

Never  
**Never  
normal**

**Kotak Mahindra Financial Services Limited**

**Annual Report 2020-21**



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# Directors' Report

To

The Members of,

## KOTAK MAHINDRA FINANCIAL SERVICES LTD.

Your Directors are pleased to present the 11<sup>th</sup> Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31<sup>st</sup> March, 2021. The summarised financial results for the year ended 31<sup>st</sup> March, 2021 are as under:

### FINANCIAL HIGHLIGHTS

Particulars	Financial year 2020-21		Financial year 2019-20	
	Amount in USD (\$)	Amount in INR (₹)	Amount in USD (\$)	Amount in INR (₹)
Gross Income	5,032	373,528	1,502,801	106,057,996
Less : Expenses	93,319	7,280,229	1,650,610	116,646,034
Profit/(Loss) Before Tax	(88,287)	(6,906,701)	(147,809)	(10,588,038)

### BUSINESS OVERVIEW AND OUTLOOK

As per the Category 1 license condition of Kotak Mahindra Bank DIFC Branch, it was incumbent on the Company to surrender its category 4 license once the KMBL DIFC branch started its operations. Ensuring compliance to the same, the Company stopped soliciting business from 1<sup>st</sup> October, 2019.

On 21<sup>st</sup> October, 2019 the Company applied to the DFSA for surrendering its category 4 licence and the same got approved on 4<sup>th</sup> February, 2020.

Post surrendering the license to DFSA, the Company started the process of re domiciling itself to Abu Dhabi Global markets, Abu Dhabi.

The Company has received an In Principle approval from FSRA, ADGM for a Category 4 license on 28<sup>th</sup> December, 2020 and also an NOC from DIFC on 28<sup>th</sup> February 2021 to transfer its incorporation to the Abu Dhabi Global Markets.

The Company is in the process of transferring its incorporation to the ADGM and complying with the In Principle conditions laid down by the FSRA, ADGM.

### DIVIDEND

The Board of Directors of the Company has not recommended any dividend for the current year.

### SHARE CAPITAL

The Company started with a capital of USD 1.69 Million (1.69 Million Shares of USD 1 /- each) as on 1<sup>st</sup> April, 2020. The Authorised Share capital is at USD 2 Million (2 Million Shares of USD 1 /- each) against which USD 1.69 Million has been Issued, Subscribed and Paid up. The Company's shares were subscribed and Paid up by Kotak Securities Ltd (India) (73.36%) and by Kotak Mahindra (International) Limited (26.64%) as on 31<sup>st</sup> March, 2021.

### DIRECTORS

As on the date of this Directors' Report, Ms. Shanti Ekambaram, Mr. Amul Sharma, Mr. Gijo Joseph, Mr. Jaideep Hansraj and Mr. Shyam Kumar are the Directors of the Company.

### COMMITTEES

The Company has the following committees as per the Governance Framework of the Company.

1. Board
2. Country Management Committee (CMC)
3. Governance, Risk, Audit and Compliance Committee (GRAC Committee)
  - a. Sub-committee - Disciplinary Committee
4. Nomination, Remuneration and Promotions Committee

## AUDITORS

The Board had appointed M/s Ernst & Young, Chartered Accountants UAE as the auditors for the financial year ending 2021. The Company's auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Based on representation from the management, the Directors state,

- I. the Company has, in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2021, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- II. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2021 and of the profit of the Company for the financial year ended 31<sup>st</sup> March, 2021.
- III. the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- IV. the Directors have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

The Directors wish to thank the Dubai International Financial Corporation, Dubai Financial Services Authority, Dubai Government and the Company's Bankers for the assistance, Co-operation and encouragement they extended to the Company. The Directors commend the employees of the Company for their dedicated efforts.

For and on behalf of the Board of Directors

**Amul Sharma**

Place: Dubai

Dated: 26<sup>th</sup> April, 2021

# Independent Auditor's Report

To,

The Members of

## **KOTAK MAHINDRA FINANCIAL SERVICES LIMITED**

The financial statements of Kotak Mahindra Financial Services Limited (the "Company") as at 31<sup>st</sup> March, 2021, being a company registered in the United Arab Emirates (U.A.E), are audited by Ernst & Young, Middle East, Dubai, United Arab Emirates and we have been furnished with their audit report dated 27<sup>th</sup> April, 2021.

