sanjiv Malhotra	Director	2	2
2.	Mr. Chengalath Jayaram	Director	2	2
3.	Mr. Krishnakumar Natarajan	Director	2	2
4.	Mr. Gaurang Shah	Director	2	1
5.	Ms. Anjali Bansal	Director	2	1

- Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: https://kotakmf.com/Information/corporate-disclosure/KMAMC_CSR_Policy/KMAMC_CSR_Policy_24.04.2020.pdf
- Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report): **Not Applicable**
- Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any : **Not Applicable**

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
1			
2			
3			
	Total		

- Average net profit of the company as per section 135(5). ₹ **294.15 crore**
 - Two percent of average net profit of the company as per section 135(5) ₹ **5.88 crore**
 - Surplus arising out of the CSR projects or programmes or activities of the previous financial years. - **NA**
 - Amount required to be set off for the financial year, if any: **NA**
 - Total CSR obligation for the financial year (7a+7b-7c). ₹ **5.88 crore**

7. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
32,226,000	26,700,000	28 th April, 2021			

(b) Details of CSR amount spent against **ongoing projects** for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No).	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation Direct (Yes/No)	Name	Mode of Implementation - Through Implementing Agency CSR Registration number
1.	Education & Livelihood - Scholarship	Education & Livelihood	Yes	Pan India		4 Financial Years FY'2021, FY'2022, FY'2023 and FY'2024	₹ 2.96 Crore	₹ 0.83 Crore	₹ 2.13 Crore	No	Kotak Education Foundation, Pratham Education Foundation,	CSR00001785
2.	Healthcare – Clubfoot treatment	Healthcare	Yes	Uttar Pradesh	Lucknow, Lakhimpur, Sitapur, Kanpur, Kannauj, Etawah, Allahabad, Fatehpur, Agra, Mathura, Aligarh, Varanasi, Gorakhpur, Deoria, Azamgarh, Mau, Noida, Gaziabad, Meerut, Basti, Jhansi, Lalitpur, Mirzapur, Sonbhadra, Barielly, Ayodhya Moradabad, Bahraich, Gonda, Banda, Saharanpur	2 Financial years FY'2021 and FY'2022	₹ 1.24Crore	₹ 0.70 Crore	₹ 0.54 Crore	No	Miraclefeet Foundation for Eliminating Clubfoot,	CSR00002321
TOTAL							₹ 4.20 Crore	₹ 1.53 Crore	₹ 2.67 Crore			

(c) Details of CSR amount spent against **other than ongoing projects** for the financial year:

(1) Sl. No.	(2) Name of the Project	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes/No).	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of Implementation Direct (Yes/No)	(8) Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1.	Education & Livelihood – multiple interventions	Education & Livelihood	Yes	Maharashtra	Mumbai	₹ 0.67	No	Kotak Education Foundation	CSR00001785
2.	Education & Livelihood - Entrepreneurship	Education & Livelihood	Yes	Maharashtra, Madhya Pradesh, Chattisgarh	Ahmednagar, Bhopal, Raipur	₹ 0.2026 Crore	No	Pratham Education Foundation	CSR00000258
3.	Education & Livelihood – Renovation of School	Education & Livelihood	Yes	Gujarat	Vadodara	₹ 0.18 Crore	No	Baroda Young Turks Round Table #201 Charitable Trust	
4.	Healthcare – Rural healthcare	Healthcare	Yes	Maharashtra	Gadchiroli	₹ 0.10 Crore	No	Foundation for Environmental Medicine	CSR00003284
5.	Healthcare – Crisis Intervention	Healthcare	Yes	Delhi	South and South East Delhi	₹ 0.24 Crore	No	Sanjivini Society for Mental Health	-
6.	Healthcare – For Intellectually Disabled	Healthcare	Yes	Pan India		₹ 0.25 Crore	No	Nayi Disha Resource Centre	-
7.	Relief & Rehabilitation COVID-19 – Dry ration kit distribution	Relief & Rehabilitation COVID-19	Yes	Karnataka	Bangalore	₹ 0.05 Crore	No	Sri Sathay Sai Trust	-
TOTAL						₹ 1.6926 Crore			

(d) Amount spent in Administrative Overheads - NA

(e) Amount spent on Impact Assessment, if applicable – NA

(f) Total amount spent for the Financial Year **₹ 3.22 Crore**

(8b+8c+8d+8e)

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Crore)
(i)	Two percent of average net profit of the company as per section 135(5)	5.8830
(ii)	Total amount spent for the Financial Year	5.8926
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.0096
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9. (a) Details of Unspent CSR amount for the preceding three financial years: **Not Applicable**

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.							
2.							
3.							
TOTAL							

- (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): **Not Applicable**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed /Ongoing

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year **(asset-wise details). Not Applicable**

- (a) Date of creation or acquisition of the capital asset(s): **Not Applicable**
- (b) Amount of CSR spent for creation or acquisition of capital asset: **Nil**
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: **Not Applicable**
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): **Not Applicable**

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). **Not Applicable**

Sd/-
(Chief Executive Officer or Managing Director or Director)

Sd/-
(Chairman CSR Committee).

Sd/-
[Person specified under clause (d) of sub-section (1) of section 380 of the Act] (Wherever applicable).

Independent Auditor's Report

To the Members of

Kotak Mahindra Asset Management Company Limited

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

OPINION

1. We have audited the accompanying standalone financial statements of Kotak Mahindra Asset Management Company Limited ("the Company"), which comprise the balance sheet as at 31st March, 2021, the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

BASIS FOR OPINION

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

EMPHASIS OF MATTER

4. We draw attention to Note 42 to the standalone financial statements, which describes the management's assessment of the impact of the outbreak of Coronavirus (COVID-19) on the business operations of the Company. In view of the uncertain economic environment, a definitive assessment of the impact on the subsequent periods is highly dependent upon circumstances as they evolve. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a

guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements 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.
10. 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.
11. 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.

OTHER MATTER

12. The standalone financial statements of the Company for the year ended 31st March, 2020, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated 11th June, 2020, expressed an unmodified opinion on those financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
14. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 – Refer Note 41 to the financial statements;
 - ii. The Company has long-term contracts as at 31st March, 2021 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at 31st March, 2021;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2021; and
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended 31st March, 2021.

15. The Company has paid / provided for managerial remuneration in accordance with the provisions of Section 197 read with Schedule V to the Act.

For **Price Waterhouse Chartered Accountant LLP**
Firm Registration Number: 012754N/N500016

Alpa Kedia

Partner

Membership Number: 100681

UDIN: 21100681AAAADX9896

Annexure "A" to Independent Auditors' Report

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Kotak Mahindra Asset Management Company Limited on the standalone financial statements for the year ended 31st March, 2021

REPORT ON THE INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE ACT

1. We have audited the internal financial controls with reference to financial statements of Kotak Mahindra Asset Management Company Limited ("the Company") as of 31st March, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

2. 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 Act.

AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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 with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

OPINION

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31st March, 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 Institute of Chartered Accountants of India. Also refer paragraph 4 of the main audit report.

For **Price Waterhouse Chartered Accountant LLP**
Firm Registration Number: 012754N/N500016

Alpa Kedia
Partner
Membership Number: 100681
UDIN: 21100681AAAADX9896

Annexure "B" to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Kotak Mahindra Asset Management Company Limited on the standalone financial statements as of and for the year ended 31st March, 2021.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) The Company does not own any immovable properties as disclosed in Note 7 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3 (iii), (iii) (a), (iii) (b) and (iii) (c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or provided any guarantees or security to the parties covered under Section 185. 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 in respect of the loans or investments made, or guarantees or security provided by it, to the extent applicable.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of tax deducted at source and Profession Tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, for April 2020, the company has paid Goods and Service Tax and filed GSTR 3B (after the due date but) within the timelines allowed by GSTR -3B under the Notification No. 31/2020 dated 3rd April, 2020 on fulfilment of conditions specified therein.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, and goods and service tax which have not been deposited on account of any dispute.
- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **Price Waterhouse Chartered Accountant LLP**
Firm Registration Number: 012754N/N500016

Alpa Kedia

Partner

Membership Number: 100681

UDIN: 21100681AAAADX9896

Balance Sheet

as at 31st March, 2021

(₹ in lakhs)

Particulars	Note No	As at 31 st March, 2021	As at 31 st March, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	2	366.55	709.82
Receivables			
(I) Trade receivables	3	3,700.49	4,064.93
(II) Other receivables	3	19.45	45.18
Loans	4	41.80	150.93
Investments	5	113,623.21	76,566.31
Other Financial assets	6	88.24	78.80
Sub total		117,839.74	81,615.97
Non-financial assets			
Current Tax assets (Net)	38 (d)	339.34	920.80
Deferred Tax assets (Net)	38 (e)	863.57	726.04
Property, Plant and Equipment	7	856.15	978.88
Intangible assets	8	299.19	354.76
Right of use asset	37	1,749.96	1,934.09
Intangible assets under development	9	189.68	184.83
Other Non-financial assets	10	432.10	977.06
Sub total		4,729.99	6,076.46
Total Assets		122,569.73	87,692.43
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	11	2,114.60	2,460.61
Lease liabilities	37	2,020.71	2,117.26
Other Financial liabilities	12	3,894.10	3,070.20
Sub total		8,029.41	7,648.07
Non-Financial liabilities			
Current tax liabilities (Net)	38 (d)	664.84	297.21
Provisions	13	1,626.98	1,236.12
Deferred tax liabilities (Net)	38 (e)	1,674.27	1,329.08
Other non-financial liabilities	14	1,947.18	1,957.18
Sub total		5,913.27	4,819.59
EQUITY			
Equity Share Capital	15	2,980.00	2,980.00
Other equity	16	105,647.05	72,244.77
Sub total		108,627.05	75,224.77
Total Liabilities and Equity		122,569.73	87,692.43

The significant accounting policies and accompanying notes are an integral part of these financial statements

This is the Statement of Balance Sheet referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration. No. 012754N/N500016

Alpa Kedia

Partner

Membership No. 100681

Dated: 25th June, 2021

For and on behalf of the Board of Directors

Nilesh Shah

Managing Director

Gaurang Shah

Director

Krishnan Ramchandran

Chief Financial Officer

Jolly Bhatt

Company Secretary

Statement of Profit And Loss Account

for the year ended 31st March, 2021

(₹ in lakhs)

