

Never normal

Kotak Mahindra (UK) Limited

Annual Report 2020-21

Contents

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

Directors' Report

To

The shareholders of,

KOTAK MAHINDRA (UK) LIMITED

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Kotak Mahindra (UK) Limited ("the Company") is a private limited liability company, incorporated on 21st November 1994 in the United Kingdom and is also domiciled in the United Kingdom. The Company is authorized and regulated by the UK Financial Conduct Authority ("FCA") as a limited license firm (IFPRU 125K firm) and has several regulatory permissions. The Company's primary business is distribution of funds managed by its affiliates and other third parties and dealing in securities. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company has two branches – Dubai (regulated by the Dubai Financial Services Authority) and Singapore (regulated by the Monetary Authority of Singapore).

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

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

The funds distributed by the Company are India centric equity and debt funds and target investors from across the globe seeking to invest into India. Though the Company has the right blend of products to be offered to global investors through its network of sub- distributors, it is heavily dependent on the performance of the Indian capital markets and funds managed by its affiliate, other product manufacturers and also the investment appetite of the global investors seeking to invest into India.

The AuM of the funds distributed by the Company increased from USD 1.92 billion as on 31st March, 2020 to USD 2.22 billion as on 31st March, 2021. While the company witnessed net redemptions by investors due to profit taking and nervous selling, the AUM of the company increased due to mark to market gains witnessed in the funds.

FUTURE OUTLOOK

Global Distribution:

India is currently witnessing the second wave of the COVID-19 pandemic leading to fresh restrictions being imposed across the country. Though this will impact the pace of recovery, it is expected not to have any long lasting detrimental impact on the economy.

The global investors' view and flows into India will be determined by the pace at which the Indian and global economies recover from the aftermath of the pandemic aided with the vaccine and better treatment protocols. As a global distributor of funds, the Company will continue to expand its relationships with institutional investors and its distribution network across the world and reach out to global investors for their exposure into Indian markets.

Dealing in securities as agent/principal ("dealing"):

The Company is expanding its presence in the U.S through its affiliated entity which will act as its counterparty, with a view to tapping into a much larger pool of liquidity and volume in the securities trading business. It will continue to focus on its core strengths – transacting in security issuances in Asia, emerging markets and also in high yield securities and will endeavour to participate in the primary markets when the right opportunity presents itself.

Impact of BREXIT:

The United Kingdom (UK) left the European Union (EU) on 31st January, 2020 and the transition period ended on 31st December, 2020. The EU's executive body, and the UK's Treasury department have agreed a Memorandum of Understanding which provides for the EU and UK to hold dialogue in relation to autonomous decisions to adopt, suspend or withdraw equivalence. The impact of Brexit on the business of the Company has been insignificant. The Company expects the European Commission to find the United Kingdom equivalent and thus enabling the Company to provide investment services to customers in Europe categorised as Per Se Professional or Eligible Counterparties after registering itself with the European Securities and Markets Authority. The Company's customers in Europe fall under these categories.

RISK MANAGEMENT

The activity profile of the Company is focused on India and hence the Company is significantly exposed to an emerging market economy risk.

The reporting currency of the Company is the USD and the Company is consequently exposed to the currency risk posed by adverse movements in USD against Pound Sterling and the Singapore Dollar as most of its staff and administrative expenses and some of its assets and liabilities are denominated in these currencies. It is exposed to market and credit risk on its investment portfolio comprising of debt instruments.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2020: NIL).

FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31st March, 2021 was ₹ 313,200,267 (2020: ₹ 508,265,327).

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

DIRECTORS

The directors as at the date of this Report and who served throughout the period are:

Mr. Ruchit Puri	Mr. Sanjeev Prasad	Mr. Dipak Gupta	Mr. Gaurang Shah
Mr. Shyam Kumar Syamasundaram	Mr. Christopher Daniel	Mr. Gijo Joseph (appointed on 25 th March 2021)	

QUALIFYING THIRD PARTY INDEMNITIES

There are no qualifying third party indemnities in force for the benefit of any of the directors and officers at the time of this report.