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

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Opinion**

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of **Kotak Mahindra Financial Services Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2021, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Company as at 31<sup>st</sup> March, 2021, and its losses and its cash flows for the year ended on that date.

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the 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 ("ICAI") 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 ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

### **Emphasis of Matter**

We draw attention to Note 1 and 2.1 to the financial statements. The Company has surrendered the DFSA license during the year ended 31<sup>st</sup> March, 2020 and currently has no financial services activities as at the reporting date. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will continue to be a going concern for the foreseeable future. Accordingly, the financial statements of the Company continue to be prepared on the going concern basis. Our opinion is not qualified in respect of this matter.

### **Responsibilities of Management for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As stated hereinabove we have relied upon the audit conducted by Ernst & Young, Middle East, Dubai, United Arab Emirates and based thereon we state that:

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

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

### Report on Other Legal and Regulatory Requirements

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

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

**A.N. Shah**  
Partner  
M. No. 042649

Place: Mumbai  
Date: 28<sup>th</sup> April, 2021

# Balance Sheet

as at 31<sup>st</sup> March, 2021

(Amounts in ₹)

Particulars	Schedule	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	3.1	84,455,743	84,455,743
(b) Reserves and surplus	3.2	(13,311,495)	(3,785,381)
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	3.3	21,933,000	22,699,500
<b>3 Current liabilities</b>			
(a) Trade payables	3.4		
(i) Total Outstanding dues of micro enterprises and small enterprises			
(ii) Total Outstanding dues of creditors other than micro enterprises and small enterprises		694,435	2,044,037
<b>Total</b>		<b>93,771,683</b>	<b>105,413,900</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, Plant & Equipment	3.5	-	-
(b) Long-term loans and advances	3.6	1,005,276	1,777,561
<b>2 Current assets</b>			
(a) Cash and cash equivalents	3.7	85,850,612	102,714,220
(b) Short-term loans and advances	3.8	6,915,795	749,732
(c) Other current assets	3.9	-	172,387
<b>Total</b>		<b>93,771,683</b>	<b>105,413,900</b>
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

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

Chartered Accountants

Firm Registration No. 109818W

**A.N. Shah**

Partner

Membership No. 042649

Mumbai

Dated: 28<sup>th</sup> April, 2021

For and on Behalf of the Board of Directors

**Shanti Ekambaram**

Director

**Jaideep Hansraj**

Director

Dated: 28<sup>th</sup> April, 2021

# Profit and Loss Account

for the year ended 31<sup>st</sup> March, 2021

(Amounts in ₹)

Particulars	Schedule	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
I. Revenues from operations			
Income from services	3.10	13,490	104,482,154
II. Other income	3.11	360,037	1,575,843
III. <b>Total Revenue</b>		<b>373,527</b>	<b>106,057,996</b>
IV. Expenses:			
Employee Benefit Expenses	3.12	-	95,207,773
Finance Costs	3.13	900,271	1,057,636
Depreciation and Amortisation Expense	3.5	-	263,616
Other Expenses	3.14	6,379,958	20,117,010
<b>Total expenses</b>		<b>7,280,229</b>	<b>116,646,034</b>
V. <b>PROFIT / (LOSS) BEFORE TAX</b>		<b>(6,906,701)</b>	<b>(10,588,038)</b>
VI. Tax expense		-	-
VII. <b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>(6,906,701)</b>	<b>(10,588,038)</b>
VIII. Earnings per equity share:			
Basic and Diluted	3.17	(4.09)	(6.27)
Significant Accounting Policies and Notes to Accounts	2 & 3		