Particulars	Note No	For the year ended 31 st March, 2021	Year ended 31 st March, 2020
REVENUE FROM OPERATIONS			
(i) Interest income	17	12.04	6.57
(ii) Fees income	18	59,929.76	59,603.85
(iii) Net gain on fair value changes	19	4,438.90	3,392.00
(I) Total revenue from operations		64,380.70	63,002.42
(II) Other income	20	150.00	352.35
(III) Total income (I + II)		64,530.70	63,354.77
EXPENSES			
(i) Finance costs	21	172.28	160.46
(ii) Impairment on financial instruments	22	(27.67)	13.92
(iii) Employee Benefits expenses	23	11,695.04	9,297.17
(iv) Depreciation, amortisation and impairment	24	1,089.76	1,257.56
(v) Other expenses	25	8,825.56	10,609.31
(IV) Total expenses		21,754.97	21,338.42
(V) Profit before tax (III -IV)		42,775.73	42,016.35
(VI) Tax expense			
(1) Current tax		10,342.79	9,960.50
(2) Deferred tax		105.82	881.40
Total tax expense (1+2)		10,448.61	10,841.90
(VII) Profit for the year (V-VI)		32,327.12	31,174.45
(VIII) Other comprehensive income			
(A) (i) Items that will not be reclassified to profit or loss			
- Remeasurements of the defined benefit plans		41.97	9.64
- Income tax relating to items that will not be reclassified to profit or loss		(10.56)	(7.59)
Sub-total		31.41	2.05
(ii) Income tax relating to items that will not be reclassified to profit or loss		-	-
Total (A)		31.41	2.05
Other comprehensive income (A + B)		31.41	2.05
(IX) Total Comprehensive Income for the year (VII+VIII)		32,358.53	31,176.50
(X) Earnings per equity share Basic and Diluted	26	108.48	104.61

The significant accounting policies and accompanying notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date
For **Price Waterhouse Chartered Accountants LLP**
Firm Registration. No. 012754N/N500016

Alpa Kedia
Partner
Membership No. 100681

Mumbai
Dated: 25th June, 2021

For and on behalf of the Board of Directors

Nilesh Shah
Managing Director

Gaurang Shah
Director

Krishnan Ramchandran
Chief Financial Officer

Jolly Bhatt
Company Secretary

Statement Of Cash Flows

as at 31st March, 2021

Particulars	(₹ in lakhs)	
	For the Year ended 31 st March, 2021	For the Year ended 31 st March, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	42,775.73	42,016.35
Add / (Less) Adjustments for:		
Depreciation, amortization and impairment	1,089.76	1,257.55
Net gain/(loss) on derecognition of property, plant and equipment	(31.91)	(17.26)
Fair Valuation of Defined Obligation	41.97	9.64
Other income - discount on rent	(27.39)	-
Interest on lease liability	162.19	151.40
Interest income on security deposits	(4.17)	(0.03)
Interest on Income tax refund	(90.70)	(215.53)
Fair valuation of ESOP / SARS	1,040.15	341.17
Realised Net gain/(loss) on financial instruments at fair value through profit or loss	(169.00)	(352.44)
Unrealised Net gain/(loss) on financial instruments at fair value through profit or loss	(4,269.90)	(3,039.56)
Impairment on financial instruments	(27.67)	13.92
Amortisation of prepaid rent	4.63	(10.51)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	40,493.69	40,154.71
Movements in working capital :		
Increase/ (decrease) in trade payables	(346.01)	2,080.35
Increase / (decrease) in provisions	394.47	(548.89)
Increase / (decrease) in other financial liabilities	823.90	(450.00)
Increase / (decrease) in other non-financial liabilities	(10.00)	(308.35)
Decrease / (increase) in trade receivables	384.30	(231.56)
Decrease / (increase) in other receivables	25.73	(28.06)
Decrease / (increase) in loans and advances	115.91	(111.02)
Decrease / (increase) in other non financial assets	544.96	745.54
Decrease / (increase) in other financial assets	(1.73)	7.34
	1,931.53	1,155.36
CASH GENERATED FROM OPERATIONS	42,425.22	41,310.07
Payment of Taxes (Net of refund)	(9,211.74)	(8,892.32)
NET CASH INFLOW FROM OPERATING ACTIVITIES (A)	33,213.48	32,417.75
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property plant and equipments	(501.76)	(798.14)
Proceeds from Sale of Property plant and equipments	39.68	40.53
Purchase of Intangible assets under development	(102.46)	(48.52)
Proceeds from Sale of Investment	28,807.00	32,444.92
Purchase of Investments	(61,425.00)	(60,275.00)
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES (B)	(33,182.52)	(28,636.21)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(2,384.00)
Tax on equity dividend paid	-	(490.04)
Lease Liabilities:		
Interest	(162.19)	(151.40)
Principal	(212.40)	(197.57)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES (C)	(374.59)	(3,223.01)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A + B + C)	(343.63)	558.53
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	710.27	151.74
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	366.64	710.27
CASH & CASH EQUIVALENTS BEFORE IMPAIRMENT PROVISION	366.64	710.27
IMPAIRMENT LOSS ALLOWANCES	(0.09)	(0.45)
CASH & CASH EQUIVALENTS AS PER BALANCE SHEET	366.55	709.82

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

The Company has liabilities arising only from leases accounted under Ind AS 116 at present value of lease payments and corresponding addition of right-of-use-assets. (Refer Note 37)

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

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration. No. 012754N/N500016

Alpa Kedia

Partner

Membership No. 100681

Mumbai

Dated: 25th June, 2021

For and on behalf of the Board of Directors

Nilesh Shah

Managing Director

Gaurang Shah

Director

Krishnan Ramchandran

Chief Financial Officer

Jolly Bhatt

Company Secretary

Statement Of Changes In Equity

for the year ended 31st March, 2021

A. EQUITY SHARE CAPITAL

(₹ in lakhs)

Particulars	Balance at the beginning of the period	Changes in equity share capital during the year	Balance at the end of the period
Equity shares of ₹ 10 each fully paid up			
As on 1 st April, 2019	2,980.00	-	2,980.00
As on 31 st March, 2020	2,980.00	-	2,980.00
As on 31 st March, 2021	2,980.00	-	2,980.00

B. OTHER EQUITY

(₹ in lakhs)

Particulars	Reserves and Surplus				Total
	Capital redemption reserve	Capital Contribution by parent	General Reserve	Retained earnings	
Opening balance as on 1st April, 2019	1,270.00	741.55	1,169.25	40,568.78	43,749.58
Profit for the year	-	-	-	31,174.45	31,174.45
Share Based Payments to employees	-	338.66	-	-	338.66
Remeasurments of defined benefit plans	-	-	-	2.05	2.05
Dividend paid	-	-	-	(2,384.00)	(2,384.00)
Tax on equity dividend paid	-	-	-	(490.04)	(490.04)
Effect on adoption of IND AS - 116 Leases	-	-	-	(145.92)	(145.92)
Changes during the year	-	338.66	-	28,156.53	28,495.20
Closing balance as at 31st March, 2020	1,270.00	1,080.21	1,169.25	68,725.31	72,244.77
Opening balance as on 1st April, 2020	1,270.00	1,080.21	1,169.25	68,725.31	72,244.77
Profit for the year	-	-	-	32,327.12	32,327.12
Share Based Payments to employees	-	1,043.75	-	-	1,043.75
Share Based Payment to employees transferred to General Reserve due to options lapsed	-	(34.87)	34.87	-	-
Remeasurments of defined benefit plans	-	-	-	31.41	31.41
Changes during the year	-	1,008.88	34.87	32,358.53	33,402.28
Closing balance as at 31 st March, 2021	1,270.00	2,089.09	1,204.12	101,083.84	105,647.05

This is the Statement of Changes in Equity referred to in our report of even date
For **Price Waterhouse Chartered Accountants LLP**
Firm Registration. No. 012754N/N500016

Alpa Kedia
Partner
Membership No. 100681

Dated: 25th June, 2021

For and on behalf of the Board of Directors

Nilesh Shah
Managing Director

Gaurang Shah
Director

Krishnan Ramchandran
Chief Financial Officer

Jolly Bhatt
Company Secretary

Notes

To The Financial Statements For The Year Ended 31st March, 2021

0.1 CORPORATE INFORMATION

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

0.2 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 standalone financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the standalone financial statements. These standalone financial statements were authorized for issue by the Company's Board of Directors' on 24th 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.
- Defined benefit plans - plan assets are measured at fair value.
- Share-based payments.

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

Judgment, estimates and assumptions are required in particular for:

I. Revenue

Identifying performance obligation in the contract:

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

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

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

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

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

III. Recognition and Measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial valuation. Key actuarial assumptions which form the

Notes

To The Financial Statements For The Year Ended 31st March, 2021

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

IV. Recognition of deferred tax assets

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

V. Recognition and measurement of provisions and contingencies

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

VI. Discounting of long-term financial assets/liabilities

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

VII. Fair value of share-based payments

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

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

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 31.

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 32.

IX. Impairment of financial assets

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

X. 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.

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To The Financial Statements For The Year Ended 31st March, 2021

XI. 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.

XI.a. Discount rate for lease liability

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

XII. Interest in other entities

The Company acts as the fund manager for several investment vehicles, and through its rights as a manager, has a significant involvement in decision-making over the funds' operations and activities. However, fund managers are subject to substantial restrictions under local laws and regulations including regulator's and trustees' oversight. The Company considers its decision-making powers as a fund manager to be held in an 'agent' capacity. The accounting framework provides guidance to apply the agency concept only while assessing whether the fund is a subsidiary of the fund manager. Ind AS 28 does not provide guidance on how to apply the agency concept, while assessing significant influence. Accordingly, the Company assesses significant influence over managed funds by considering voting rights, restrictions etc., as required by Ind AS 28, but excluding decision-making powers held in its capacity as an 'agent' from such assessment, depending on facts and circumstances of each case.

D. New standards and amendments to existing Ind AS:

The Company has applied the following amendments to Ind AS for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to Ind AS 1 and Ind AS 8
- Definition of a Business – amendments to Ind AS 103
- COVID-19 related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

0.3 SIGNIFICANT ACCOUNTING POLICIES

A. Property, plant and equipment

i. Recognition and measurement

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

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

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- b. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

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

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

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

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

Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets. As disclosed in table below, based on technical evaluation done by management's expert, the estimated useful life of fixed assets of the Company is different from useful life prescribed in Schedule II of the Companies Act, 2013. Based on the nature of fixed assets used by the Company and past experience of its usage, the Company considers that the useful life for respective assets to be appropriate. Estimated useful lives of assets based on technical evaluation by the management are as follows:

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

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

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

B. Intangible assets

i. Recognition and Measurement

Intangible assets are recognised when they are separately identifiable, under control of the company, and from which future economic benefits are expected to flow to the entity. Intangible assets including computer software are measured at cost. Such other intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Profit and Loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortization in the Statement of Profit and Loss. Computer Software is being amortised over a period of 3 years. Amortization method, useful lives and residual values are reviewed at the end of each financial year and adjusted, if required.

Derecognition Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from its continuous use, and the resultant gains or losses are recognized in the Statement of Profit and Loss.

ii. Amortization

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

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

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

Asset management rights acquired are amortized over a period of 5 years from the date of acquisition of the schemes from which future economic benefits are expected to flow to the entity.

C. Leases

Company as lessee

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Balance Sheet.

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

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

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

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

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

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

D. Revenue recognition

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

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

Nature of services - Asset Management Services

Management fees (net of GST) from mutual fund schemes are recognised on an accrual basis in accordance with the investment management agreement and provision of SEBI (Mutual Fund) Regulations, 1996. Revenue from management fees is recognised as and when services are performed over time as the customer simultaneously receives and consumes the benefits provided by the Company.

Portfolio management fees and other advisory services fees

Portfolio management fees and other advisory services fees (net of GST) are recognised on an accrual basis in accordance with the respective terms of contract with counter parties. Revenue from portfolio management fees and other advisory services is recognised as and when services are performed over time as the customer simultaneously receives and consumes the benefits provided by the Company.