GOING CONCERN

The directors have considered the Company's ability to continue as a going concern and after making appropriate enquiries, believe that the Company has sufficient resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. For further explanation on the going concern ability of the Company due to the ongoing COVID 19 pandemic, refer note 3.29.

FIXED ASSETS

Information on the tangible fixed assets of the Company is given in the financial statements.

DIRECTORS DECLARATION

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law in United Kingdom requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of Companies Act, 2013 in India.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and EY LLP will therefore continue in office.

For and on behalf of the Board of Directors

Christopher Daniel
Director

Date: 29th April, 2021

Independent Auditor's Report

To,

The Members of

KOTAK MAHINDRA (UK) LIMITED.

The financial statements of KOTAK MAHINDRA (UK) Limited (the "Company") as at 31st March, 2021, being a company registered in the UK, are audited by Ernst & Young LLP, Chartered Accountants, London and we have been furnished with their audit report dated 27th 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 (UK) LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITY

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

As stated hereinabove we have relied upon the audit conducted by Ernst & Young LLP, Chartered Accountants, London and based thereon we state that:

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Place: Mumbai
Date: 29th April, 2021
UDIN: 21042649AAKQH6189

A.N. Shah
Partner
M. No. 042649

Balance Sheet

as at 31st March, 2021

(Amount in ₹)

Particulars	Schedule	As at 31 st March, 2021	As at 31 st March, 2020
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	70,078,422	70,078,422
(b) Reserves and surplus	3.2	3,658,700,315	3,466,662,160
2 Non-current liabilities			
(a) Long-term provisions	3.3	76,286,177	50,236,302
3 Current liabilities			
(a) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises; and		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		1,911,225,272	1,572,098,271
(b) Other current liabilities	3.4	7,680,470	8,875,697
(c) Short-term provisions	3.5	122,346,799	100,184,073
Total		5,846,317,455	5,268,134,926
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.6	2,014,846	5,608,203
(b) Non-current investments	3.8	15,807,664	14,211,639
(c) Long-term loans and advances	3.7	1,172,111,116	-
(d) Deferred tax asset	3.9	3,077,414	142,233
2 Current assets			
(a) Current investments	3.7	635,351,850	582,998,976
(b) Trade receivables	3.10	1,741,326,910	1,335,796,336
(c) Cash and cash equivalents	3.11	1,703,253,822	3,274,344,390
(d) Short-term loans and advances	3.12	551,257,747	19,296,704
(e) Other current assets	3.13	22,116,086	35,736,444
Total		5,846,317,455	5,268,134,926
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: 29th April, 2021

For and on Behalf of the Board of Directors

Shyam Kumar

Director

Ruchit Puri

Director

Dated: 29th April, 2021

Profit and Loss Account

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	Schedule	For the year 31 st March, 2021	For the year 31 st March, 2020
I. Revenues from operations			
Service Income (net)		1,097,074,600	1,310,635,271
II. Income from Investments (net)		90,678,633	9,513,055
III. Other income	3.14	38,840,522	70,445,696
Total Revenue		1,226,593,755	1,390,594,022
IV. Expenses:			
Employee Benefits Expense	3.15	673,626,151	524,845,388
Finance Cost	3.16	2,749,362	5,189,225
Depreciation and Amortisation expense	3.6	4,772,375	5,033,751
Other Expenses	3.17	163,003,661	219,039,354
Total Expenses		844,151,548	754,107,719
V. PROFIT/(LOSS) BEFORE TAX		382,442,207	636,486,302
VI. Tax expense:			
(a) Current tax			
- Pertaining to profit/ (loss) for the current period		72,684,723	130,399,430
- Adjustment of tax relating to earlier periods		(457,637)	(364,146)
(b) Deferred Tax		(2,985,147)	(1,814,310)
		69,241,939	128,220,975
VII. PROFIT/(LOSS) FOR THE YEAR		313,200,267	508,265,327
VIII. Earnings/(loss) per equity share (in ₹) :			
Basic & Diluted	3.21	326.52	529.88
Significant accounting policies and notes to the financial statements	2&3		