In terms of our report of even date

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

Chartered Accountants

Firm Registration No. 109818W

**A.N. Shah**

Partner

Membership No. 042649

Mumbai

Dated: 28<sup>th</sup> April, 2021

For and on Behalf of the Board of Directors

**Shanti Ekambaram**

Director

**Jaideep Hansraj**

Director

Dated: 28<sup>th</sup> April, 2021

# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2021

(Amounts in ₹)

Particulars	For the Year ended 31 <sup>st</sup> March, 2021	For the Year ended 31 <sup>st</sup> March, 2020
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before taxation</b>	<b>(6,906,701)</b>	<b>(10,588,038)</b>
Adjustments for:		
- Exchange Adjustments	(3,385,912)	13,040,491
- Depreciation and Amortisation Expense	-	263,616
- Interest on deposits	(360,037)	(1,575,843)
- Interest on borrowings	890,797	850,410
<b>Operating Profit / (Loss) before Working Capital Changes</b>	<b>(9,761,854)</b>	<b>1,990,637</b>
Adjustments for:		
(Increase) / Decrease in Trade receivables	-	22,041,265
(Increase) / Decrease in Short-term loans and advances	(6,166,064)	9,647,534
(Increase) / Decrease in Long-term loans and advances	772,285	3,076,208
(Increase) / Decrease in Other current assets	123,918	2,671,304
Increase / (Decrease) in Trade payable	-	(1,504,369)
Increase / (Decrease) in Short-term provisions	-	(2,820,367)
Increase / (Decrease) in Other current liabilities	-	(2,639,073)
Increase / (Decrease) in Long-term provisions	-	(21,805,706)
<b>Cash Generated / (Used in) from Operations</b>	<b>(15,031,714)</b>	<b>10,657,433</b>
Direct taxes paid	-	-
<b>NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)</b>	<b>(15,031,714)</b>	<b>10,657,433</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of fixed assets	-	(3,792,153)
Fixed Deposits placed during the year	-	58,109,624
Interest received	408,505	1,621,370
<b>NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)</b>	<b>408,505</b>	<b>55,938,841</b>
<b>Cash Flow from Financing Activities</b>		
Interest paid on borrowings	(890,797)	(1,680,270)
<b>NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)</b>	<b>(890,797)</b>	<b>(1,680,270)</b>
Net Increase in Cash and Cash Equivalents (A + B + C)	(15,514,006)	64,916,004
Cash and Cash Equivalents at the beginning of the year	102,714,220	37,798,217
Cash and Cash Equivalents at the end of the period	85,850,612	102,714,220
	<b>(16,863,609)</b>	<b>64,916,004</b>

Notes:

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

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

For and on Behalf of the Board of Directors

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

Chartered Accountants

Firm Registration No. 109818W

**A.N. Shah**

Partner

Membership No. 042649

**Shanti Ekambaram**

Director

**Jaideep Hansraj**

Director

Mumbai

Dated: 28<sup>th</sup> April, 2021

Dated: 28<sup>th</sup> April, 2021

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra Financial Services Limited (the "Company") is a Company limited by shares registered and incorporated in the Dubai International Financial Centre in Dubai, United Arab Emirates on 17<sup>th</sup> November, 2009. The Company's shareholders are Kotak Securities Limited ("majority shareholder"), an entity incorporated in India and Kotak Mahindra International Limited ("minority shareholder"), an entity incorporated in Mauritius. The majority shareholder and the minority shareholder are together referred to as "the shareholders". The ultimate shareholder of the Company is Kotak Mahindra Bank Limited ("ultimate shareholder") / ("the Bank"), an entity incorporated in India and publicly listed on the Bombay Stock Exchange (BSE), National Stock Exchange of India (NSE) and the Luxembourg Stock Exchange. The Company was granted a prudential "category 4" license by the Dubai Financial Services Authority (DFSA) and was engaged in "advising on financial products", "arranging deals in investments", "arranging custody", "arranging credit and advising on credit" and "insurance intermediation" as per the provisions of the DFSA.

