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Kotak Mahindra (International) Limited

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Directors' Report

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors present their report and the audited financial statements of Kotak Mahindra (International) Limited (the "Company") for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

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

MARKET AND BUSINESS UPDATE:

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

The FY2022 was the year when the world moved from survival to recovery despite periodic disruptions from the Delta and Omicron waves of Covid-19. Barring a few economies with a Covid-Zero policy, most of the world has now begun to open up for business and cross-border travel. Economic recovery gained momentum through the year on the back of large fiscal and monetary support provided both globally and locally that helped businesses to stand again on their feet. During the year, the Indian government continued its divestments, brought various supply-side reforms such as incentivizing domestic manufacturing through Production Linked Incentives ("PLI"), provided adequate support to small and medium scale industries through credit guarantees and offered subsidy to the weaker sections of the population.

The economic implications of the Russia-Ukraine war are still unfolding; with immediate ramifications for all commodities – agriculture, metals and most importantly energy. While the global markets did have a knee jerk at the start of hostilities, there is now hope that economic sanctions and diplomatic posturing would prevent drastically negative outcomes and lead to an eventual scale back. While a spike in crude oil prices has been detrimental to India traditionally, with a robust forex reserve and a fairly large software export now as a ballast against oil imports, India is now less vulnerable than before. Inflation, however, has become a persistent worry globally after years of economic stimulus and recently, supply chain disruptions due to Covid and geopolitics. The dilemma between price stability and supporting economic recovery and growth hasn't been this stark in many years.

That said, the narrative out of India is optimistic with the economy opening up and improvements in business conditions, the Gross Domestic Product ("GDP") growth is on the mend and expected to grow at 8.9% in FY2022 as per Govt. of India's Statistical Office. The Nifty 50 Index ended the FY2022 with a 14.6% return in US Dollar terms as against a negative (-)13.3% return for the MSCI Emerging Market Index.

FUTURE OUTLOOK:

Though the risks emanating from the COVID 19 pandemic seem to have now subsided, the Indian capital markets are currently witnessing increased stress due to the geo-political situation in Europe, rising inflation in India and increasing benchmark rates (expected in India and ongoing in the US). However, the Company is cautiously optimistic across all its business verticals of investment management, investment advisory and dealing in securities. On proprietary activity, it will continue to build a low risk investment portfolio and ensure appropriate utilisation of its capital resources.

RESULTS AND DIVIDEND

The Company's profit for the financial year ended 31 March 2022 amounted to ₹ 440,285,823 (2021: ₹ 864,230,491).

The Company declared and paid a dividend of ₹ NIL (2021: ₹ NIL) during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 March 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of the Companies Act, 2013 in India.

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

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

AUDITORS

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

Independent Auditors' Report

To the Board of Directors of

KOTAK MAHINDRA (INTERNATIONAL) LIMITED.

The financial statements of Kotak Mahindra (International) Limited (the "Company") as at 31st March, 2022, being a company registered in the Mauritius, are audited by Ernst & Young, Mauritius and we have been furnished with their audit report dated 27th April, 2022.

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 AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS.

OPINION

We have verified the accompanying Special Purpose Financial Statements duly converted in Indian Rupees from audited accounts in USD of Kotak Mahindra (International) Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2022, 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 (hereinafter referred to as "the Special Purpose Financial Statements"). As explained in Note 2.1(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the management of Kotak Mahindra (International) Limited for the purpose of Kotak Mahindra Bank Limited ("Ultimate Holding Company") to prepare its consolidated financial statements and for inclusion in the annual report of the Ultimate Holding Company for the year ended March 31, 2022, under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Ultimate Holding Company and in compliance with the recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements give a true and fair view in all material respects in conformity with recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company, of the state of affairs of the Company as at March 31, 2022, and its profit for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the Special Purpose Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Special Purpose 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 Special Purpose 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 Special Purpose Financial Statements.

KEY AUDIT MATTERS

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

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

The Company's Board of Directors is responsible with respect to the preparation of the Special Purpose Financial Statements in accordance with the recognition and measurement principles of Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Financial Statements, Board of Directors are 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.

Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Our responsibility is to express an opinion on these Special Purpose Financial Statements based on our verification.

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

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

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

Identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. As per Ultimate Holding Company's (Kotak Mahindra Bank Limited) instructions, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to the Special Purpose Financial Statements in place and the operating effectiveness of such controls.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Special Purpose Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

Evaluate the overall presentation, structure and content of the Special Purpose Financial Statements, including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In view of the facts specified above, the requirements of reporting under section 143(3) of the Act, are not applicable.

OTHER MATTERS

The audited financial statements of the Company for the corresponding year ended 31st March, 2022 prepared in conformity with the accounting principles generally accepted in the Mauritius, have been audited by the predecessor auditors whose audit report dated 27th April, 2022 expressed an unmodified opinion on those audited financial statements.

Our opinion is not modified in respect of this matter.