Dividends

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.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

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

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

E. Income Tax

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

Current tax

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

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

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset only if:

- a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

F. Employee benefits

1. Post-employment obligations

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 once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Superannuation Fund

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

New Pension Scheme

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Defined Benefit Plan

Gratuity

The Company has a defined benefit plan for post-employment benefits in the form of gratuity. The Company has formed a Trust "Kotak Mahindra Asset Management Company Ltd Employees Gratuity Fund" which has taken group gratuity policies with an insurance company which is funded.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date. Remeasurement of all defined benefit plans, which comprise actuarial gains and losses and the effect of asset ceiling, if applicable are recognised immediately in other comprehensive income in the year they are incurred.

Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in standalone statement of profit and loss.

2. OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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.

The benefits are discounted using the appropriate market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Long Service Award

As per the Company policy, employees of the Company are eligible for a long service award after completion of a specified number of years of service with the Company. The obligation is measured at the balance sheet date as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period based on actuarial valuation calculated by the fellow subsidiary of the Company using the Projected Unit Credit method.

Other benefits

As per the Company policy, certain employees are eligible for deferred incentives at a fixed amount as approved by the Company from time to time payable in a staggered manner. The obligation is measured as at the Balance Sheet date on an accrual basis.

3. SHORT-TERM OBLIGATIONS

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

G. Foreign Currency transactions

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

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

All foreign exchange gains and losses are presented in the Statement of Profit and Loss.

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To The Financial Statements For The Year Ended 31st March, 2021

H. 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.

I. Impairment of non-financial assets

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

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

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

J. 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 disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed and disclosed as contingent liability.

K. Scheme Expenses

New fund offer expenses, and other expenses not chargeable to schemes, in accordance with applicable circulars and guidelines issued by SEBI and Association of Mutual Funds in India (AMFI), are borne by the Company and are part of Business promotion, distribution and mutual fund expenses in statement of profit and loss account. Brokerage paid for close ended schemes before October 22, 2018 circular issued by SEBI in relation to upfront brokerage are amortised by the Company over the tenor of each scheme on a straight line basis.

L. Referral Fees

The referral fees relating to Portfolio Management Services are charged to the Statement of Profit and Loss net of Goods and services tax on an accrual basis in the year in which it is incurred as per the terms of the contract with each distributor.

M. Share based payments

Employees Stock Options Plans ("ESOPs") - Equity settled

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

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

Notes

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that will ultimately vest. The charge or credit to the Statement of Profit or Loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Stock Appreciation Rights (“SARs”) - Cash Settled

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

N. 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 the nature of products and services, the differing risks and returns and the internal business reporting systems. Basis of such evaluation, the company concluded it operates in a single reportable segment.

O. Financial Instruments

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

Financial assets

Recognition and Initial measurement

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

Classification

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

Subsequent measurement

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

Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

Equity instruments at FVOCI

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

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

Financial liabilities

i. Classification as debt or equity –

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

ii. Initial recognition and measurement –

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

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

P. Impairment of Financial Assets

Methodology for computation of Expected Credit Losses (ECL)

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

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

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

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

ECL 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 recognizes a loss allowance based on lifetime ECLs at each reporting date.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Q. Derecognition of financial assets and financial liabilities

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

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

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

Financial liabilities –

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

R. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

S. Trade and other payables -

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as financial liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

T. Equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

U. Modifications of financial assets and financial liabilities

Financial assets

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

Financial liabilities

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

V. Measurement of fair values

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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To The Financial Statements For The Year Ended 31st March, 2021

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

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

W. 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.

X. Rounding of amounts

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

Y. Investments in subsidiaries, associates and joint venture

The investments in subsidiaries, associates and joint ventures are measured at historical 'cost' less impairment.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 2 CASH AND CASH EQUIVALENTS

Particulars	₹ in Lakhs	
	As at 31 st March, 2021	As at 31 st March, 2020
Balances with banks	366.64	710.27
Sub total	366.64	710.27
Less: Impairment loss allowance	(0.09)	(0.45)
Total	366.55	709.82

NOTE 3 RECEIVABLES

Particulars	₹ in Lakhs	
	As at 31 st March, 2021	As at 31 st March, 2020
Trade receivables:		
Unsecured, considered good	3,705.72	4,090.03
Sub total	3,705.72	4,090.03
Less: Impairment loss allowance	(5.23)	(25.10)
Total	3,700.49	4,064.93
Other receivables:		
Unsecured, considered good	19.45	45.18
Total	19.45	45.18

Debts due by directors or other officers either severally or jointly with any other person

NOTE 4 LOANS

Particulars	₹ in Lakhs	
	As at 31 st March, 2021	As at 31 st March, 2020
(A)		
(i) Employee Loans	42.85	158.77
Total Gross (A)	42.85	158.77
Less: Impairment loss allowance	(1.05)	(7.84)
Total Net (A)	41.80	150.93
(B)		
(i) Unsecured	42.85	158.77
Total Gross (B)	42.85	158.77
Less: Impairment loss allowance	(1.05)	(7.84)
Total Net (B)	41.80	150.93
(C)		
(I) Loans in India		
(i) Public Sector	-	-
(ii) Others	42.85	158.77
Total Gross (C) (I)	42.85	158.77
Less: Impairment loss allowance	(1.05)	(7.84)
Total Net (C) (I)	41.80	150.93
(II) Loans outside India		
Less: Impairment allowance	-	-
Total Net (C) (II)	-	-
Total (C) (I) and (II)	41.80	150.93

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 5 INVESTMENTS

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Mutual funds	110,938.21	73,881.31
Equity instruments	5.00	5.00
Subsidiaries	2,680.00	2,680.00
Total Gross (A)	113,623.21	76,566.31
(i) Investments outside India	-	-
(ii) Investments in India	113,623.21	76,566.31
Total (B)	113,623.21	76,566.31
Less: Impairment allowance	-	-
Total Net	113,623.21	76,566.31
Amortised cost	-	-
At fair value through profit or loss	110,943.21	73,886.31
Others (Subsidiary)	2,680.00	2,680.00
	113,623.21	76,566.31

NOTE 6 OTHER FINANCIAL ASSETS

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Security Deposits	87.35	78.57
Other Deposits	1.09	1.09
Sub total	88.44	79.66
Less: Impairment loss allowance	(0.20)	(0.86)
Total	88.24	78.80

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(₹ in Lakhs)

Particulars	Improvements to leasehold premises	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Gross carrying amount as at 1st April, 2019	402.24	33.93	550.54	143.37	557.96	1,688.04
Additions during the year	150.19	8.78	149.68	50.67	176.27	535.59
Disposals during the year	(19.45)	(2.65)	(93.44)	(9.54)	(59.49)	(184.55)
Gross carrying amount as at 31st March, 2020	532.98	40.06	606.78	184.50	674.74	2,039.08
Accumulated depreciation as at 1st April, 2019	137.59	26.72	249.43	50.12	306.07	769.93
Depreciation for the year	94.52	7.67	133.19	37.59	178.58	451.55
Disposals during the year	(17.79)	(2.61)	(72.40)	(9.51)	(58.98)	(161.29)
Accumulated depreciation as at 31st March, 2020	214.32	31.78	310.23	78.20	425.67	1,060.19
Net carrying amount as at 31st March, 2020	318.65	8.28	296.56	106.30	249.07	978.88
Gross carrying amount as at 31st March, 2020	532.98	40.06	606.78	184.50	674.74	2,039.07
Additions during the year	24.57	1.82	155.96	16.76	150.80	349.91
Disposals during the year	-	(0.29)	(172.30)	(3.05)	(54.38)	(230.02)
Gross carrying amount as at 31st March, 2021	557.55	41.59	590.44	198.21	771.16	2,158.96
Accumulated depreciation as at 31st March, 2020	214.32	31.78	310.23	78.20	425.67	1,060.20
Depreciation for the year	92.09	3.60	147.34	41.54	180.29	464.86
Disposals during the year	-	(0.29)	(166.55)	(3.05)	(52.36)	(222.25)
Accumulated depreciation as at 31st March, 2021	306.42	35.09	291.01	116.69	553.61	1,302.81
Net carrying amount as at 31st March, 2021	251.13	6.50	299.43	81.53	217.55	856.15

Impairment loss and reversal of impairment loss

None during the year.

NOTE 8 INTANGIBLE ASSETS

(₹ in Lakhs)

Particulars	Software	Copyrights, patents, other intellectual property rights, services and operating rights *	Total
Gross carrying amount as at 1st April, 2019	827.52	901.77	1,729.29
Additions during the year	262.56	-	262.56
Gross carrying amount as at 31st March, 2020	1,090.08	901.77	1,991.85
Accumulated amortisation as at 1st April, 2019	476.22	636.04	1,112.26
Amortisation for the year	259.10	265.73	524.83
Accumulated amortisation as at 31st March, 2020	735.32	901.77	1,637.09
Net carrying amount as at 31st March, 2020	354.76	-	354.76
Gross carrying amount as at 31st March, 2020	1,090.08	901.77	1,991.85
Additions during the year	249.47	-	249.47
Gross carrying amount as at 31st March, 2021	1,339.55	901.77	2,241.32
Accumulated amortisation as at 31st March, 2020	735.32	901.77	1,637.09
Amortisation for the year	305.04	-	305.04
Accumulated amortisation as at 31st March, 2021	1,040.36	901.77	1,942.13
Net carrying amount as at 31st March, 2021	299.19	-	299.19

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

Impairment loss and reversal of impairment loss

None during the year.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 9 INTANGIBLE ASSETS UNDER DEVELOPMENT

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Software under development	189.68	184.83
Total	189.68	184.83

NOTE 10 OTHER NON FINANCIAL ASSETS

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Advances recoverable in cash or in kind	84.99	257.21
Prepaid Expenses	347.11	719.85
Total	432.10	977.06

NOTE 11 PAYABLES

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
(I) Trade Payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	2,114.60	2,460.61
Total (I)	2,114.60	2,460.61

NOTE 12 OTHER FINANCIAL LIABILITIES

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Employee Benefits Payable	1,724.10	900.20
Other payables	2,170.00	2,170.00
Total	3,894.10	3,070.20

NOTE 13 PROVISIONS :

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Provision for employee benefits	328.57	291.97
Provision for gratuity (Refer note 30)	-	68.00
Provision for stock appreciation rights (Refer note 31)	1,298.41	876.15
Total	1,626.98	1,236.12

NOTE 14 OTHER NON-FINANCIAL LIABILITIES :

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Revenue received in advance	-	131.44
Statutory dues payable	1,947.18	1,825.74
Total	1,947.18	1,957.18

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 15 SHARE CAPITAL

(₹ in Lakhs)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Authorised		
30,000,000 equity shares of ₹ 10/- each	3,000.00	3,000.00
10,000,000 preference shares of ₹ 10/- each	1,000.00	1,000.00
Issued, subscribed and paid up		
29,800,000 equity shares of ₹ 10/- each, fully paid up	2,980.00	2,980.00
	2,980.00	2,980.00

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

Particulars	No. of shares	Rupees in Lakhs
Equity shares of ₹ 10 each, fully paid-up		
As at 1 st April, 2019	29,800,000	2,980
Add : Issued during the year	-	-
As at 31 st March, 2020	29,800,000	2,980
Add : Issued during the year	-	-
As at 31st March, 2021	29,800,000	2,980

b. Rights, preferences and restrictions attached to equity shares

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

c. Shares held by holding company

(₹ in Lakhs)

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited (including nominees)	2,98,00,000	100	2,98,00,000	100
	2,98,00,000	100	2,98,00,000	100

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

(₹ in Lakhs)

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited (including nominees)	29,800,000	100	29,800,000	100
	29,800,000	100	29,800,000	100

e. Dividend:

The Board of Directors recommended a final dividend of ₹ 20 per equity share for the financial year ended 31st March, 2021. The payment is subject to approval of the shareholders in the ensuing Annual general meeting of the Company, and if approved would result in a cash outflow of ₹ 5,960.00 Lakhs. Dividends on equity shares are recorded as a liability on the date of approval by the shareholders.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 16 OTHER EQUITY

Particulars	(₹ in lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Capital redemption reserve	1,270.00	1,270.00
Capital Contribution from parent	2,089.09	1,080.21
General Reserve	1,204.12	1,169.25
Retained Earnings	101,083.84	68,725.31
Total	105,647.05	72,244.77

NOTE 16.1 NATURE AND PURPOSE OF RESERVE

Capital redemption reserve

As per the Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve.