On 4<sup>th</sup> February, 2020, the Company's application to withdraw the regulatory license was approved by the DFSA. Since this date, the Company has not held any financial services license with any financial services regulator. The Company has since applied to redomicile to Abu Dhabi Global Markets and has obtained an in-principle approval. As at the date of issuance of these financial statements, legal formalities for redomiciling of the Company are currently in progress.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### 2 SIGNIFICANT ACCOUNTING POLICIES:

#### 2.1 Basis of Preparation

- (i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 and the relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter.
- (ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.
- (iii) As stated in note 1 above, the Company has surrendered the DFSA license on 4<sup>th</sup> February, 2020 and currently has no financial services activities as at the reporting date. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will continue to be a going concern for foreseeable future as the Company has liquid cash resources to settle its liabilities as and when they fall due and incur expenditure necessary to re-domicile the Company to Abu Dhabi Global Markets. Accordingly, the financial statements of the Company are continued to be prepared on the going concern basis.

#### 2.2 Conversion to Indian Rupees

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

#### 2.3 Use of estimates

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

#### 2.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates and sales tax or duty.

Commission income is recognised when the services have been rendered or in accordance with the terms of the contracts.

Interest income:

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 2.5 Property, Plant & Equipment

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

Furniture and Fixtures	4 years
Computers Equipments	4 years
Office Equipments	4 years
Leasehold Improvements	4 years

## 2.6 Trade Receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

## 2.7 Trade Payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## 2.8 Leases

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

## 2.9 Cash and cash equivalent

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

## 2.10 Earnings per share

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

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

## 2.11 Provisions and Contingencies

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

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

## 2.12 Employee's end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

## 2.13 Employee Share based payments

### Cash-settled scheme:

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

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## SCHEDULE 3 NOTES TO ACCOUNTS

### 3.1 (a) Share capital

(Amounts in ₹)

Share Capital	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
<b>Authorised shares</b>		
2,000,000 (Previous year 2,000,000) Ordinary shares of USD 1 each	\$ 2,000,000	\$ 2,000,000
<b>Issued, Subscribed and fully Paid up</b>		
1,689,000 (Previous year 1,689,000) Equity Shares of USD 1 each	84,455,743	84,455,743
<b>Total</b>	<b>84,455,743</b>	<b>84,455,743</b>

### (b) Equity shares

Reconciliation of equity share capital	As at		As at	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	1,689,000	84,455,743	1,689,000	84,455,743
Issued during the period	-	-	-	-
<b>Share capital outstanding at the end of the year</b>	<b>1,689,000</b>	<b>84,455,743</b>	<b>1,689,000</b>	<b>84,455,743</b>

### (c) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of USD 1 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in US dollars. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

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

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

Number of equity share	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Kotak Securities Limited	1,239,000	1,239,000
Kotak Mahindra (International) Limited	450,000	450,000

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

#### Equity shares of USD 1 fully paid up

Particulars	As at		As at	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	number	% holding	number	% holding
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	1,239,000	73.36%	1,239,000	73.36%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	450,000	26.64%	450,000	26.64%

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 3.2 Reserves and Surplus

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
<b>a. Translation Reserve</b>		
Opening Balance	22,664,972	15,468,761
Additions/(deductions) during the period	(2,619,412)	7,196,211
Closing Balance	<b>20,045,560</b>	<b>22,664,972</b>
<b>b. Surplus in the statement of profit and loss</b>		
Opening balance	(26,450,354)	(15,862,317)
Net Profit / (Loss) for the current year	(6,906,701)	(10,588,038)
Closing Balance	<b>(33,357,055)</b>	<b>(26,450,354)</b>
<b>Total</b>	<b>(13,311,495)</b>	<b>(3,785,382)</b>

## 3.3 Long-term borrowings

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
<b>Unsecured</b>		
Loans and advances from related parties	21,933,000	22,699,500
<b>Total</b>	<b>21,933,000</b>	<b>22,699,500</b>

### Loan from a Related Party

During 2012, the Company obtained a loan of ₹ 21,933,000 from a related party, now a share holder, Kotak Mahindra International limited (Mauritius). The loan carries an interest rate at 4% per annum (Previous Year - 4% per annum) and is repayable on either party giving a notice of 5 years, to the other party. Accordingly, the loan has been classified as non-current in the Balance Sheet as at 31<sup>st</sup> March, 2021. During the year, the Company incurred a finance cost of ₹ 890,797 in respect of this loan (Previous year ₹ 850,410).