RESTRICTION ON DISTRIBUTION OR USE

This report is intended solely for the information of the Company's and its Ultimate Holding Company's Board of Directors and the Auditors of the Ultimate Holding Company and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and Ultimate Holding Company's Board of Directors for our audit work, for this report, or for the opinions we have formed.

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

Place : Mumbai
Date : 29th April, 2022
UDIN : 22042649AIDGGS5170

A. N. Shah
Partner
Membership No. 042649

Balance Sheet

as at 31st March, 2022

(Amount in ₹)

Particulars	Note No.	As at 31 st March 2022	As at 31 st March 2021
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	161,597,644	161,597,644
(b) Reserves and surplus	3.2	8,240,249,819	7,514,166,428
2 Non-current liabilities			
(a) Long-term provisions	3.3	11,745,365	10,825,482
(b) Deferred tax liability	3.25	28,807	79,641
3 Current liabilities			
(a) Short-term borrowings	3.4	1,440,057,500	1,956,050,202
(b) Trade payables		-	-
(i) total outstanding dues of micro enterprises and small enterprises;			
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		50,281,244	1,570,770,515
(c) Other current liabilities	3.5	1,287,097	23,835,319
(d) Short-term provisions	3.6	11,304,865	23,060,723
TOTAL		9,916,552,341	11,260,385,954
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.7	512,175	390,306
(b) Non-current investments	3.8	797,948,588	637,411,977
(c) Long-term loans and advances	3.9	24,334,573	242,830,589
2 Current assets			
(a) Current investments	3.8	7,456,539,405	8,384,578,936
(b) Trade receivables	3.10	121,034,815	146,989,048
(c) Cash and cash equivalents	3.11	1,382,154,121	1,565,032,368
(d) Other current assets	3.12	134,028,662	283,152,732
TOTAL		9,916,552,341	11,260,385,954
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of 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

Mumbai

Dated: 29 April 2022

Neeraj Malhotra

Director & CEO

Thirumagen Vaitilingon

Director

Dated: 29 April 2022

Statement of Profit and loss

for the year ended 31st March, 2022

Particulars	Note No.	For the year ended 31 st March, 2022	(Amount in ₹) For the year ended 31 st March, 2021
I. Revenues from operations			
(a) Income from Services (net)		557,528,273	506,105,910
(b) Income from Investments (net)		287,347,056	592,212,370
II. Other income	3.13	105,352,344	36,969,870
III. Total Revenue		950,227,674	1,135,288,150
IV. Expenses:			
Employee Benefit Expenses	3.14	92,103,937	106,602,498
Finance Costs	3.15	102,416,757	39,780,279
Depreciation and Amortisation expense	3.7	185,951	165,820
Other Expenses	3.16	61,556,426	65,802,336
Total Expenses		256,263,070	212,350,935
V. PROFIT/(LOSS) BEFORE TAX		693,964,604	922,937,216
VI. Tax expense:			
Current tax			
- Pertaining to profit/ (loss) for the current period		253,731,624	58,920,759
- Adjustment of tax relating to earlier periods		-	(155,815)
Deferred Tax		(52,844)	(58,218)
		253,678,780	58,706,725
VII. PROFIT/(LOSS) FOR THE YEAR		440,285,823	864,230,491
VIII. Earnings/(loss) per equity share (in ₹) :			
Basic & Diluted	3.23	107.87	211.74
Significant accounting policies and notes to the financial statements	2&3		

In terms of 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

Mumbai

Dated: 29 April 2022

Neeraj Malhotra

Director & CEO

Dated: 29 April 2022

Thirumagen Vaitilingon

Director

Cash Flow Statement

for the year ended 31st March, 2022

(Amount in ₹)

Particulars	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Cash Flow from Operating Activities		
Net Profit before taxation	693,964,604	922,937,216
Adjustments for:		
Depreciation and Amortisation Expense	185,951	165,820
Dividend Income	(21,751,934)	-
Interest Income	(487,379,412)	(289,817,768)
Interest and other Financial Charges	102,416,757	39,780,279
Exchange Adjustments	285,781,365	(251,711,161)
Amortisation of premium/ accretion of discount on bonds and convertible bonds	60,414,401	15,685,474
Realised loss/ (gain) on disposal of investments	(51,717,393)	(14,845,179)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	581,914,339	422,194,682
Adjustments for:		
(Increase) / Decrease in Loans and advances - Long term	218,496,016	9,246,516
(Increase) / Decrease in Loans and advances - Short term	-	(3,854,994)
(Increase) / Decrease in Trade receivables	25,954,232	480,778,839
(Increase) / Decrease in Current assets	172,614,635	287,156,293
Increase / (Decrease) in Trade payables	(1,520,489,271)	981,566,576
Increase / (Decrease) in Other current liabilities	(22,548,222)	(69,590,045)
Increase / (Decrease) in long term provision	919,883	2,397,381
Increase / (Decrease) in Short term provision	(6,160,847)	4,655,572
CASH GENERATED FROM OPERATIONS	(549,299,237)	2,114,550,820
Income taxes paid	(259,324,627)	(56,437,693)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(808,623,863)	2,058,113,127
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(3,040,726,399)	(5,262,481,168)
Investment in associate	-	-
Disposal of investments	3,799,532,310	2,395,526,229
Deposits (placed) / redeemed with Banks	-	1,733,888,880
Purchase of fixed assets	(291,617)	(426,538)
Dividend Received	21,751,934	-
Interest Received	463,888,848	292,454,269
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	1,244,155,075	(841,038,328)
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in share capital	-	-
Short term loan accepted	(515,992,702)	(16,218,064)
Interest and other Financial Charges Paid	(102,416,757)	(39,780,279)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(618,409,458)	(55,998,343)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(182,878,247)	1,161,076,456
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,565,032,368	403,955,912
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,382,154,121	1,565,032,368
	(182,878,247)	1,161,076,456