Capital Contribution from parent

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

General reserve

The general reserve is used from time to time to transfer profits from Retained Earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Retained earnings

Retained earnings represents surplus/deficit of the company and is available for distribution to the shareholders.

NOTE 16.2 OTHER EQUITY MOVEMENT

Particulars	(₹ in lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Capital redemption reserve		
Opening balance	1,270.00	1,270.00
Addition during the year	-	-
Closing balance	1,270.00	1,270.00
Capital Contribution from parent		
Opening balance	1,080.21	741.55
Addition during the year	1,008.88	338.66
Closing balance	2,089.09	1,080.21
General Reserve		
Opening balance	1,169.25	1,169.25
Addition during the year	34.87	-
Closing balance	1,204.12	1,169.25
Retained earnings		
Opening balance	68,725.31	40,568.78
Profit for the year	32,327.12	31,174.45
Remeasurments of defined benefit plans	31.41	2.05
Dividend paid	-	(2,384.00)
Tax on equity dividend paid	-	(490.04)
Effect on adoption of IND AS - 116 Leases	-	(145.92)
Closing balance	101,083.84	68,725.31

Notes

To The Financial Statements For The Year Ended 31st March, 2021

REVENUE FROM OPERATIONS

NOTE 17 INTEREST INCOME :

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
On Financial Assets measured at Amortised Cost		
Interest on Staff Loans	7.87	6.54
Other interest income	4.17	0.03
Total	12.04	6.57

NOTE 18 FEES INCOME :

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Management fees	55,000.38	51,922.83
Portfolio management fee and other advisory services fees	4,929.38	7,681.02
Total	59,929.76	59,603.85

NOTE 19 NET GAIN ON FAIR VALUE CHANGES :

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Net gain on financial instruments at fair value through profit or loss		
- Investments	4,438.90	3,392.00
Total Net gain on fair value changes	4,438.90	3,392.00
Fair value changes:		
Realised	169.00	352.44
Unrealised	4,269.90	3,039.56
Total Net gain on fair value changes	4,438.90	3,392.00

NOTE 20 OTHER INCOME :

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Net gain on derecognition of property, plant and equipment	31.91	17.26
Interest on Income Tax Refund	90.70	215.53
Net gain on foreign currency transaction and translation	-	1.28
Other income	27.39	118.28
Total	150.00	352.35

Notes

To The Financial Statements For The Year Ended 31st March, 2021

EXPENSES

NOTE 21 FINANCE COSTS :

Particulars	(₹ in Lakhs)	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Interest on lease liabilities (Refer note 37)	162.19	151.40
Other interest expense	10.09	9.06
Total	172.28	160.46

NOTE 22 IMPAIRMENT ON FINANCIAL INSTRUMENTS :

Particulars	(₹ in Lakhs)	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
On Financial instruments measured at Amortised Cost		
Loans	(6.79)	7.53
Trade Receivables	(19.87)	5.72
Bank Balances	(0.35)	0.40
Deposit	(0.66)	0.27
Total	(27.67)	13.92

NOTE 23 EMPLOYEE BENEFITS EXPENSES :

Particulars	(₹ in Lakhs)	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Salaries and wages	8,906.48	7,643.94
Contribution to provident and other funds (Refer note 30)	343.31	340.77
Share Based Payments to employees (Refer note 31)	2,309.80	1,127.62
Staff welfare expenses	45.88	57.79
Gratuity (Refer note 30)	89.57	127.05
Total	11,695.04	9,297.17

NOTE 24 DEPRECIATION, AMORTISATION AND IMPAIRMENT

Particulars	(₹ in Lakhs)	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Depreciation of property, plant and equipment	464.86	451.55
Depreciation on Right of use asset (Refer note 37)	319.86	281.17
Amortisation of intangible assets	305.04	524.84
Total	1,089.76	1,257.56

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 25 OTHER EXPENSES

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Rent, taxes and energy costs	839.27	915.90
Repairs and maintenance	51.40	58.12
Communication Costs	298.81	332.56
Computer related expenses	553.31	540.31
Travel related expenses	44.45	257.46
Net loss on foreign currency transaction and translation	1.88	-
Printing and stationery	19.11	68.52
Business promotion, Distribution and Mutual Fund expenses	2,080.55	3,619.95
Referral fees for portfolio management services	1,324.81	1,680.43
Membership subscription	711.40	701.50
Reimbursement of common administrative cost	440.98	483.41
Outsourcing Costs	490.45	491.31
Directors fees, allowances and expenses	58.32	52.85
Auditor's fees and expenses	23.00	25.77
Legal and Professional charges	471.56	482.65
Royalty expenses	157.51	-
Insurance	164.84	86.42
Contribution towards corporate social responsibility (Refer note 28)	589.26	175.00
Other expenditure	504.65	637.15
Total	8,825.56	10,609.31
Details of Auditor's fees and expenses		
(a) As Statutory auditors	23.00	23.00
(b) Other services	-	2.00
(c) Reimbursement of expenses	-	0.77
Total	23.00	25.77

NOTE 26 EARNINGS PER SHARE

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

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

(₹ in lakhs)

Sr. No.	Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
A)	Net profit from continued operation attributable to equity holders	32,327.12	31,174.45
B)	Weighted average number of ordinary shares (Basic and Diluted)		
	Issued ordinary shares at 1 st April	298.00	298.00
	Effect of shares bought back during the year		
	Weighted average number of shares at 31st March adjusted for the effect of dilution	298.00	298.00
C)	Face value per share (INR)	10.00	10.00
D)	Basic and Diluted earnings per share (INR)	108.48	104.61

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 27 COMMITMENTS

		(₹ in lakhs)	
Sr No	Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Commitments:			
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for	161.77	189.20
Total		161.77	189.20

NOTE 28 CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

As per the provisions of the Section 135 of the Companies Act, 2013, the Company is required to spend ₹ 589.26 Lakhs (Previous year 174.69 Lakhs) during the year on CSR activities

Details of Corporate Social Responsibility expenditure

		(₹ in Lakhs)	
Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020	
Contribution to :			
Kotak Education Foundation	150.00	124.00	
Miraclefeet Foundation For Eliminating Clubfoot	70.00	27.00	
Pratham Education Foundation	20.26	24.00	
Baroda Young Turks Round Table 201 Charitable Trust	18.00	-	
Foundation For Environment Medicine	10.00	-	
Nayi Disha Resource Centre	25.00	-	
Sanjivni Society For Mental Health	24.00	-	
Sri Sathya Sai Trust Karnataka	5.00	-	
Accrual towards unspent obligations in relation to:			
Ongoing project	267.00	-	
Other than ongoing project	-	-	
Total	589.26	175.00	
Amount required to be spent as per Section 135 of the Act	589.26	174.69	
Amount spent during the year on			
(i) Construction/acquisition of any asset	-	-	
(ii) On purposes other than (i) above	322.26	175.00	

Details of ongoing CSR projects under Section 135(6) of the Act

Balance as at 1 st April, 2020		Amount required to be spent during the year	Amount spent during the year		Balance as at 31 st March, 2021	
With the Company	In Separate CSR Unspent account		From the Company's Bank account	From Separate CSR Unspent account	With Company	In Separate CSR Unspent account
-	-	589.26	322.26	-	267.00	-

Subsequent to year end the Company has transferred the funds to separate CSR unspent account within 30 days.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 29 RELATED PARTY DISCLOSURES

A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
1	Subsidiary Company :		
	Kotak Mahindra Pension Fund Limited	India	95.71%
	Holding Company :		
	Kotak Mahindra Bank Limited	India	
	(Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 26.02% of the equity share capital and 17.29% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31 st March, 2021)		
	Fellow subsidiaries with whom transactions have taken place during the year:		
	Kotak Mahindra Trustee Company Limited	India	
	Kotak Securities Limited	India	
	Kotak Mahindra Prime Limited	India	
	Kotak Mahindra Life Insurance Company Limited	India	
	Kotak Mahindra General Insurance Company Limited	India	
	Kotak Investment Advisors Limited	India	
	Kotak Mahindra (International) Limited	Mauritius	
	Kotak Mahindra Asset Management (Singapore) PTE. Limited	Singapore	
	Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence		
	Aero Agencies Limited	India	
	Mutual Fund managed by the Company		
	Kotak Mahindra Mutual Fund	India	
	Post Employment Benefits Plan		
	Kotak Mahindra Asset Management Company Limited Employees Gratuity Fund		
	Key Management Personnel		
	Managing Director		
	Nilesh Shah		
	Directors with whom transactions have taken place during the year:		
	Anjali Bansal - Independent Director		
	C Jayaram - Non Independent - Non Executive Director		
	Krishnakumar Natarajan - Independent Director		
	Nalin M. Shah - Independent Director		
	Sanjiv Malhotra - Independent Director		

B. Transactions with Related party

i. Key Management Personnel compensation

Sr. No.	Particulars	(Rupees in lakhs)	
		For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
	Managing Director*		
i.	Short-term employee benefits	279.69	284.21
ii.	Other contribution to fund	10.84	12.05
iii.	Share-based payments	484.79	434.77
	Directors		
i.	Sitting Fees	28.32	26.60
ii.	Commission	30.00	26.25