## 3.4 Trade Payable

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Total Outstanding dues of micro enterprises and small enterprises	-	-
Others	694,435	2,044,037
<b>Total</b>	<b>694,435</b>	<b>2,044,037</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 3.5 Property, Plant & Equipment

(Amounts in ₹)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 April 2020	Additions	Deductions / Adjustments*	Balance as at 31 <sup>st</sup> March, 2021	Balance as at 1 April 2020	Depreciation charge for the year	Deductions / Adjustments*	Balance as at 31 <sup>st</sup> March, 2021	Balance as at 31 <sup>st</sup> March, 2021	Balance as at 31 <sup>st</sup> March, 2020
<b>Tangible Assets</b>										
Leasehold Improvement	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-
Furniture and Fixtures	-	-	-	-	-	-	-	-	-	-
Computers	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-
<b>Previous Year</b>	<b>15,331,538</b>	<b>3,792,153</b>	<b>19,123,691</b>	-	<b>14,968,794</b>	<b>263,616</b>	<b>15,232,410</b>	-	-	<b>362,744</b>

\* Deductions/ adjustments include effect of Translation Reserve of ₹ NIL (2020: ₹ NIL) under Gross Block and ₹ NIL (2020: ₹ NIL) under Accumulated Depreciation

## 3.6 Long Term Loans and Advances

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Unsecured, considered good		
Deposits	667,004	1,752,529
<b>Others</b>		
VAT Receivable	338,272	25,032
<b>Total</b>	<b>1,005,276</b>	<b>1,777,561</b>

## 3.7 Cash and cash equivalents

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Balances with banks:		
On Current accounts	85,850,612	26,047,723
Deposits with residual maturity of less than 3 months	-	76,666,497
<b>Total</b>	<b>85,850,612</b>	<b>102,714,220</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 3.8 Short-term Loans and Advances

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Unsecured, considered good		
Prepaid expenses	6,915,795	749,732
<b>Total</b>	<b>6,915,795</b>	<b>749,732</b>

## 3.9 Other current assets

(Amounts in ₹)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
Unsecured, considered good		
Receivable from group company	-	123,918
Interest accrued on deposit	-	48,468
<b>Total</b>	<b>-</b>	<b>172,387</b>

## 3.10 Revenues from operations

(Amounts in ₹)

Particulars	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
Income from services	13,490	104,482,154
<b>Total</b>	<b>13,490</b>	<b>104,482,154</b>

## 3.11 Other Income

(Amounts in ₹)

Particulars	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
Interest income on fixed deposits	360,037	1,575,843
<b>Total</b>	<b>360,037</b>	<b>1,575,843</b>

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 3.12 Employee Benefit Expenses

(Amounts in ₹)

Particulars	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
Salaries, bonus and allowances	-	87,090,480
Provision for Gratuity	-	7,558,817
Expenses on stock appreciation rights	-	528,010
Staff Welfare	-	30,466
<b>Total</b>	<b>-</b>	<b>95,207,773</b>

## 3.13 Finance Costs

(Amounts in ₹)

Particulars	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
Bank Charges	9,474	207,226
Interest on borrowings	890,797	850,410
<b>Total</b>	<b>900,271</b>	<b>1,057,636</b>

## 3.14 Other expense

(Amounts in ₹)

Particulars	For the year ended 31 <sup>st</sup> March, 2021	For the year ended 31 <sup>st</sup> March, 2020
<b>Auditor's Remuneration</b>	764,686	1,220,693
For Statutory Audit Fee	705,214	1,195,889
For Reimbursement of Expenses	59,471	24,804
Rent and Electricity	371,115	8,411,678
Advertising, Business Promotion and Entertainment	45,116	555,343
Professional and legal fees	3,899,274	3,208,062
Communication expenses	16	2,225,422
Printing and stationery	-	203,121
Repairs and maintenance - others	62,645	588,880
Travel expenses	-	1,873,375
Insurance	-	11,096
Other Membership Fees	204,872	2,498,838
Foreign Exchange Loss	736	396,280
Miscellaneous expenses	-	921,756
Less: Recovery of Expenses	-	(1,997,534)
Royalty Expenses	1,031,498	-
<b>Total</b>	<b>6,379,958</b>	<b>20,117,010</b>