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 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

Mumbai

Dated: 29 April 2022

Neeraj Malhotra

Director & CEO

Dated: 29 April 2022

Thirumagen Vaitilingon

Director

Schedules

Forming part of the Financial Statements as at 31st March, 2022

1. ORGANISATION AND NATURE OF BUSINESS

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

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

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

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

- (i) The Special Purpose financial statements of the Company are prepared under the historical cost convention. These Special Purpose financial statements are prepared for the purpose of the Ultimate Holding Company's consolidation and for inclusion in the annual report of the Ultimate Holding Company (Kotak Mahindra Bank Limited) under the requirements of section 129(3) of the Companies Act, 2013. The Special Purpose Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles in India as per the Accounting Standards (Indian GAAP) applicable to Kotak Mahindra Bank Limited (Ultimate Holding Company) as specified under section 133 of the Companies Act, 2013 (the Act).
- (ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

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

2.4 Revenue Recognition

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

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

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

Schedules

Forming part of the Financial Statements as at 31st March, 2022

2.5 Expenses

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

2.6 Property, Plant and Equipment

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

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

Office Equipment 3 years

Computers 3 years

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

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

2.7 Investments

Investments in Associate/ fellow subsidiaries are stated at cost.

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

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

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

All investment transactions are recognised using trade date accounting.

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

2.8 Employee benefits

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

2.9 Leases

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

2.10 Taxes

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

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising mainly on account of carry forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence.

Schedules

Forming part of the Financial Statements as at 31st March, 2022

2.11 Earnings per share

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

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

2.12 Provisions

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

2.13 Cash and Cash Equivalents

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

2.14 Employee Share based payments

Cash-settled scheme:

The cost of cash-settled transactions, stock appreciation rights (SARs), having grant date on or before 31st March, 2021 is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. The Company has changed its accounting policy from intrinsic value method to fair value method for all share-linked instruments granted after 31st March, 2021. The fair value is estimated using Black-Scholes model.

The intrinsic / fair 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 vesting date with changes in intrinsic / fair value recognised in the profit and loss account in Employee Benefit Expense.

Schedules

Forming part of the Financial Statements as at 31st March, 2022

3 NOTES TO ACCOUNTS

3.1 (a) Share capital

	(Amount in ₹)	
	As at 31 st March, 2022	As at 31 st March, 2021
Share Capital		
Authorised shares		
4,081,650 (31 st March 2020: 4,081,650) equity shares of USD 1 each	\$ 4,081,650 ₹	\$ 4,081,650 ₹
Issued, Subscribed and fully Paid up		
4,081,650 (31 st March 2020: 4,081,650) equity shares of USD 1 each	161,597,644	161,597,644
Total	161,597,644	161,597,644

(b) Equity shares

	As at 31 st March, 2022		As at 31 st March, 2021	
	Quantity	₹	Quantity	₹
Reconciliation of number of shares				
Share capital outstanding at the beginning of the year	4,081,650	4,081,650	4,081,650	4,081,650
Issued during the period	-	-	-	-
Number of shares at the end	4,081,650	4,081,650	4,081,650	4,081,650

(c) Terms/rights attached to equity shares

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

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

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

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

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

	As at 31 st March, 2022		As at 31 st March, 2021	
	Number	%	Number	%
Kotak Mahindra Bank Limited, the holding company	2,081,650		2,081,650	
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	2,000,000		2,000,000	

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

Equity shares of USD 1 fully paid up

	As at 31 st March, 2022		As at 31 st March, 2021	
	Number	% holding	Number	% holding
Kotak Mahindra Bank Limited, holding company	2,081,650	51	2,081,650	51
"Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited"	2,000,000	49	2,000,000	49

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Forming part of the Financial Statements as at 31st March, 2022

3.2 RESERVES AND SURPLUS

(Amount in ₹)

Particulars	As at 31 st March, 2022	As at 31 st March, 2021
Translation reserve		
Opening Balance	1,573,040,407	1,824,760,173
Additions/(deductions) during the year	285,797,568	(251,719,766)
Closing Balance	1,858,837,975	1,573,040,407
Surplus in the statement of profit and loss		
Opening balance	5,941,126,021	5,076,895,529
(+) Net Profit/(Net Loss) for the year	440,285,823	864,230,491
Closing Balance	6,381,411,844	5,941,126,021
Total	8,240,249,819	7,514,166,428