In terms of our report of even date

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

A.N. Shah
Partner
Membership No. 042649

Mumbai
Dated: 29th April, 2021

For and on Behalf of the Board of Directors

Shyam Kumar
Director

Ruchit Puri
Director

Dated: 29th April, 2021

Cash Flow Statement

for the year ended 31st March, 2021

(Amount in ₹)

Particulars	For the Year ended 31 st March, 2021	For the Year ended 31 st March, 2020
Cash Flow from Operating Activities		
Net Profit before taxation	382,442,207	636,486,302
Adjustments for:		
Interest Income	(5,054,442)	(4,442,697)
Interest Expenses	1,366,322	3,843,752
Exchange Adjustments	(153,990,016)	292,603,206
Interest on Fixed deposit	(21,864,174)	(64,911,634)
Interest Income on Debentures	(56,991,307)	(12,354,076)
Mark to market on Investments	-	50,802,956
Amortisation of premium/ accretion of discount on bonds and convertible bonds	15,909,702	1,994,607
Depreciation and Amortisation Expense	4,772,375	5,033,751
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	166,590,666	909,056,167
Adjustments for:		
Increase in Long-term loans and advances	(1,596,025)	(181,834)
Decrease / (Increase) in Trade receivables	(405,530,574)	3,634,972,840
Increase in Short-term loans and advances	(531,961,043)	1,290,279
Increase / (Decrease) in Long-term provisions	26,049,873	(24,638,358)
(Decrease) / Increase in Trade payables	339,127,002	(3,430,028,260)
Increase / (Decrease) in Other current liabilities	(1,195,228)	(2,636,380)
(Decrease) / Increase in Short-term provisions	54,229,251	(574,139)
CASH GENERATED FROM OPERATIONS	(354,286,077)	1,087,260,313
Income taxes (refunded) / paid	(104,243,646)	(135,090,049)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(458,529,723)	952,170,264
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed deposits redeemed/(placed)	1,410,718,111	(467,609,292)
Purchase of Fixed Assets	(1,316,079)	(3,651,187)
Interest on Fixed deposit	44,960,790	51,017,831
Interest Income on Term Loan	5,054,442	4,442,697
Interest Income on Debentures	47,515,050	3,518,611
Repayment of subordinated loan	-	(4,604,336)
Purchase of Investments	(1,331,695,726)	(639,370,763)
Maturity of Investments	124,287,000	-
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	299,523,588	(1,056,256,438)
Interest Expenses	(1,366,322)	(3,843,752)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(1,366,322)	(3,843,752)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(160,372,456)	(107,929,926)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	855,118,036	963,047,962
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	694,745,580	855,118,036
	(160,372,456)	(107,929,926)

Notes:

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

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

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

Chartered Accountants

Firm Registration No. 109818W

A.N. Shah

Partner

Membership No. 042649

Mumbai

Dated: 29th April, 2021

For and on Behalf of the Board of Directors

Shyam Kumar

Director

Ruchit Puri

Director

Dated: 29th April, 2021

Schedules

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

1. ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra (UK) Limited ("the Company") is authorized and regulated by the UK Financial Conduct Authority ("FCA") as a limited license firm (IFPRU 125K firm) and has several regulatory permissions including arranging deals in investments, dealing in securities as an agent and principal, advising on investments and safeguarding and administration of assets.

The Company's Dubai branch is regulated by the Dubai Financial Services Authority ("DFSA") as a Category 3A firm and has permissions to advise on financial products, arrange deals in investments, deal in investments as agent and as a matched principal.

The Company's Singapore branch is regulated by the Monetary Authority of Singapore ("MAS") and holds Capital Markets Services ("CMS") Licenses issued by MAS to conduct the regulated activities dealing in capital markets products.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.2 Conversion to Indian Rupees

For the purpose of accounts, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities 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. It represents fees and other revenue invoiced (net of value added tax) and is recognised on an accrual basis. Interest income is recognised in the income statement as accrued using effective interest method.

2.5 Expenses

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

2.6 Property, Plant and Equipment

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

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

Furniture and Fixtures	3 years
Computer & Software	3 years
Other Equipment	3 years

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

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

Schedules

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

2.7 Investments

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

2.8 Employee benefits

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

2.9 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.