**3.15** The Company's shareholder is Kotak Securities Limited ("parent") and Kotak Mahindra International Limited ("shareholder") The ultimate holding company is Kotak Mahindra Bank Limited, Company incorporated in India. The accounts have been prepared and audited for the purpose of attachment to the accounts of the holding company in India to comply with the provisions of the Companies Act, 2013.

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

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

## 3.17 Earnings per equity share

(Amounts in ₹)

Particulars	As at	As at
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	(6,906,701)	(10,588,038)
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,689,000	1,689,000
Nominal value of Equity shares	USD 1	USD 1
Basic and diluted earnings / (loss) per share (₹) A/B	(4.09)	(6.27)

## 3.18 Employee Stock Option Scheme – Equity settled Options

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 5<sup>th</sup> July, 2007, 21<sup>st</sup> August, 2007 and 29<sup>th</sup> 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:

- Kotak Mahindra Equity Option Scheme 2007; and
- 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:

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

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ Nil (Previous Year ₹ Nil) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 3.12 Employee Benefit expense."

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ NIL (Previous year higher by ₹ 608,386) and the profit after tax would have been lower (Previous year would have been lower) by the same amount.

## Employee's End of Service Benefits

Movements in the provision recognised in the statement of the financial position are as follows:

(Amounts in ₹)

Particulars	As at	As at
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
<b>At 1<sup>st</sup> April</b>	-	18,340,047
Provided during the year	-	7,558,817
Paid during the year	-	(5,273,180)
Exchange difference	-	438,334
Liability trsf from KMFSL to KMBL branch	-	(21,064,018)
<b>At 31<sup>st</sup> March</b>	-	-

# Schedules

Forming part of the Financial Statements as at 31<sup>st</sup> March, 2021

## 3.19 Related Party Transaction

Related parties represent associated companies, shareholder, Directors and Key Management Personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Particulars			For the year ended 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2021		For the year ended 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2020	
Related Parties	Nature of relationship	Nature of transactions	Transaction for the year	Receivable	Payable	Transaction for the year	Receivable	Payable
Kotak Securities Limited	Holding Company	Recovery of Expenses	-	-	-	12,965,067	123,918	-
Kotak Mahindra (International) Limited	Fellow Subsidiary	Interest on Borrowing	890,797	-	-	850,410	-	-
		Loan Outstanding	-	-	21,933,000	-	-	22,699,500
		Commission Income	-	-	-	1,344,498	-	-
Kotak Mahindra Bank Limited	Ultimate Holding Company	Mutual Fund Commission Income	-	-	-	23,949,760	-	-
		Transfer of Assets & Liabilities from KMFSL to KMBL DIFC Branch	-	-	-	11,118,398	-	-
		Rent Paid by KMFSL to KMBL DIFC Branch	371,115	-	-	155,494	-	-
		Royalty Expenses	1,031,498	-	-	-	-	-
		Sars Liability transfer from KMFSL to KMBL DIFC Branch	-	-	-	3,914,965	-	-
Directors	KMP	Remuneration	-	-	-	13,169,308	-	-

During the year Compensation to Key Managerial Personnel was ₹ Nil (FY 20 : 13,169,308)

## 3.20 Previous year's figures have been regrouped, reclassified wherever necessary to conform to figures of the current year.

In terms of our report of even date

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

**A.N. Shah**  
Partner  
Membership No. 042649

Mumbai  
Dated: 28<sup>th</sup> April, 2021

For and on Behalf of the Board of Directors

**Shanti Ekambaram**  
Director

**Jaideep Hansraj**  
Director

Dated: 28<sup>th</sup> April, 2021



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