3.3 LONG-TERM PROVISIONS

(Amount in ₹)

Particulars	As at 31 st March, 2022	As at 31 st March, 2021
Provisions for employee benefits		
Deferred Incentive	3,113,291	678,048
Provision for Stock-appreciation Rights (refer note 3.24)	5,725,209	5,909,964
Provision for gratuity	2,906,865	4,237,470
Total	11,745,365	10,825,482

3.4 SHORT-TERM BORROWINGS

(Amount in ₹)

Particulars	As at 31 st March, 2022	As at 31 st March, 2021
Secured		
Banks (against floating charge on the assets)	-	841,122,702
Unsecured		
Loan from fellow group entity	1,440,057,500	1,114,927,500
Total	1,440,057,500	1,956,050,202

3.5 OTHER CURRENT LIABILITIES

(Amount in ₹)

Particulars	As at 31 st March, 2022	As at 31 st March, 2021
MTM provisions - Derivatives	1,287,097	22,738,669
Income received in advance	-	1,096,650
Total	1,287,097	23,835,319

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Forming part of the Financial Statements as at 31st March, 2022

3.6 SHORT-TERM PROVISIONS

(Amount in ₹)

Particulars	As at 31 st March, 2022	As at 31 st March, 2021
Provision for employee benefits		
Provision for Stock-appreciation Rights (refer note 3.24)	7,516,062	13,676,909
Other provisions		
Provision for income tax (net of advance tax ₹ 13,902,315 (Previous year ₹ 20,25,439))	3,788,803	9,383,815
Total	11,304,865	23,060,723

3.7 PROPERTY, PLANT AND EQUIPMENT

(Amount in ₹)

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 st April, 2021	Additions	Deduction / Adjustment*	Balance as at 31 st March, 2022	Balance as at 1 st April, 2021	For the Period	Deduction / Adjustment*	Balance as at 31 st March, 2022	Balance as at 31 st March, 2022	Balance as at 31 st March, 2021
Tangible Assets										
Office Equipment	3,929,236	-	144,129	4,073,365	3,828,284	37,998	141,108	4,007,389	65,975	100,952
Computers	2,539,441	291,617	98,276	2,929,334	2,250,087	147,989	85,058	2,483,134	446,200	289,354
Total	6,468,677	291,617	242,405	7,002,699	6,078,371	185,987	226,165	6,490,524	512,175	390,306
Previous Year	6,259,974	426,538	(217,835)	6,468,677	6,121,781	165,820	(209,230)	6,078,371	390,306	138,193

* Deductions/ adjustments include effect of Translation Reserve of ₹ 242,406 (2021: ₹ 217,835) under Gross Block and ₹ 226,223 (2021: ₹ 209,230) under Accumulated Depreciation

3.8 INVESTMENTS

(Amount in ₹)

Script Name	Quantity		Amount as at	
	31 st March, 2022	31 st March, 2022	31 st March, 2021	31 st March, 2021
Non-trade Investments (Fully paid, cost)				
Investment in equity instruments (unquoted)				
Associate				
Kotak Mahindra (UK) Limited	470,000	26,287,575	470,000	26,287,575
Kotak Mahindra Financial Services Limited	450,000	25,898,375	450,000	25,898,375
Fellow Subsidiary				
Kotak Mahindra, Inc	2	348	1	45
Total		52,186,298		52,185,995
Equity and other similar funds (unquoted) and deb funds (unquoted)				
Kotak India Venture Fund I	334	25,292	386	28,220
Seaf India Investment and Growth Fund	69,030	523,196	69,030	504,678
Kotak India Real Estate Fund I	999	75,717	999	73,037
Kotak India Private Equity Fund Ltd	1,000	75,793	1,000	73,110
Kotak India Private Equity Fund Ltd III - Class B	1,000	75,793	1,000	73,110
Core Infrastructure India Fund Pte. Ltd	7,267,629	550,831,771	6,483,276	473,990,115
Core Infrastructure India Pte. Fund Ltd- Class B	1,000	75,793	1,000	73,110
Supercraft3D PTE Limited	925,000	70,108,063	925,000	67,626,750
Global Arbitrage Fund SPC	624	75,792,500	-	-
Kotak India Fixed Income Fund	74,729	75,792,500	74,729	73,110,025
Total		773,376,415		615,552,156
Less: Provision for diminution		27,614,125		30,326,174

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Forming part of the Financial Statements as at 31st March, 2022

(Amount in ₹)