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity, leave encashment and bonus which are provided for group of employees on an overall basis.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

ii. Transaction with other related party

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

Nature of Transaction	Year ended 31 st March	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives/ Key Management Personnel have significant influence	₹ in lakhs)	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
A. Transaction during the year						
Management Fees						
Kotak Mahindra Mutual Fund	2021				55,000.38	
	2020				51,922.83	
Other Miscellaneous Receipts						
Kotak Mahindra Mutual Fund	2021				-	
	2020				7.92	
Advisory Fees						
(i) Kotak Mahindra (International) Limited	2021		355.00			
	2020		363.00			
(ii) Kotak Mahindra Asset Management (Singapore) PTE. Limited	2021		253.00			
	2020		213.00			
Miscellaneous Receipts						
Employee transfer related receipts						
(i) Kotak Mahindra Bank Limited	2021	0.14				
	2020	19.95				
(ii) Kotak Mahindra Pension Fund Limited	2021					1.62
	2020					-
(iii) Kotak Mahindra Life Insurance Company Limited	2021		7.65			
	2020		-			
(iv) Kotak Securities Limited	2021		0.46			
	2020		-			
(v) Kotak Mahindra Trustee Company Limited	2021		1.42			
	2020		-			
Recovery of employee cost						
(i) Kotak Mahindra Pension Fund Limited	2021					6.00
	2020					12.00
(ii) Kotak Mahindra Trustee Company Limited	2021		73.17			
	2020		73.52			
Recovery of Common administrative cost						
Kotak Mahindra Trustee Company Limited	2021		4.27			

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Nature of Transaction	Year ended 31 st March	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives/ Key Management Personnel have significant influence	(₹ in lakhs)	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
	2020		5.17			
Expenses						
Reimbursement of Common administrative cost						
(i) Kotak Mahindra Bank Limited	2021	430.77				
	2020	474.40				
(ii) Kotak Mahindra Life Insurance Company Limited	2021		14.48			
	2020		14.18			
Royalty Expenses						
Kotak Mahindra Bank Limited	2021	157.51				
	2020	-				
Referral Fees						
(i) Kotak Mahindra Bank Limited	2021	808.48				
	2020	639.03				
(ii) Kotak Securities Limited	2021		3.39			
	2020		41.91			
Rent expenses						
(i) Kotak Mahindra Bank Limited	2021	668.07				
	2020	697.71				
(ii) Kotak Mahindra Prime Limited	2021		2.45			
	2020		2.45			
Insurance expenses						
(i) Kotak General Insurance Company Limited	2021		9.73			
	2020		7.01			
(ii) Kotak Mahindra Life Insurance Company Limited	2021		10.15			
	2020		10.48			
Computer related expenses						
Kotak Securities Limited	2021		16.95			
	2020		21.60			
Other Expenditure						
Kotak Mahindra Prime Limited	2021		1.03			
	2020		1.73			
Travel related expenses						
Aero Agencies Limited	2021			1.41		
	2020			48.56		

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Nature of Transaction	Year ended 31 st March	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives/ Key Management Personnel have significant influence	(₹ in lakhs)	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
Business promotion, Distribution and Mutual Fund expenses						
Kotak Mahindra Mutual Fund	2021				28.72	
	2020				56.96	
Miscellaneous Payments (Electricity, Housekeeping, Custody charges etc.)						
Kotak Mahindra Bank Limited	2021	804.33				
	2020	973.09				
Employee transfer related cost						
Kotak Mahindra Pension Fund Limited	2021					9.77
	2020					-
Equity Dividend Paid						
Kotak Mahindra Bank Limited	2021	-				
	2020	2,384.00				
Cost of Insurance of Vehicle						
Kotak General Insurance Company Limited	2021		1.56			
	2020		-			
Investments						
Kotak Mahindra Mutual Fund						
Purchases	2021				61,425.00	
	2020				60,275.00	
Sales	2021				28,807.00	
	2020				32,444.92	
B. Balances at year end						
Balances with banks						
Kotak Mahindra Bank Limited	2021	347.56				
	2020	709.31				
Equity Share Capital						
Kotak Mahindra Bank Limited	2021	2,980.00				
	2020	2,980.00				
Net gain/(loss) on fair value changes (Realised)	2021				169.00	
	2020				352.44	
Mutual Funds Investment as at year end						
Kotak Mahindra Mutual Fund	2021				110,938.21	
	2020				73,881.31	
Equity Investments as at year end						
Kotak Mahindra Pension Fund Limited	2021					2,680.00
	2020					2,680.00
Prepaid Expenses						
(i) Kotak Mahindra Life Insurance Company Limited	2021		-			
	2020		10.15			
(ii) Kotak General Insurance Company Limited	2021		5.70			
	2020		7.10			

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Nature of Transaction	Year ended 31 st March	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives/ Key Management Personnel have significant influence	₹ in lakhs)	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
Receivables as at year end						
(i) Kotak Mahindra Bank Limited	2021	-				
	2020	19.04				
(ii) Kotak Mahindra Mutual Fund	2021				2,667.15	
	2020				2,556.32	
(iii) Kotak Mahindra Pension Fund Limited	2021					0.19
	2020					1.08
(iv) Kotak Mahindra International Limited	2021		29.58			
	2020		60.50			
(v) Kotak Mahindra Asset Management (Singapore) PTE. Limited	2021		21.08			
	2020		-			
(vi) Kotak Mahindra Trustee Company Limited	2021		4.26			
	2020		5.02			
(vii) Kotak Investment Advisors Limited	2021		3.70			
	2020		-			
Trade Payables as at year end						
(i) Kotak Mahindra Bank Limited	2021	422.54				
	2020	717.84				
(ii) Kotak Mahindra Mutual Fund	2021				-	
	2020				24.28	
(iii) Kotak Securities Limited	2021		6.17			
	2020		0.27			
(iv) Kotak Mahindra Trustee Company Limited	2021		1.42			
	2020		-			
(v) Kotak Mahindra Prime Limited	2021		0.95			
	2020		0.50			
(vi) Kotak Mahindra Life Insurance Company Limited	2021		1.11			
	2020		1.08			
(vii) Kotak Investment Advisors Limited	2021		0.04			
	2020		-			
Kotak Mahindra Asset Management Company Limited Employees Gratuity Fund (Kindly refer note 30 for details)						

(c) Terms and conditions of transactions with related parties

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 30 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 Recognised Provident Fund and employee state insurance scheme for employees. The Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 323.90 Lakh (Previous year ₹ 322.88 Lakh) and ₹ 0.16 Lakh (Previous year ₹ 1.06 Lakh) for Provident Fund contributions and employee state insurance scheme respectively in the Statement of Profit and Loss. The contributions payable to the Fund are at rates specified in the Rules of the Scheme.
- The Company contributes a sum equivalent to 15% of basic subject to a maximum of ₹ 1 Lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a fellow subsidiary. The Company recognizes ₹ 1 Lakh (Previous year ₹ 1 Lakh) for such contributions as an expense in the year they are incurred. The Company has no obligation beyond its contribution to the Fund.
- 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 recognised ₹ 17.85 Lakhs (Previous year ₹ 15.75 Lakhs) for such contributions as an expense in the year they are incurred.
- The Company contributes to labour welfare funds of eligible employees' salary per annum. The Company recognises ₹ 0.40 Lakh (Previous year ₹ 0.08 Lakh) for such contributions as an expense in the year they are incurred.

(ii) Defined Benefit Plan:

Gratuity :-

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

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

Particulars	Note	(₹ in lakhs)	
		As at 31 st March, 2021	As at 31 st March, 2020
Present value of Funded defined benefit obligation (A)		919.00	783.87
Fair value of plan assets (B)		(932.29)	(715.87)
Net (asset)/liability recognised in the Balance Sheet (A-B)		(13.29)	68.00

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:-

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020
Opening balance	783.87	702.52	715.87	-	68.00	702.52
Included in profit or loss						
Current service cost	89.16	81.33	-	-	89.16	81.33
Past service cost	-	-	-	-	-	-
Interest cost	46.20	45.72	45.79	-	0.41	45.72
	919.23	829.57	761.66	-	157.57	829.57
Included in OCI						
Remeasurement loss/(gain):						
Actuarial loss/(gain) arising from:						
Demographic assumptions	-	-	-	-	-	-

Notes

To The Financial Statements For The Year Ended 31st March, 2021

(₹ in lakhs)

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2021	As at 31 st March, 2020
Financial assumptions	13.03	4.73	-	-	13.03	4.73
Experience adjustment	19.02	(1.03)	-	-	19.02	(1.03)
Actual return on plan assets less interest on plan assets		-	74.02	13.34	(74.02)	(13.34)
	32.05	3.70	74.02	13.34	(41.97)	(9.64)
Other						
Contributions paid by the employer		-	122.75	749.99	(122.75)	(749.99)
Benefits paid	(26.14)	(47.46)	(26.14)	(47.46)	-	-
Liabilities assumed/(settled)*	(6.14)	(1.94)	-	-	(6.14)	(1.94)
Closing balance	919.00	783.87	932.29	715.87	(13.29)	68.00
Represented by						
Net defined benefit asset					13.29	-
Net defined benefit liability						68.00
					13.29	68.00

* On account of inter group transfer

C. Expenses recognised in Statement of Profit and Loss

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Current service cost	89.16	81.33
Past service cost	-	-
Administration expenses	-	-
Interest on net defined benefit liability/(asset)	0.41	45.72
(Gains)/losses on settlement	-	-
	89.57	127.05

D. Remeasurements recognised in other comprehensive income

(₹ in Lakhs)

Particulars	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Actuarial loss/(gain) arising from:		
Financial assumptions	13.03	4.73
Demographic assumptions	-	-
Experience adjustments	19.02	(1.03)
Actual return on plan assets less interest on plan assets	(74.02)	(13.34)
Adjustment to recognise the effect of asset ceiling	-	-
	(41.97)	(9.64)

Notes

To The Financial Statements For The Year Ended 31st March, 2021

E. Disaggregation of Plan assets

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

(₹ in lakhs)

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Quoted value	Unquoted value	Quoted value	Unquoted value
Property	-	-	-	-
Government debt instruments	-	-	-	-
Other debt instruments	-	-	-	-
Equity instruments	-	-	-	-
Insurer managed funds	-	932.29	-	715.87
Others	-	-	-	-
	-	932.29	-	715.87

F. Category of assets

(₹ in lakhs)

Fund Name	As at 31 st March, 2021		As at 31 st March, 2020	
	%	Unquoted value	%	Unquoted value
Kotak Group Balanced Fund	100.00	932.29	100.00	715.87
	100.00	932.29	100.00	715.87

G. Funding arrangements and policy:

Expected contribution:

The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested.

The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it is not possible to explicitly follow an asset-liability matching strategy to manage risk actively.

The expected contribution payable to the plan next year is ₹ 127.91 Lakhs

Projected Plan cash flow:

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

(₹ in Lakhs)

Maturity Profile	As at March 31 st , 2021	As at March 31 st , 2020
Expected benefits for year 1	156.99	123.95
Expected benefits for year 2	106.81	99.7
Expected benefits for year 3	90.41	84.21
Expected benefits for year 4	83.81	72.19
Expected benefits for year 5	85.11	67.36
Expected benefits for year 6	64.2	70.14
Expected benefits for year 7	73.95	51.86
Expected benefits for year 8	65.37	61.46
Expected benefits for year 9	60.38	54.27
Expected benefits for year 10 years and above	785.68	689.13

The weighted average duration to the payment of these cash flows is 7.42 years (31st March, 2020: 7.22 years).