2.10 Cash and Cash Equivalents

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

2.11 Taxes

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

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

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

2.12 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.

2.13 Provisions and Contingencies

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

2.14 Employee Share based payments

Cash-settled scheme:

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

Schedules

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

SCHEDULE 3 NOTES TO ACCOUNTS

3.1 (a) Share capital

(Amount in ₹)

Share Capital	As at 31 st March, 2021	As at 31 st March, 2020
Authorised shares		
1,000,000 (Previous year 1,000,000) Ordinary shares of ₹ 1 each	₹1,000,000	₹1,000,000
Issued, Subscribed and fully Paid up		
959,200 (Previous year 959,200) Equity Shares of ₹ 1 each	70,078,422	70,078,422
Total	70,078,422	70,078,422

(b) Equity shares

(Amount in ₹)

Reconciliation of equity share capital	As at 31 st March, 2021		As at 31 st March, 2020	
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	959,200	70,078,422	959,200	70,078,422
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	959,200	70,078,422	959,200	70,078,422

(c) Terms/rights attached to equity shares

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

Each share holder is entitled to receive dividend as may be approved by Board / 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:

(Amount in ₹)

Number of shares	As at 31 st March, 2021	As at 31 st March, 2020
Kotak Mahindra Bank Limited, the holding company	489,200	489,200
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	470,000

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

Equity shares of ₹ 1 fully paid up

(Amount in ₹)

	As at 31 st March, 2021		As at 31 st March, 2020	
	Number	% holding	Number	% holding
Kotak Mahindra Bank Limited, holding company	489,200	51.00%	489,200	51.00%
Kotak Mahindra (International) Limited, subsidiary of Kotak Mahindra Bank Limited	470,000	49.00%	470,000	49.00%

Schedules

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

3.2 Reserves and Surplus

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
a. Translation Reserve		
Opening Balance	832,924,963	543,477,197
Additions/(deductions) during the year	(121,162,112)	289,447,766
Closing Balance	711,762,851	832,924,963
b. Surplus in the statement of profit and loss		
Opening balance	2,633,737,197	2,125,471,870
Net Profit/(Net Loss) for the year	313,200,267	508,265,327
Closing Balance	2,946,937,465	2,633,737,197
Total	3,658,700,315	3,466,662,160

3.3 Long-term provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provisions for employee benefits		
Provision for gratuity	23,436,333	28,800,668
Stock Appreciation Rights (refer note 3.26)	52,849,843	21,435,636
Total	76,286,177	50,236,303

3.4 Other current liabilities

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
GST Payable	7,034,155	8,655,328
Expenses payable to group companies	646,315	220,369
Total	7,680,470	8,875,697

3.5 Short-term provisions

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Provision for employee benefits:		
Provision for Stock Appreciation Rights (refer note 3.26)	105,515,757	50,598,518
Provision for Leave Encashment	7,199,773	7,382,588
Provision for Gratuity	-	790,831
Payable to statutory funds	5,691,743	5,406,085
Other provisions		
Provision for income tax (net of advance tax ₹ 206,354,495)	3,939,527	36,006,052
Total	122,346,799	100,184,073

Schedules

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

3.6 Property, Plant & Equipment

(Amount in ₹)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 st April, 2020	Additions	Deductions / Adjustments*	Balance as at 31 st March, 2021	Balance as at 1 st April, 2020	Depreciation charge for the year	Deductions / Adjustments*	Balance as at 31 st March, 2021	Balance as at 31 st March, 2021	Balance as at 31 st March, 2020
Tangible Assets										
Computer & Software	83,570,248	820,044	2,834,345	81,555,946	81,307,910	2,283,279	2,780,090	80,811,099	744,847	2,262,338
Furniture and Fixtures	71,376,159	-	2,410,178	68,965,981	68,497,201	2,048,109	2,343,950	68,201,360	764,621	2,878,958
Office Equipment	10,009,606	496,035	345,502	10,160,140	9,542,699	440,986	328,923	9,654,762	505,377	466,907
Total	164,956,012	1,316,079	5,590,025	160,682,067	159,347,810	4,772,375	5,452,963	158,667,221	2,014,846	5,608,203
Previous year	147,200,713	3,651,187	(14,104,112)	164,956,012	140,725,889	5,033,751	(13,588,170)	159,347,810	5,608,203	6,474,824