Script Name	Quantity	Amount as at	Quantity	Amount as at
	31 st March, 2022	31 st March, 2022	31 st March, 2021	31 st March, 2021
Equity and other similar funds (unquoted) and debt funds (unquoted)		745,762,290		585,225,982
Total Non-current Investments		797,948,588		637,411,977
Aggregate value of unquoted investments		797,948,588		637,411,977
Bonds and Convertible Bonds (Quoted)				
Foreign Currency Bonds				
MUTHIN 6.125 10/31/22	9,925,000	751,931,833	9,925,000	725,509,173
MGFLIN 5.9 01/13/23	5,950,000	456,646,011	5,950,000	447,293,743
DIALIN 6 1/8 02/03/22	-	-	50,000	3,702,311
EXIMBK 3.875 03/12/24 GMTN	700,000	54,642,192	-	-
ONGCIN 4.625% 07/15/24	103,000	7,873,985	103,000	7,621,977
PERTIJ 5 5/8 05/20/43	4,000	284,018	4,000	273,549
AXSBIN 2.875% 06/01/21	-	-	70,000	5,114,269
SBIIN 4.875% 04/17/24	1,673,000	133,462,511	-	-
IIBIN 3.875 04/15/22 EMTN	10,000,000	757,827,104	10,000,000	729,184,687
CBKIN 3.25% 08/10/22	12,550,000	954,101,636	10,000,000	737,046,736
NTPCIN 3.75 04/3/24	1,300,000	102,460,142	-	-
JSTLIN 5.25 04/13/22	2,500,000	189,664,635	-	-
POWFIN 3.25 09/16/24	2,700,000	211,800,455	-	-
SRLAN 6.2% 05/11/27	25,000	1,926,349	25,000	1,863,172
AXSBIN 3% 08/08/22	5,271,000	400,118,330	7,271,000	534,164,928
TATAIN 5.45% 01/24/28	1,000	74,304	1,000	71,474
BPCLIN 4.375 01/24/22 EMTN	-	-	5,700,000	416,798,177
SBIIN 4 01/24/22	-	-	1,000,000	73,041,034
BOBIN 3.875 04/04/24 EMTN	2,000,000	157,908,240	-	-
BPCLIN 4.625% 10/25/22	3,000,000	230,060,100	3,000,000	226,402,181
POWER GRID CIL 3.875% 01/17/23	6,000,000	460,116,761	6,000,000	450,237,664
RECLIN 4.75 05/19/23 REGS	4,400,000	339,756,848	4,400,000	332,913,995
IOCLIN 5.625% 08/02/21	-	-	743,000	54,922,649
IOCLIN 5.75% 08/01/23	2,800,000	221,990,834	2,800,000	221,029,599
NTPCIN 4.75% 10/03/22	400,000	30,732,546	400,000	30,425,936
SBIIN 4.5% 09/28/23	-	-	2,000,000	155,596,754
ONGCIN 3.75% 05/07/23	2,480,000	192,214,168	2,480,000	189,074,650
POWFIN 3.75 06/18/24 EMTN	3,000,000	237,247,368	2,000,000	155,374,222
TATAIN 5.95% 07/31/24	9,848,000	791,776,221	5,000,000	393,285,082
HDFCIN 8.22 03/28/22	-	-	25,128,129	1,691,739,520
BOBIN 3.5% 04/04/22	11,000,000	833,704,845	11,000,000	803,261,473
Total Foreign Currency Bonds		7,518,321,436		8,385,948,955
Total		7,518,321,436		8,385,948,955
Less: Provision for diminution		61,782,031		1,370,018
Total Bonds and Convertible Debentures		7,456,539,405		8,384,578,937
Total Current Investments		7,456,539,405		8,384,578,937
Aggregate value of quoted investments		7,456,539,405		8,384,578,937
Aggregate market value of quoted investments		7,466,144,351		8,575,548,139
Aggregate value of unquoted investments		-		-
Total investments		8,254,487,993		9,021,990,913

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Forming part of the Financial Statements as at 31st March, 2022

3.9 LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31 st March, 2022	As at 31 st March, 2021
a. Security Deposits		
Unsecured, considered good	1,596,823	1,567,589
	1,596,823	1,567,589
b. Loans and advances to related parties		
Unsecured, considered good	22,737,750	241,263,000
	22,737,750	241,263,000
Total	24,334,573	242,830,589

3.10 TRADE RECEIVABLES

(Amount in ₹)

	As at 31 st March, 2022	As at 31 st March, 2021
Unsecured, considered good, unless otherwise stated		
Trade receivables exceeding six months from the date they are due for payment	12,799,909	14,932,352
Others	108,234,906	132,056,696
Considered doubtful		
Less: Provision for doubtful debts	(12,799,909)	(14,932,352)
Total	121,034,815	146,989,048

3.11 CASH AND CASH EQUIVALENTS

(Amount in ₹)

	As at 31 st March, 2022	As at 31 st March, 2021
Balances with banks:		
On current accounts	1,382,154,121	1,565,032,368
Total	1,382,154,121	1,565,032,368

3.12 OTHER CURRENT ASSETS

(Amount in ₹)