Notes

To The Financial Statements For The Year Ended 31st March, 2021

H. Defined benefit obligations

i. Actuarial assumptions

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

	As at 31 st March, 2021	As at 31 st March, 2020
Discount rate (p.a.)	6.20%	6.40%
Expected rate of return on Plan Assets (p.a.)	7.00%	7.00%
Salary escalation rate (p.a.)	7.00%	0% for year 1 and 7.00% thereafter
Employee turnover	30% at 21-30 18% at 31-40 8% at 41-50 7% at 51-59	30% at 21-30 18% at 31-40 8% at 41-50 7% at 51-59

(₹ in Lakhs)

ii. Sensitivity analysis

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

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (50 bps movement)	(31.95)	34.10	(27.38)	29.22
Salary escalation rate (50 bps movement)	21.14	(20.66)	18.28	(17.99)

(₹ in lakhs)

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

I. Risk Exposure

The defined benefit plans expose the Company to risk which are discussed below:

Asset Volatility - The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Plan asset investments are in Insurer managed funds.

Changes in bond yields - A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' fund holdings.

J. Experience adjustments

Particulars	As at 31 st March, 2021				
	2021	2020	2019	2018	2017
Present value of defined benefit obligation	919.00	783.87	702.52	606.44	405.90
Fair value of plan assets	932.29	715.87			
Surplus/(Deficit)	13.29	(68.00)	(702.52)	(606.44)	(405.90)
Experience adjustments on plan liabilities	19.03	(1.03)	19.14	28.31	17.15
Experience adjustments on plan assets	74.02	13.34			

(₹ in lakhs)

Notes

To The Financial Statements For The Year Ended 31st March, 2021

K. 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 recognised ₹ 40.26 Lakhs (Previous year : ₹ (16.45) Lakhs) for Compensated Absences in the Statement of Profit and Loss.

L. 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. The Company recognised ₹ 3.01 Lakhs (Previous year : ₹ 5.78 Lakhs) for Long Service Award in the Statement of Profit and Loss.

NOTE 31 SHARE-BASED PAYMENT ARRANGEMENTS:

A. Description of share-based payment arrangements

i. Share option plans (equity-settled)

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

- (a) Kotak Mahindra Equity Option Scheme 2007; and
- (b) Kotak Mahindra Equity Option Scheme 2015

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

- (a) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007
- (b) Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- (c) Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

The fair value of the option is determined using a Black-Scholes options pricing model. During the year, ₹ 1,043.75 lakhs (31st March, 2020: ₹ 338.66 lakhs) was charged to the Company's statement of profit or loss in respect of equity-settled share-based payments transactions with a corresponding increase being made to the capital contribution to the Company by the Parent.

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	28,164	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	202,720	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	279,286	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	244,210	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	3.90

Notes

To The Financial Statements For The Year Ended 31st March, 2021

As at 31st March, 2020

Scheme Reference	Grant Date	Mode of settlement accounting	No of Share Options outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
ESOP 2015-02	19-May-16	Equity settled	738	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	3.87
ESOP 2015-07	15-May-17	Equity settled	119,160	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.13
ESOP 2015-08	15-May-17	Equity settled	19,530	50% - 3 yr service 50% - 4 yr service	4.13
ESOP 2015-14	18-May-18	Equity settled	250,600	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	403,550	30% - 1 yr service 30% - 2 yr service 20% - 3 yr service 20% - 4 yr service	4.12

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To The Financial Statements For The Year Ended 31st March, 2021

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

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

As at 31st March, 2021

(₹ in lakhs)

Scheme	Grant Date	Vesting period	Exercise period	Expected life (Years)	Exercise Price (₹)	Market price (₹)	Risk free rate	Annual Dividend yield	Volatility	Fair value per share options (₹)
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

(₹ in lakhs)

Scheme	Grant Date	Vesting period	Exercise period	Expected life (Years)	Exercise Price (₹)	Market price (₹)	Risk free rate	Annual Dividend yield	Volatility	Fair value per share options (₹)
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

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To The Financial Statements For The Year Ended 31st March, 2021

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.

C. Reconciliation of outstanding share options

Activity in the options outstanding under the employee's stock option Scheme as at 31st March, 2021

Scheme	Grant Date	As at 31 st March, 2021							
		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	738		(738)				-	
ESOP 2015-03	19-May-16	-						-	
ESOP 2015-07	15-May-17	119,160		(81,657)		(9,049)	(290)	28,164	28,164
ESOP 2015-08	15-May-17	19,530		(19,530)				-	
ESOP 2015-14	18-May-18	250,600		(46,536)	(385)		(959)	202,720	60,034
ESOP 2015 -19	20-May-19	403,550		(1,16,744)	(1,170)	(3,781)	(2,569)	279,286	
ESOP 2015 -25	07-Aug-20		246,350				(2,140)	244,210	
		793,578	246,350	(265,205)	(1,555)	(12,830)	(5,958)	754,380	88,198

Scheme	Grant Date	As at 31 st March, 2020							
		Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/(Out)*	Lapsed during the year	Forfeited during the year	Outstanding at the end of the year	Exercisable at the end of the year
ESOP 2007-47	09-May-15	5,660	-	(3,860)	(1,800)	-	-	-	-
ESOP 2015-02	19-May-16	47,452	-	(41,826)	(3,680)	(1,208)	-	738	738
ESOP 2015-03	19-May-16	20,000	-	(20,000)	-	-	-	-	-
ESOP 2015-07	15-May-17	150,507	-	(25,436)	(5,120)	-	(791)	119,160	35,656
ESOP 2015-08	15-May-17	21,280	-	(1,750)	-	-	-	19,530	8,890
ESOP 2015-14	18-May-18	368,810	-	(106,881)	(6,320)	(915)	(4,094)	250,600	
ESOP 2015 -19	20-May-19	-	405,300	-	-	-	(1,750)	403,550	
		613,709	405,300	(199,753)	(16,920)	(2,123)	(6,635)	793,578	45,284

* This represents transfer of employees within holding company and its subsidiaries

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To The Financial Statements For The Year Ended 31st March, 2021

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,232.07 (Previous year: ₹ 1,042.65).

ESOP Scheme	Range of exercise prices (₹)	31 st March, 2021			31 st March, 2020		
		Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOP 2015-02	701-800				738	0.00	710.00
ESOP 2015-07	901-1000	28,164	0.25	955.00	1,19,160	0.73	955.00
ESOP 2015-08	901-1000				19,530	0.54	955.00
ESOP 2015-14	1201-1300	2,02,720	0.61	1,271.00	2,50,600	1.61	1,271.00
ESOP 2015 -19	1401-1500	2,79,286	1.61	1,460.00	4,03,550	2.08	1,460.00
ESOP 2015 -25	1301-1400	2,44,210	2.13	1,341.00			

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

During the year, the management had approved SARs to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees. The Company under its various plans / series has granted 83,700 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	Method 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	23,012	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-17 (Series 22)	20-May-19	Cash settled	42,511	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.66
2015-17 (Series 28)	07-Aug-20	Cash settled	65,980	30% - 2021-22 30% - 2022-23 40% - 2023-24	3.44
2015-17 (Series 31)	07-Aug-20	Cash settled	17,160	60% - 2023-24 40% - 2024-25	4.11

As at 31st March, 2020

Scheme Reference	Grant Date	Method of Settlement Accounting	No. of SARs outstanding	Vesting conditions / Dates	Contractual life of the options (Yrs)
2015-9 (Series 9)	15-May-17	Cash settled	18,232	30% - 2018-19 30% - 2019-20 40% - 2020-21	3.67
2015-17 (Series 17)	18-May-18	Cash settled	40,705	30% - 2019-20 30% - 2020-21 40% - 2021-22	3.66
2015-17 (Series 22)	20-May-19	Cash settled	61,680	30% - 2020-21 30% - 2021-22 40% - 2022-23	3.66

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To The Financial Statements For The Year Ended 31st March, 2021

As at 31st March, 2021

(₹ in lakhs)

Scheme	Grant Date	Vesting period	Expected life (Years)	Exercise Price (₹)	Weighted average share price	Risk free rate	Annual Dividend yield	Volatility	Fair value per SARs (₹)
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
Series 2015-17 (Series 31)									
Tranche I	07-Aug-20	2.42	2.42	-	1,781.25	4.59%	0.04%	35.38%	1,779.31
Tranche II	07-Aug-20	2.44	2.44	-	1,781.25	4.61%	0.04%	35.33%	1,779.30
Tranche III	07-Aug-20	2.46	2.46	-	1,781.25	4.63%	0.04%	35.24%	1,779.28
Tranche IV	07-Aug-20	3.42	3.42	-	1,781.25	5.49%	0.04%	31.93%	1,778.51
Tranche V	07-Aug-20	3.44	3.44	-	1,781.25	5.50%	0.04%	31.98%	1,778.50
Tranche VI	07-Aug-20	3.46	3.46	-	1,781.25	5.51%	0.04%	31.93%	1,778.48

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To The Financial Statements For The Year Ended 31st March, 2021

As at 31st March, 2020

(₹ in lakhs)

Scheme	Grant Date	Vesting period	Expected life (Years)	Exercise Price (₹)	Weighted average share price	Risk free rate	Annual Dividend yield	Volatility	Fair value per SARs (₹)
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, 2020.

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

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Reconciliation of Stock Appreciation Rights (cash-settled)

Scheme	Grant Date	As at 31 st March, 2021					Outstanding at the end of the year
		Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Forfeited during the year	
2015-9 (Series 9)	15-May-17	18,232		(18,170)		(62)	-
2015-17 (Series 17)	18-May-18	40,705		(17,391)	(84)	(218)	23,012
2015-17 (Series 22)	20-May-19	61,680		(18,390)	(240)	(539)	42,511
2015-17 (Series 28)	07-Aug-20		66,540			(560)	65,980
2015-17 (Series 31)	07-Aug-20		17,160				17,160
		120,617	83,700	(53,951)	(324)	(1,379)	148,663

Scheme	Grant Date	As at 31 st March, 2020					Outstanding at the end of the year
		Outstanding at the start of the year	Granted during the year	Exercised during the year	Net Transfer In/ (Out)*	Forfeited during the year	
2015-6 (Series 6)	19-May-16	336		(336)			-
2015-4 (Series 4)	19-May-16	14,600		(14,164)		(436)	-
2015-9 (Series 9)	15-May-17	32,851		(13,674)		(945)	18,232
2015-17 (Series 17)	18-May-18	60,560		(17,445)	(90)	(2,320)	40,705
2015-17 (Series 22)	20-May-19		62,040			(360)	61,680
		108,347	62,040	(45,619)	(90)	(4,061)	120,617

* This represents transfer of employees within holding company and its subsidiaries

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

Year ended 31 st March,	(₹ in Lakhs)	
	2021	2020
Total Employee compensation cost pertaining to share-based payment plans	2,309.80	1,127.62
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1,043.75	338.66
Closing balance of liability for cash-settled options	1,298.41	876.15
Total intrinsic value of liabilities for vested benefits	-	-

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 32 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Classification of financial assets and financial liabilities:

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

(₹ in lakhs)