* Deduction / adjustments include effect of translation reserve of ₹ 5,590,025/- (Previous year - ₹ 14,104,112/-) in Gross block & ₹ 5,452,963 (Previous year - ₹ 13,588,172)

3.7 Investments

(Amount in ₹)

Script Name	Quantity 31 st March, 2021	Amount as at 31 st March, 2021	Quantity 31 st March, 2020	Amount as at 31 st March, 2020
Investments				
Foreign Currency Bonds				
NTPCIN 3.75 04/3/24	2,200,000	163,854,016	2,200,000	170,556,251
BOBIN 3.875 04/04/24 EMTN	4,000,000	298,577,344	4,000,000	310,995,105
CBKIN 3.875% 03/28/24	2,000,000	149,425,217	2,000,000	155,689,772
IOCLIN 5.75% 08/01/23	3,850,000	298,945,579	-	-
CBKIN 3.25% 08/10/22	2,000,000	146,949,293	-	-
IOCLIN 5.625% 08/02/21	1,150,000	85,023,521	-	-
AXSBIN 2.875% 06/01/21	4,000,000	292,517,671	-	-
ONGCIN 2.875% 01/27/22	3,500,000	257,810,658	-	-
ONGCIN 3.75% 05/07/23	1,500,000	114,359,667	-	-
Total		1,807,462,966		637,241,128
Less: Provision for diminution		-		54,242,151
Total Bonds and Convertible Debentures		1,807,462,966		582,998,976
Debt funds (Unquoted)				
Total Current Investments		635,351,850		582,998,976
Total Non-Current Investments		1,172,111,116		
Aggregate value of quoted investments		1,807,462,966		582,998,976
Aggregate market value of quoted investments		1,847,273,039		582,998,976
Aggregate value of unquoted investments		-		-

Schedules

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

3.8 Long Term Loans and Advances

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good		
Prepaid Expenses	1,513,242	-
Security Deposits	14,294,421	14,211,639
Total	15,807,664	14,211,639

3.9 Deferred tax

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Opening Balance	142,233	(1,640,494)
Additions/(deductions) during the period:		
- due to expense of share based payment cash settled	3,107,551	245,269
- due to Fixed Assets (difference between tax and net book value)	(137,653)	1,303,086
- due to change in liability (provision for compensated absences)	(34,716)	234,373
Total	3,077,414	142,233

3.10 Trade Receivables

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good, unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment	-	-
Others	1,741,326,910	1,335,796,336
Total	1,741,326,910	1,335,796,336

3.11 Cash and cash equivalents

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Balances with banks:		
On current accounts*	694,745,580	855,118,036
Deposits with original maturity of less than three months	-	-
Other Bank Balances:		
Deposits with residual maturity of less than twelve months	1,008,508,243	2,419,226,354
Total	1,703,253,822	3,274,344,390

* Includes client money deposits aggregating to ₹ 30,026,912 (previous year ₹ 83,442,517) earmarked in a separate bank account held in the name of the Company

Schedules

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

3.12 Short-term loans and advances

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good		
Loans to employees	47,778	127,052
Prepaid expenses	18,710,156	16,027,654
VAT Input Credit	2,452,313	3,141,998
Loan to Group Company	530,047,500	-
Total	551,257,747	19,296,704

3.13 Other Current Assets

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Unsecured, considered good		
Interest accrued on deposits	3,804,362	26,900,979
Interest accrued on bonds	18,311,724	8,835,466
Total	22,116,086	35,736,444

3.14 Other income

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Interest income on loans	5,054,442	4,442,697
Interest income on deposits with banks	21,864,174	64,911,634
Miscellaneous income	11,921,906	1,091,365
Total	38,840,522	70,445,696

3.15 Employee benefit expense

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Salaries, bonus and allowances	424,075,254	402,788,097
Contribution to provident and other funds	26,860,648	28,696,597
Expenses on Stock appreciation rights	197,122,841	89,550,106
Deferred Incentive	24,660,898	-
Staff welfare expenses	906,510	3,810,588
Total	673,626,151	524,845,388