	As at 31 st March, 2022	As at 31 st March, 2021
Interest accrued on Bonds	100,421,932	85,623,453
Margin money for Derivatives	24,914,645	98,326,684
Prepaid expenses	8,692,085	12,578,724
MTM on Derivatives	-	86,623,872
Total	134,028,662	283,152,732

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3.13 OTHER INCOME

	(Amount in ₹)	
	As at 31 st March, 2022	As at 31 st March, 2021
Interest income on Loans	103,957,280	36,051,687
Other income	1,395,064	918,182
Total	105,352,344	36,969,870

3.14 EMPLOYEE BENEFIT EXPENSE

	(Amount in ₹)	
	As at 31 st March, 2022	As at 31 st March, 2021
Salaries, bonus and allowances	69,024,349	74,570,145
Gratuity	821,995	987,286
Expenses on Stock appreciation rights	13,919,014	28,025,427
Deferred Incentive	6,385,558	620,663
Staff welfare expenses	1,953,022	2,398,977
Total	92,103,937	106,602,498

3.15 FINANCE CHARGES

	(Amount in ₹)	
	As at 31 st March, 2022	As at 31 st March, 2021
Interest on borrowings	90,923,868	29,950,415
Interest on overdraft	9,365,741	7,371,437
Bank charges	2,127,148	2,458,428
Total	102,416,757	39,780,279

3.16 OTHER EXPENSES

	(Amount in ₹)	
	As at 31 st March, 2022	As at 31 st March, 2021
Auditor's remuneration	3,372,547	2,266,695
- Statutory fees	3,341,308	2,238,138
- Reimbursement of expenses	31,238	28,557
Communication expenses	3,336,022	4,690,512
Net custodial charges	1,543,734	4,587,244
Legal & professional charges	25,492,449	25,035,740
License Fees	1,577,251	1,484,448
Miscellaneous expenses	14,331,518	13,463,620
Membership Fees	4,319,773	2,307,167
Rent	2,005,561	2,390,569
Travel expenses	1,443,135	1,602,409
Business Sourcing Expenses	-	1,023,401
Insurance Charges	3,598,151	3,374,026
Other expenses	447,038	884,118
Provision on other receivables	(2,634,854)	1,214,293
Royalty Expenses	2,724,102	1,478,095
Total	61,556,426	65,802,336

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Forming part of the Financial Statements as at 31st March, 2022

3.17 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.

3.18 CONTINGENT LIABILITY

Guarantee secured against margin deposit in Dubai amounted to ₹1,031,915 (previous year ₹9,95,392)

3.19 CAPITAL COMMITMENT

The Company has made a total commitment of ₹ 75,79,25,000 (Previous year ₹ 73,11,00,000) of which ₹ 64,24,49,972 (Previous year ₹ 55,20,14,569) was called upon by Core Infrastructure India Fund Pte. Ltd. till 31st March 2022. The Company will be called upon at a later date to pay ₹ 11,54,75,027 (Previous year ₹ 17,90,85,430) to meet its total commitment in Core Infrastructure India Fund Pte. Ltd.

3.20 SHORT-TERM BORROWINGS

The loans from JP Morgan International Bank Ltd., with terms of up to 30 days bear an interest rate of 0.91 % to 1.60 % (2021: 0.79 % to 1.49 %) per annum. The short term loans are secured against bonds held with JP Morgan International Bank Limited, having a fair value of ₹ 7,15,58,03,745 (2021: ₹ 8,55,68,90,832). Loans from Kotak Mahindra Asset Management (Singapore) Pte. Ltd and Kotak Mahindra (UK) Limited are with term of up to 6 months and bear an interest of 0.65% to 1.16%

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

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

Taxes in Mauritius:

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

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

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

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

Taxes in India:

As a tax resident of Mauritius, the Company also expects to obtain benefits under the double taxation treaty between India and Mauritius ("DTAA"). In 2016, the governments of India and Mauritius revised the existing DTAA wherein certain changes were made to the existing tax benefits. The revised DTAA provides for capital gains arising on disposal of shares acquired by a Mauritius company on or after 1 April 2017 to be taxed in India. However, investments in shares acquired up to 31 March 2017 remains exempted from capital gains tax in India

irrespective of the date of disposal. In addition, shares acquired as from 1 April 2017 and disposed of by 31 March 2019 were taxed at a concessionary rate equivalent to 50% of the domestic tax rate prevailing in India provided the Company meets the prescribed Limitation of Benefits ("LOB") clause, which included a minimum expenditure level in Mauritius.

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

Based on the changes on the local tax laws made applicable with effect from financial year 2018-2019, the Company has to now pay long-term capital gains ("LTCG") on transfer of listed equity shares in an Indian company or a unit of equity-oriented mutual fund or a unit of a business trust ("specified securities"). Such LTCG exceeding INR 100,000, from notified purchases, is taxable at 10% (plus surcharge and cess). The cost of acquisition of specified security which is acquired before 1 February 2018, is the higher of (1) actual cost of acquisition and (2) lower of (a) the fair market value as at 31 January 2018 and (b) full value of the consideration received on the transfer of the security.