Particulars	As at 31 st March, 2021				As at 31 st March, 2020			
	FVTPL	FVTOCI	Other (Subsidiary)	Amortised cost	FVTPL	FVTOCI	Other (Subsidiary)	Amortised cost
Financial assets								
Cash and cash equivalents	-	-		366.55				709.82
Receivables:								
Trade receivables	-	-		3,700.49				4,064.93
Other receivables	-	-		19.45				45.18
Loans	-	-		41.80				150.93
Investments	110,943.21		2,680.00		73,886.31		2,680.00	
Other financial assets	-	-		88.24	-	-		78.80
Total financial assets	110,943.21	-	2,680.00	4,216.53	73,886.31	-	2,680.00	5,049.66
Financial liabilities								
Payables								
Trade Payables				2,114.60				2,460.61
Other Financial liabilities				3,894.10				3,070.20
Total financial liabilities	-	-		6,008.70	-	-		5,530.81

B. Fair value hierarchy:

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

(₹ in lakhs)

Particulars	As at 31 st March, 2021				As at 31 st March, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investments at FVTPL								
- Mutual funds	110,938.21			110,938.21	73,881.31			73,881.31
- Equity instruments			5.00	5.00			5.00	5.00
Total financial assets	110,938.21	-	5.00	110,943.21	73,881.31	-	5.00	73,886.31

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

(₹ in lakhs)

Particulars	As at 31 st March, 2021				As at 31 st March, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Loans								
- Loans given to Employees	-	-	45.39	45.39	-	-	162.66	162.66
Other financial assets								
- Security deposits	-	-	87.35	87.35	-	-	78.57	78.57
	-	-		-	-	-		-
Total financial assets	-	-	132.74	132.74	-	-	241.23	241.23

Notes

To The Financial Statements For The Year Ended 31st March, 2021

C. Measurement of fair values

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

The categories used are as follows:

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

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

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

Fair value of financial assets measured at amortised cost

(₹ in lakhs)

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	366.55	366.55	709.82	709.82
Bank Balance other than cash and cash equivalent				
Derivative financial instruments				
Receivables:				
Trade receivables	3,700.49	3,700.49	4,064.93	4,064.93
Other receivables	19.45	19.45	45.18	45.18
Loans				
- Loans given to Employees	41.80	45.39	150.93	162.66
Other financial assets				
- Security deposits	87.15	87.35	78.80	78.57
- Others	1.09	1.09	1.09	1.09
	4,216.53	4,220.32	5,050.75	5,062.25
Financial liabilities				
Payables				
Trade Payables	2,114.60	2,114.60	2,460.61	2,460.61
Other Financial liabilities	3,894.10	3,894.10	3,070.20	3,070.20
Total financial liabilities	6,008.70	6,008.70	5,530.81	5,530.81

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

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 current market rates at which loans are granted and consequently for the purposes of level disclosures categorised under Level 3.
Security Deposits	For deposits with defined maturities, the fair values were estimated using discounted cash flow models that apply market interest rates corresponding to similar deposits and timing of maturities.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

D. Financial risk management

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

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

Credit risk

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

Particulars	(₹ in Lakhs)	
	As at 31 st March, 2021	As at 31 st March, 2020
Trade receivables	3,700.49	4,064.93
Cash and cash equivalents	366.55	709.82
Other Financial assets	88.24	78.80
Loan to Employees	41.80	150.93
Total	4,197.08	5,004.48

a. Credit quality analysis

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

Particulars	(₹ in Lakhs)	
	Lifetime ECL (simplified approach)	
	As at 31 st March, 2021	As at 31 st March, 2020
Trade receivables		
Current	3,694.10	3,969.48
Past due 0–30 days	-	-
Past due 31–60 days	-	61.10
Past due 61–90 days	2.84	5.72
Past due 90 days	8.80	53.73
	3,705.72	4,090.03
Impairment loss allowance	(5.23)	(25.10)
Carrying amount	3,700.49	4,064.93

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To The Financial Statements For The Year Ended 31st March, 2021

(₹ in lakhs)

Particulars	31 st March, 2021			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Loans				
Current	42.85	-	-	42.85
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	42.85	-	-	42.85
Impairment loss allowance	(1.05)	-	-	(1.05)
Carrying amount	41.80	-	-	41.80
Other financial assets				
Current	455.09	-	-	455.09
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	455.09	-	-	455.09
Impairment loss allowance	(0.30)	-	-	(0.30)
Carrying amount	454.79	-	-	454.79

(₹ in lakhs)

Particulars	31 st March, 2020			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Loans				
Current	158.77	-	-	158.77
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	158.77	-	-	158.77
Impairment loss allowance	(7.84)	-	-	(7.84)
Carrying amount	150.93	-	-	150.93
Other financial assets				
Current	789.93	-	-	789.93
Past due 0–30 days	-	-	-	-
Past due 31–90 days	-	-	-	-
Past due 90 days	-	-	-	-
	789.93	-	-	789.93
Impairment loss allowance	(1.31)	-	-	(1.31)
Carrying amount	788.62	-	-	788.62

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Concentration of credit risk

c. 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.

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 macro-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	(₹ in Lakhs)				
	Current	Past due 0–30 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	18.32		0.55	0.51	-
New financial assets originated during the year	24.36		0.37	0.04	0.33
Financial assets that have been derecognised during the period	(18.32)	-	(0.55)	(0.51)	-
Balance as at 31st March, 2020	24.36	-	0.37	0.04	0.33
New financial assets originated during the year	5.22	-	-	0.00	0.01
Financial assets that have been derecognised during the period	(24.36)	-	(0.37)	(0.04)	(0.33)
Balance as at 31st March, 2021	5.22	-	-	0.00	0.01

Particulars	(₹ in Lakhs)
	12-month ECL
Employee loans	
Balance as at 1st April, 2019	0.31
New financial assets originated during the year	7.84
Financial assets that have been derecognised during the period	(0.31)
Balance as at 31st March, 2020	7.84
New financial assets originated during the year	1.05
Financial assets that have been derecognised during the period	(7.84)
Balance as at 31st March, 2021	1.05

Notes

To The Financial Statements For The Year Ended 31st March, 2021

Particulars	(₹ in Lakhs)
Bank Balances & Other financial assets	12-month ECL
Balance as at 1st April, 2019	0.64
New financial assets originated during the year	1.31
Financial assets that have been derecognised during the period	(0.64)
Balance as at 31st March, 2020	1.31
New financial assets originated during the year	0.30
Financial assets that have been derecognised during the period	(1.31)
Balance as at 31st March, 2021	0.30

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

Maturity Profile of Financial Liabilities

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

Particulars	(₹ in Lakhs)						
	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
As at 31st March, 2021							
Financial liabilities							
Trade and other Payables	2,114.60	2,114.60	675.74	1,438.86			
Lease liabilities	2,020.71	2,535.61	205.57	211.48	420.42	1,152.43	545.71
Other Financial Liabilities	3,894.10	3,894.10	1,651.16	-	2,206.74	36.19	-
Total Financial Liabilities	8,029.41	8,544.31	2,532.47	1,650.34	2,627.16	1,188.62	545.71

Particulars	(₹ in Lakhs)						
	Carrying amount	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
As at 31st March, 2020							
Financial liabilities							
Trade and other Payables	2,460.61	2,460.61	1,330.07	1,130.54			
Lease liabilities	2,117.26	2,760.73	194.93	193.22	394.15	1,146.58	831.85
Other Financial Liabilities	3,070.20	3,070.20	900.20		2,170.00		
Total Financial Liabilities	7,648.06	8,291.54	2,425.20	1,323.76	2,564.15	1,146.58	831.85

Market risk

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

(i) Price risk

Price risk is the risk that the financial assets at fair value through profit or loss may fluctuate as a result of changes in market prices.

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

Particulars	(₹ in lakhs)	
	For the year ended	
	31 st March, 2021	31 st March, 2020
Exposure to price risk	3,548.77	1,112.16

Sensitivity Analysis:

The table below sets out the effect on profit or loss and equity due to reasonable possible increase / decrease in prices of 5%:

Particulars	(₹ in lakhs)	
	For the year ended	
	31 st March, 2021	31 st March, 2020
Effect on Profit after tax and equity		
5% increase in prices	132.78	41.61
5% decrease in prices	(132.78)	(41.61)

(ii) Interest rate risk

Interest rate risk is the risk where the company is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of a changes in market interest rates.

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

Particulars	(₹ in lakhs)	
	For the year ended	
	31 st March, 2021	31 st March, 2020
Exposure to interest rate risk	1,07,389.44	72,769.15

Sensitivity Analysis:

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

Particulars	(₹ in lakhs)	
	For the year ended	
	31 st March, 2021	31 st March, 2020
Effect on Profit after tax and equity		
1% increase in prices	803.62	544.55
1% decrease in prices	(803.62)	(544.55)

(iii) Currency risk

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

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

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

(₹ in lakhs)

Particulars	31 st March, 2021	31 st March, 2020
	USD	USD
Financial assets		
Trade and other receivables	-	-
Kotak Mahindra International Limited	0.40	0.80
Kotak Mahindra Asset Management (Singapore) Pte Ltd	0.29	-
	0.69	0.80
Financial liabilities	-	-
	-	-
	0.69	0.80

The following exchange rates have been applied during the year.

(₹ in lakhs)

Particulars	For the year ended	
	31 st March, 2021	31 st March, 2020
INR		
USD 1	73.11	75.67

Sensitivity analysis

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

(₹ in lakhs)

Particulars	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
Effect in INR				
31st March, 2021	(0.51)	0.51	(0.38)	0.38
USD - 1% Movement	(0.51)	0.51	(0.38)	0.38

(₹ in lakhs)

Particulars	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
Effect in INR				
31st March, 2020	(0.61)	0.61	(0.45)	0.45
USD - 1% Movement	(0.61)	0.61	(0.45)	0.45

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 33 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Particulars	For the year ended	
	31 st March, 2021	31 st March, 2020
Revenue from contracts with customers	59,929.76	59,603.85

(₹ in lakhs)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major service lines and timing of revenue recognition:

Particulars	Year ended	
	31 st March, 2021	31 st March, 2020
Geographical markets		
India	59,321.76	59,027.85
Outside India	608.00	576.00
Total	59,929.76	59,603.85

(₹ in Lakhs)

Contract Balances

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

Particulars	As at	
	31 st March, 2021	31 st March, 2020
Receivables	3,700.49	4,064.93

(₹ in Lakhs)

NOTE 34 INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

The Company acts as the fund manager for several investment vehicles, and through its rights as a manager, has a significant involvement in decision-making over the funds' operations and activities. However, fund managers are subject to substantial restrictions under local laws and regulations including regulator's and trustees' oversight. The Company considers its decision-making powers as a fund manager to be held in an 'agent' capacity. The accounting framework provides guidance to apply the agency concept only while assessing whether the fund is a subsidiary of the fund manager. Ind AS 28 does not provide guidance on how to apply the agency concept, while assessing significant influence. Accordingly, the Company assesses significant influence over managed funds by considering rights, restrictions etc., as required by Ind AS 28, but excluding decision-making powers held in its capacity as an 'agent' from such assessment, depending on facts and circumstances of each case.