Schedules

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

3.16 Finance cost

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Bank charges	1,383,041	1,345,473
Interest on borrowings	1,366,322	3,843,752
Total	2,749,362	5,189,225

3.17 Other expenses

(Amount in ₹)

Particulars	As at 31 st March, 2021	As at 31 st March, 2020
Rent, rates & taxes	23,546,419	21,773,181
Communication expenses	8,204,641	10,138,258
Printing and stationery	902,984	1,358,058
Repairs and maintenance	5,159,836	5,725,389
Advertising, business promotion and entertainment	628,463	2,746,063
Royalty charges	3,349,501	-
Foreign exchange loss (net)	10,325,166	62,756
Travel expenses	739,420	16,534,326
Insurance	3,552,970	2,036,343
Electricity expenses	1,214,682	799,872
Professional and legal fees	33,520,727	33,906,824
Membership and subscription	6,841,797	5,491,737
Licensing fees	7,545,261	7,565,855
Recruitment expenses	-	479,695
Dealing charges	43,657,847	42,020,937
Auditor's remuneration	9,454,155	9,969,592
- Statutory fees	9,361,298	9,842,447
- Reimbursement of expenses	92,857	127,145
Interest expenses on tax	60,156	15,037
Miscellaneous expenses	4,299,637	7,612,476
Mark to market on Investments	-	50,802,956
Total	163,003,661	219,039,354

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

3.19 The transactions 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.

Schedules

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

3.20 Earnings per equity share

(Amount in ₹)

Particulars	As on 31 st March, 2021	As on 31 st March, 2020
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	313,200,267	508,265,327
Weighted average number of equity shares used in computation of basic earnings per share (B)	959,200	959,200
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	326.52	529.88

3.21 Leases

The total annual commitments of the Company under non-cancellable operating leases are as under:

(Amount in ₹)

Land and Building	As on 31 st March, 2021	As on 31 st March, 2020
Operating leases which expire :		
Within one year	24,252,578	13,411,967
Between one to five years	24,568,118	17,195,277

3.22 Contingent Liability

During the year the Company's banker have issued a guarantee for ₹ 108,700,000 (Previous year ₹ 106,050,000) in favour of the Monetary Authority of Singapore. No loss is expected on this guarantee at the Balance Sheet date.

3.23 The following amounts are due from directors as at 31st March, 2021.

- Mr. Ruchit Puri ₹ Nil (Previous Year ₹ 4,012)
Maximum balance due during the year is ₹ 4,112 (Previous Year ₹ 3,903)
- Mr. Shyam Kumar ₹ 11,943 (Previous Year ₹ 34,035)
Maximum balance due during the year is ₹ 84,630 (Previous Year ₹ 122,795)
- Mr. Christopher Daniel ₹ Nil (Previous Year ₹ Nil)
Maximum balance due during the year is ₹ 3,176 (Previous Year ₹ 585,076)

Schedules

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

3.24 Related Party Transactions

(Amount in ₹)

Particulars			Volume of transaction for the year ended		Receivable / (Payable)	
			Balance as at			
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2021	31 st March, 2020	31 st March, 2021	31 st March, 2020
Kotak Mahindra Bank Limited	Ultimate Parent Company	Outsourcing Costs	21,254,878	23,197,467	-	-
		Royalty charge	3,349,501	-	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Client Account	-	-	-	-
		Custody fees	306,338	332,449	-	-
		Dealing in securities	1,629,909	2,141,741	-	-
Kotak Mahindra Bank Limited - Gift city Branch	Branch of Ultimate Parent Company	Client Account	-	-	-	-
		Custody fees	54,741	-	-	-
		Dealing in securities	243,968	-	-	-
Kotak Securities Limited	Fellow Group Entities	Service fee income	161,656,347	113,462,502	(1,142,818)	(3,183,459)
Kotak Mahindra International Limited	Fellow Group Entities	Distribution expense	5,434,435	5,455,343	13,776,609	(4,778,041)
		Distribution Income	143,669,478	94,090,976	-	-
		Calculation Agency Income	890,797	850,410	-	-
		Interest Income	5,054,442	4,432,665	-	-
		Client Account	-	-	1,891	-
		Custody fees	176,151	-	-	-
		Short term loan	-	-	530,047,500	-
Kotak Mahindra Inc	Fellow Group Entities	Distribution expense	6,599,993	35,678,987	(646,315)	811,642
		FCCB Referral fees	1,201,082	224,180	-	-
		Service Fees Expense	-	-	-	-
		Distribution Income	3,613,024	6,013,447	-	-
Kotak Mahindra Asset Management (Singapore) Pte Ltd		Distribution Income	763,334,981	991,829,213	11,154,304	15,746,383
		Portfolio management fees	3,618,634	846,414	-	-
		Custody fees	144,056	-	-	-
			1,122,232,756	1,278,555,794	553,191,171	8,596,525
Directors remuneration included in "Employee cost"			172,224,306	128,236,492	-	-