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Forming part of the Financial Statements as at 31st March, 2022

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

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

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

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

3.22 DERIVATIVES

Currency forwards

During the year, the Company has entered into various non-deliverable currency forwards in order to hedge its investments in Indian Rupee. The details of outstanding contracts as at 31 March 2022 and the corresponding fair values are shown below:

Non deliverable forwards

Currency Pair	Fair value	Notional Contract Value
USD-INR	USD	USD
31st March, 2022	(9,482)	Long: 1,000,000
31 st March, 2021	(63,569)	Long: 1,000,000

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

Reporting period	Unrealised Gain/(Loss)	Notional Contract Value
USD	USD	
31st March, 2022	(7,500)	(13,000,000)
31 st March, 2021	(247,451)	(16,000,000)

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

Reporting period	Unrealised Gain/(Loss)	Notional Contract Value
USD	USD	
31st March, 2022	-	-
31 st March, 2021	1,184,843	25,128,219

Summary and total outstanding derivative financial instruments outstanding as at March 31, 2022

	As on 31 st March, 2022		As on 31 st March, 2021	
	Fair Value USD	Notional USD	Fair Value USD	Notional USD
Foreign Currency Forward Contracts	(9,482)	Long: 1,000,000	(63,569)	Long: 1,000,000
Total Return Swap	-	-	1,184,843	25,128,219
Interest Rate Swap	(7,500)	(13,000,000)	(247,451)	(16,000,000)
Total	(16,982)	(12,000,000)	873,823	10,128,219

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Forming part of the Financial Statements as at 31st March, 2022

3.23 EARNINGS PER EQUITY SHARE

(Amount in ₹)

Particulars	As on 31 st March, 2022	As on 31 st March, 2021
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	440,285,823	864,230,491
Weighted average number of equity shares used in computation of basic earnings per share (B)	4,081,650	4,081,650
Nominal value of Equity shares	₹1	₹1
Basic and diluted earnings / (loss) per share (₹) A/B	107.87	211.74

3.24 STOCK APPRECIATION RIGHTS (SARS)

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

The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 3.43 years to 4.11 years.

Detail of activity under SAR is summarized below:

No. of SARs

Particulars	For the year ended 31 st March, 2022	For the year ended 31 st March, 2021
Outstanding at the beginning of the year	49,294	70,425
Granted during the year	12,230	13,130
Additions/Reduction due to transfer of employees	-	(1,510)
Exercised during the year	26,217	32,751
Expired/Forfeited during the year	30	-
Outstanding at the end of the year	35,277	49,294

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

(Amount in ₹)

Year ended March 31,	2022	2021
Total Employee Compensation Cost pertaining to cash-settled options	13,919,014	28,025,427
Closing balance of liability for cash-settled options	13,241,272	19,586,872

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 ₹ 9,60,217 (Previous year ₹ 19,40,616) and the profit after tax would have been lower by ₹ 9,31,410 (Previous year ₹ 18,82,397).

3.25 DEFERRED TAX

(Amount in ₹)

Particulars	As on 31 st March, 2022	As on 31 st March, 2021
Opening Balance	58,218	141,765
Additions/(deductions) during the period	(52,844)	(58,219)
- due to expense of share based payment cash settled	(47,470)	25,328
- due to translation		
Closing Balance	52,844	58,218

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Forming part of the Financial Statements as at 31st March, 2022

3.26 Transactions and balances arising from the Participating Notes Programme ("Notes Programme") of the Company

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

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

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

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

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

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

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

	(Amount in ₹)	
	As on 31 st March, 2022	As on 31 st March, 2022
Fee income from dealing in securities	245,866,908	327,043,005
Amount due from clients	-	1,273,877
Amount due to clients	-	1,369,395,628
Amount due from broker	-	-

3.27 RELATED PARTY TRANSACTIONS

Particulars	(Amount in ₹)			
	Volume of transaction for the year ended		Receivable/(Payable)	
	31 st March, 2022	31 st March, 2021	31 st March, 2022	31 st March, 2021
Related Parties	Kotak Mahindra (UK) Limited	Associate	Custody fees	44,173
			Referral expenses	15,142
			Distribution fees Expenses	138,433,402
			Calculation agency expense	447,038
			Referral income	6,885,222
			Interest expense	4,018,787
			Short term loan	-
			Current account	-
			Payable	-
	Kotak Investment Advisors Limited	Fellow Group Entity	Advisory expense	12,030,593
	Kotak India Realty Fund	Investment Manager	Investment management fee	21,100,091