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

Particulars	As at 31 st March, 2021		As at 31 st March, 2020	
	Total AUM of the schemes	Schemes subscribed by the Company	Total AUM of the schemes	Schemes subscribed by the Company
	Financial investments classified as FVTPL			
Kotak Mahindra Mutual Fund	10,627,787.71	110,938.21	6,841,905.58	73,881.31

(₹ in lakhs)

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

Carrying amount	As at	
	31 st March, 2021	31 st March, 2020
Investment in schemes	110,938.21	73,881.31
Fees Receivable	2,667.15	2,556.32

(₹ in Lakhs)

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 35 CAPITAL DISCLOSURE

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

NOTE 36 DISCLOSURE U/S. 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

Particulars	(₹ in Lakhs)	
	31 st March, 2021	31 st March, 2020
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).

NOTE 37 LEASE DISCLOSURES

1 Leases

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

2 As a lessee

Particulars	Note	(₹ in Lakhs)	
		Year ended 31 st March, 2021	Year ended 31 st March, 2020
Property, plant and equipment owned	7	856.15	978.88
Right-of-use assets		1,749.96	1,934.09

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

Right-of-use assets

Particulars	(₹ in Lakhs)	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Balance as at 1st April	1,934.09	1,572.55
Additions to the right to use assets during year	135.73	642.71
Depreciation charge for the year	(319.86)	(281.17)
Balance as at 31st march	1,749.96	1,934.09

Notes

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3 Amounts recognised in profit and loss

(₹ in Lakhs)

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Interest expense on lease liabilities	162.19	151.40
Expense relating to short-term leases	705.53	760.04
Depreciation on right to use assets	319.86	281.17

4 The following is the movement in Lease liability:

(₹ in Lakhs)

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Opening as on 1st April	2,117.26	1,718.47
Additions to the lease liabilities during the year	143.26	596.36
Discount during the year (refer below note 7)	(27.39)	-
Interest accrued during the year	162.19	151.40
Payment of Lease liabilities	(374.59)	(348.97)
Balance as at 31st March	2,020.71	2,117.26

5 Maturity analysis

(₹ in Lakhs)

Particulars	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Contractual undiscounted cash flows		
Not later than 1 year	417.05	388.15
Later than 1 year and not later than 5 years	1,572.85	1,540.73
Later than 5 years	545.71	831.85
Total undiscounted lease liabilities	2,535.61	2,760.73

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

6 Short term leases and Leases of low value assets

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

- 7 In July 2020, MCA issued COVID-19-Related Rent Concessions, which provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. It requires lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. Lessees need to disclose that fact and need to apply the exemption retrospectively in accordance with Ind AS 8, but they do not require to restate prior period numbers. The practical expedient is available only for lease payments originally due upto June 2021. The Company continues to apply the practical expedient as per paragraph 46A of the Indian Accounting standard on Leases 'Ind AS 116', for accounting changes in leases, in the form of Lease concessions that meet the conditions prescribed in paragraph 46B of Ind AS 116. The Company has consequently recognised an income of ₹ 27.39 lakhs for Year ended 31st March, 2021 under the head 'Other Income'.

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 38 TAX EXPENSE :

(a) Amounts recognised in the Statement of Profit and Loss

Particulars	(₹ in Lakhs)	
	Year ended 31 st March, 2021	Year ended 31 st March, 2020
Current tax expense		
Current period	10,342.79	9,960.50
Total current tax expense (A)	10,342.79	9,960.50
Net Deferred income tax liability/(asset)		
Origination and reversal of temporary differences	105.82	881.40
Deferred tax expense (B)	105.82	881.40
Tax expense for the year (A)+(B)	10,448.61	10,841.90

(b) Amounts recognised in Other Comprehensive Income

Particulars	(₹ in lakhs)					
	For the year ended 31 st March, 2021			For the year ended 31 st March, 2020		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
(b) Remeasurements of defined benefit liability (asset)	41.97	(10.56)	31.41	9.64	(7.59)	2.05
Total financial liabilities	41.97	(10.56)	31.41	9.64	(7.59)	2.05

(c) Reconciliation of effective tax rate

Particulars	(₹ in lakhs)			
	For the year ended 31 st March, 2021		For the year ended 31 st March, 2020	
	Amount	%	Amount	%
Profit before tax	42,775.73		42,016.35	
Tax using the Company's domestic tax rate	10,765.80	25.17%	10,574.67	25.17%
Reduction in tax rate	-	0.00%	276.64	0.66%
Tax effect of:				
Non-deductible expenses	412.26	0.96%	116.10	0.28%
Effect of incomes which are taxed at different rate	(729.44)	-1.71%	(88.79)	-0.21%
Others	-	0.00%	(36.72)	-0.09%
Total income tax expenses	10,448.61	24.43%	10,841.90	25.80%

(d) Tax Balances

Particulars	(₹ in Lakhs)	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Current tax assets (Net)		
(Net of Provision for Tax of ₹ 10,020.73 Lakhs) (31 st March, 2020: ₹ 1,974.41 Lakhs)	339.34	920.80
Current tax liabilities (Net)		
(Net of advance tax and Tax deducted at source of ₹ 28,484.17 Lakhs) (31 st March, 2020: ₹ 28,323.56 Lakhs)	664.84	297.21

Notes

To The Financial Statements For The Year Ended 31st March, 2021

(e) Movement in deferred tax balances

(₹ in Lakhs)

Particulars	31 st March, 2021					
	Net balance 1 st April, 2020	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset - (Net)						
Property, plant and equipment	260.27	9.74		270.01	270.01	-
Security deposits	0.93	0.11		1.04	1.04	-
Profit on sale of Mutual Fund	95.38	(4.17)		91.21	91.21	-
Employee benefits	83.47	14.21		97.68	97.68	-
Actuarial gain/loss - OCI	-	10.56	(10.56)	-	-	-
Impairment on financial instruments	8.62	(6.97)		1.65	1.65	-
Cash-settled share-based payments	220.53	106.27		326.80	326.80	-
Lease Liabilities	56.84	18.34		75.18	75.18	-
Total	726.04	148.09	(10.56)	863.57	863.57	-
Deferred tax liabilities - (Net)						
Fair valuation of investments	(1,329.08)	(345.19)		(1,674.27)	-	(1,674.27)
Total	(1,329.08)	(345.19)	-	(1,674.27)	-	(1,674.27)

(₹ in Lakhs)

Particulars	31 st March, 2020					
	Net balance 1 st April, 2019	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset - (Net)						
Property, plant and equipment	256.93	3.34		260.27	260.27	-
Security deposits	1.07	(0.14)		0.93	0.93	-
Profit on sale of Mutual Fund	93.55	1.83		95.38	95.38	-
Employee benefits	344.63	(261.16)		83.47	83.47	-
Actuarial gain/loss - OCI	-	7.59	(7.59)	-	-	-
Impairment on financial instruments	7.10	1.52		8.62	8.62	-
Cash-settled share-based payments	277.46	(56.93)		220.53	220.53	-
Lease Liabilities		56.84		56.84	56.84	-
Total	980.74	(247.12)	(7.59)	726.04	726.04	-
Deferred tax liabilities - (Net)						
Fair valuation of investments	(645.45)	(683.63)		(1,329.08)	-	(1,329.08)
Total	(645.45)	(683.63)	-	(1,329.08)	-	(1,329.08)

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

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

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 39 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.

(₹ in lakhs)

Particulars	31 st March, 2021			31 st March, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	366.55		366.55	709.82		709.82
Receivables						
(I) Trade receivables	3,700.49		3,700.49	4,064.93		4,064.93
(II) Other receivables	19.45		19.45	45.18		45.18
Loans	25.39	16.41	41.80	148.97	1.96	150.93
Investments	107,523.71	6,099.50	113,623.21	71,542.39	5,023.92	76,566.31
Other Financial assets	4.79	83.45	88.24	5.43	73.37	78.80
Sub total	111,640.38	6,199.36	117,839.74	76,516.72	5,099.25	81,615.97
Non-financial assets						
Current Tax assets (Net)	-	339.34	339.34		920.80	920.80
Deferred Tax assets (Net)	-	863.57	863.57		726.04	726.04
Property, Plant and Equipment		856.15	856.15		978.88	978.88
Intangible assets		299.19	299.19		354.76	354.76
Right of use asset		1,749.96	1,749.96		1,934.09	1,934.09
Intangible assets under development	189.68		189.68	184.83		184.83
Other Non-financial assets	413.20	18.90	432.10	818.98	158.08	977.06
Sub total	602.88	4,127.11	4,729.99	1,003.81	5,072.65	6,076.46
Total Assets	112,243.26	10,326.47	122,569.73	77,520.53	10,171.90	87,692.43
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	2,114.60		2,114.60	2,460.61		2,460.61
Lease liabilities	285.27	1,735.45	2,020.71	238.22	1,879.04	2,117.26
Other Financial liabilities	1,651.17	2,242.93	3,894.10	900.20	2,170.00	3,070.20
Sub total	4,051.04	3,978.37	8,029.41	3,599.04	4,049.04	7,648.07
Non-Financial liabilities						
Current tax liabilities (Net)		664.84	664.84		297.21	297.21
Provisions	895.75	731.23	1,626.98	699.25	536.87	1,236.12
Deferred tax liabilities (Net)		1,674.27	1,674.27		1,329.08	1,329.08
Other non-financial liabilities	1,947.18		1,947.18	1,957.18		1,957.18
Sub total	2,842.93	3,070.34	5,913.27	2,656.43	2,163.15	4,819.59
Total Liabilities	6,893.96	7,048.72	13,942.68	6,255.47	6,212.19	12,467.66

Notes

To The Financial Statements For The Year Ended 31st March, 2021

NOTE 40:

The Company and employees of the Company has received a show cause notice dated 10th May, 2019/13th August, 2020 and 31st May, 2019/12th October, 2020 from SEBI with respect to delayed payment of part proceeds in certain Fixed Maturity Plans ('FMPs'), on account of delay in realisation from underlying investments in Essel Group of companies by these FMPs. The company has appropriately responded to these notices in consultation with lawyers and hearings are completed. The matter is pending before SEBI Inspection Authorities for final decision. Basis the legal advice, the Company believes that it has a strong case to defend.

NOTE 41:

The Company has sold equity shares of its subsidiary company to its parent company i.e. Kotak Mahindra Bank Limited on 17th May, 2021 resulting in reducing stake from 95.71% to 49%.

NOTE 42:

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 Q1FY2021 was worst affected due to pandemic. However, there was an economic recovery in Q2FY2021 and Q3FY2021 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.

NOTE 43: SEGMENT INFORMATION

The Company is in the business of providing asset management services to Kotak Mahindra Mutual Fund and portfolio management & advisory services to clients. The primary segment is identified as asset management services. As such, the Company's financial statements are largely reflective of the asset management business and accordingly there are no separate reportable segments as per Ind AS 108, Operating Segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the entity and assess the performance of the operating segment of the Company.

NOTE 44:

Figures of the previous year have been regrouped/ reclassified wherever necessary to conform to current year's classification.

For and on behalf of the Board of Directors

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration. No. 012754N/N500016

Nilesh Shah
Managing Director

Gaurang Shah
Director

Alpa Kedia
Partner
Membership No. 100681

Krishnan Ramchandran
Chief Financial Officer

Jolly Bhatt
Company Secretary

Dated: 25th June, 2021



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Kotak Mahindra Bank Website: www.kotak.com

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