During the year compensation to Key Managerial Personnel was ₹ 219.0 million (Previous year ₹ 169.9 million).

Schedules

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

3.25 Stock Option Scheme

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, 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 subsidiary 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 3.15 - "Employee cost".

Had the Company reported the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by ₹ 437,258 (Previous Year ₹ 1,575,466) with an decrease in after tax profit by ₹ 437,258 (Previous Year ₹ 1,575,466).

3.26 Stock appreciation rights (SARs)

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

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 3.43 years to 4.10 years.

Detail of activity under SAR is summarized below:

Particulars	No. of SARs	
	For the year ended 31 st March, 2021	For the year ended 31 st March, 2020
Outstanding at the beginning of the year	425,380	367,340
Granted during the year	216,130	224,270
Additions/Reduction due to transfer of employees	1,510	-
Exercised during the year	188,765	166,230
Expired/Forfeited during the year	5,926	-
Outstanding at the end of the year	448,329	425,380

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

Year ended 31 st March,	(Amount in ₹)	
	2021	2020
Total Employee Compensation Cost pertaining to share-based payment plans	197,122,841	89,550,106
Closing balance of liability for cash-settled options	158,365,600	72,034,154

Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹ 6,493,650 (Previous year higher by ₹ 12,003,800) and the profit after tax would have been higher by ₹ 5,259,856 (Previous year lower ₹ 9,723,078).

Schedules

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

3.27 Events after balance sheet date

There have been no other subsequent events after the balance sheet date requiring disclosure.

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

3.29 Going concern

In the first quarter of 2,020, the outbreak of COVID-19 was declared a pandemic. In an attempt to contain the spread and impact of the pandemic, travel bans and restrictions, quarantines, shelter-in-place orders and other limitations on business activity were implemented. Additionally, there has been a decline in global economic activity, reduced global economic output and a deterioration in macroeconomic conditions globally. This pandemic and the consequent lockdown have taken a toll on human lives and have impacted a whole range of economic activities adversely. Although vaccines have been administered to more people around the globe, COVID-19 cases have significantly increased in recent months across many regions of the world. In response to the pandemic, the Company has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The Company is closely monitoring the impact of the outbreak of COVID-19 on all aspects of its business. The Company, however, has not experienced any significant disruptions in the past year and did not experience a materially adverse impact on reported results. The future direct and indirect impact of COVID-19 on Company business, results of operations, financial position and cash flows remains uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The most likely impact going forward will be on the revenue which is predominantly derived based on the Assets under Management ("AUM") of funds distributed by the Company and from income from dealing in securities. The Company has witnessed a decrease in AUM since December 2019 when COVID-19 was first reported.

The impact of the global health pandemic may be different from that estimated as at the date of approval of Company's financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

However, management of the Company has performed a COVID -19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's revenue, liquidity and regulatory capital position.

Having performed this analysis management believes that Company's regulatory capital requirements continue to be met and it has sufficient liquidity to meet its liabilities for next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

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: 29th April, 2021

For and on Behalf of the Board of Directors

Shyam Kumar

Director

Ruchit Puri

Director

Dated: 29th April, 2021



Kotak Mahindra (UK) Limited
55, Baker Street, London, W1U 7EU
Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 02992399