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Particulars			Volume of transaction for the year ended		Receivable/(Payable)	
Related Parties	Nature of relationship	Nature of transactions			Balance as at	
			31 st March, 2022	31 st March, 2021	31 st March, 2022	31 st March, 2021
Kotak India Venture (Offshore) Limited	Investment Manager	Investment management fee	-	-	7,390,622	5,236,723
		Dividend income	21,755,830	-	-	-
Kotak India Private Equity Fund	Investment Manager	Investment management fee	-	-	23,095,118	4,166,466
Kotak India Private Equity Fund - III	Investment Manager	Investment management fee	-	-	52,030,793	50,189,284
		Dividend Income	-	-	-	-
K-India Opportunities Fund Limited	Investment Manager	Investment Management, performance, service fee income & interest income	176,340,305	83,704,353	6,032,462	2,655,355
		-	-	-	-	-
Kotak Securities Limited	Fellow Group Entity	Equity & derivative brokerage expenses	326,724	1,091,820	-	-
Kotak Mahindra Financials Services Limited	Associate	Loan given	-	-	22,737,750	21,933,000
		Interest Income	447,038	890,797	-	-
		Upfront & referral fees expenses	-	-	-	-
Kotak Mahindra, Inc.	Fellow Group Entity	Loan	-	-	-	219,330,000
		Interest Income	593,927	4,203,598	-	-
		Referral expenses	91,672,639	58,552,025	(1,196,991)	(5,048,757)
		Referral income	3,574,942	2,922,928	-	-
Kotak Mahindra Bank Limited	Holding Company	Clearing Charges, outsourcing expenses & advisory expenses	16,000,527	15,207,616	(1,092,528)	(226,787)
		Interest Expenses	-	-	-	-
		Bank Balances	-	-	-	11,312,457
Kotak Mahindra Asset Management Company Limited	Fellow Group Entity	Investment advisory fees expenses	39,049,839	35,647,774	-	(2,958,250)
		Interest income	-	-	-	-
Kotak Mahindra Mutual Fund	Fellow Group Entity	Referral/ trail fees income	949,020	1,390,015	335,539	502,631
Kotak Infinity Fund	Investment Manager & other services	Investment management, performance & service fee income	32,297,417	54,591,393	427,328	5,395,372
Kotak Advantage Fund X	Investment Manager	Investment management income	1,256,200	1,110,824	129,964	135,985
Kotak Advantage Fund XI	Investment Manager	Investment management income	1,867,873	1,500,919	173,729	308,451
Kotak Fixed Term Fund-XII	Investment Manager	Investment management income	-	-	-	-
Kotak India Advantage Fund II	Investment Manager	Investment management income	-	-	-	16,815
Kotak India Advantage Fund IV	Investment Manager	Investment management income	3,754,988	3,974,960	292,949	304,503
Kotak Fixed Term Fund-IX	Investment Manager	Investment management income	-	-	-	1,529,023
IQ EQ Fund Services (Mauritius) Limited	Administrator	Administration & payroll expense	1,331,725	742,331	-	934,419
Kotak Mahindra Asset Management (Singapore)Pte. Limited	Fellow Group Entity	Portfolio Advisory Expenses	23,719,232	19,419,423	10,615	(953,559)
		Loan	-	-	(1,004,250,625)	(584,880,000)
		Interest expense	8,346,958	1,182,841	-	-
K Global Advantage Fund	Investment Manager	Investment management fees	3,916,063	3,101,236	427,622	(985,888)
Kotak India Advantage Fund I	Investment Manager	Investment management fees	-	-	1,045,645	1,005,263
Kotak Pre IPO Opportunities fund	Investment Manager	Investment management fees	2,268,930	-	-	-
Global Auditus Fund	Investment Manager	Investment management fees	-	-	4,527,163	3,182,659
Directors remuneration included in "Employee cost"			31,440,222	31,324,958	-	-

During the year compensation to Key Managerial Personnel was ₹ 3,22,35,800 (Previous year ₹ 2,71,71,946).

Schedules

Forming part of the Financial Statements as at 31st March, 2022

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

3.29 GOING CONCERN

"COVID-19 has had an extraordinary impact on macroeconomic conditions around the world post declaration of it as a pandemic by World Health Organisation in March 2020. Nation-wide lockdown in April-May 2020 followed by localised lockdown were imposed to restrict the spread in areas with significant number of cases. The restrictions were gradually lifted leading to improvement in economic activity. This was followed by two waves of COVID-19 with outbreak of new variants which led to the re-imposition of regional lockdowns which were subsequently lifted supported by administration of the COVID vaccines to a large population in the country.

The world is emerging from the Covid-19 pandemic. The extent to which any new wave of COVID-19 pandemic will impact the Company's/ Bank's results will depend on ongoing as well as future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic, and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

Management have made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for a period of 12 months from the date of sign off of these financial statements. As part of management's assessment, consideration was given to the future profitability of the Company including stress testing profitability, assessment of balance sheet and recoverability of assets and regulatory capital requirement.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.30 EVENTS AFTER REPORTING DATE

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

In terms of 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

Mumbai

Dated: 29 April 2022

Neeraj Malhotra

Director & CEO

Dated: 29 April 2022

Thirumagen Vaitilingon

Director

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C/o IQ EQ Fund Services (Mauritius) Ltd,
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11324, Mauritius

Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 12499/712