

2016-17



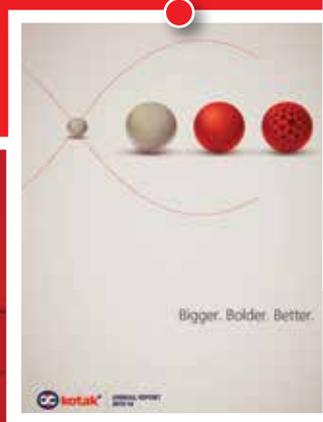
2015-16



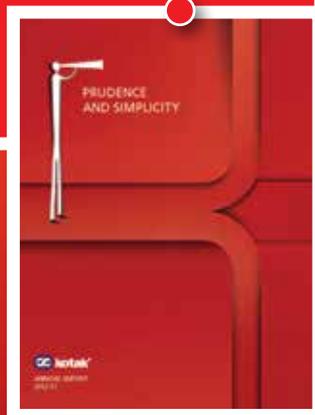
# Actions speak.



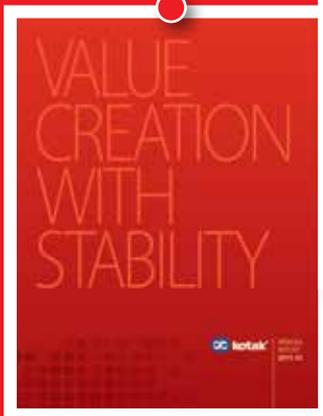
2014-15



2013-14



2012-13



2011-12

# BOARD'S REPORT

To the Members of

## **Kotak Mahindra Asset Management Company Limited**

Your Directors present their Twenty Fourth Annual Report together with the Audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2018.

### **1. FINANCIAL HIGHLIGHTS**

(₹ in Lakh)

	Year ended 31 <sup>st</sup> March, 2018	Year ended 31 <sup>st</sup> March, 2017
Gross income	51,890	29,124
Profit before Depreciation and Tax	13,353	6,645
Depreciation	907	786
Profit before Tax	12,445	5,860
Profit after Tax	8,121	3,823
Balance of Profit from previous years	10,212	6,389
Amount available for appropriation	18,334	10,213
Appropriations		
Transfer to Capital Redemption Reserve	850	
Dividend on Preference Shares	72	-
Corporate Dividend Tax thereon	15	-
Transfer to General Reserve	81	
Surplus carried forward to the Balance Sheet	17,316	10,213

### **2. DIVIDEND**

Your Directors have not recommended payment of any dividend on equity shares for the year ended 31<sup>st</sup> March, 2018.

### **3. SHARE CAPITAL**

The issued, subscribed and paid share capital of the Company is ₹ 29,80,00,000/- divided in to 2,98,00,000 Equity Shares of ₹10/- each.

During the year, the Company had redeemed 85,00,000, 8.5% Cumulative Convertible Preference Shares of ₹ 10/- each held by Kotak Securities Ltd.

### **4. REVIEW OF OPERATIONS OF THE COMPANY**

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

The growth in the mutual funds industry continues at impressive pace. The industry registered a growth of 26% for FY18 with the Quarterly Average Assets Under Management (QAAUM) for Q4-FY18 at ₹ 23.05 Lakh crore.

On the basis of percentage growth in QAAUM, KMAMC is among the fastest growing Mutual Fund houses - Among the top 10 Fund Houses by QAAUM. The QAAUM which stood at ₹ 1,24,691 crore for Jan-Mar 2018 has seen growth of around 35% YOY and 270% in last 3 years. The KMAMC continues to be the 7<sup>th</sup> largest Fund

House in the country in terms of QAAUM. Market Share in QAAUM has grown to 5.41% from 3.73% from 3 years back. The cumulative number of non-gold SIPs with the mutual fund stood at ₹ 9.67 Lakh at the financial year end as compared to ₹ 3.96 Lakh in FY-17.

There has been significant growth in the portfolio management activity during FY-18. The Company ended the year with AUM of ₹ 3,761.88 crore against ₹ 1,439.81 crore as on 31<sup>st</sup> March, 2017.

The AAUM of the Company for FY 18 was ₹ 115,398 crores against ₹77,091 crores in FY-17, a growth of 50%. Consequently, the overall revenue from operations grew by 75% to ₹501.99 crores from ₹ 286.11 crores. The overall costs grew to ₹ 393.13 crores in FY-18 against ₹ 232.64 crores in FY-17, a growth of 70%. Hence, the overall profit before tax has increased to ₹ 125.76 crore compared to ₹58.6 crores in the previous year.

#### **New schemes launched:**

- One close ended diversified equity fund was launched which garnered a total of ₹ 428.23 crores
- Sixteen Fixed Maturity Plans (FMPs) were launched which collected ₹ 4,202.46 crores during their NFO periods.

#### **Digitization initiatives:**

- Simplified the journey for online purchase transactions, which resulted in 4.6x growth. (From 45K in FY17 to 2.11 Lakh in FY18)
- Developed an automated follow-up mechanism for transaction drop
- Introduced Zero Balance folio creation flow for Investors, which increased the folio acquisition by approx. 6 times
- Online user IDs saw a growth of 3.70 times with over 97,700 new IDs being created
- Go Digital, a distributor support initiative to help create a white labelled app helped enrol over 900 Distributors. This helped in increasing the market share by 85 bps in Gross Sale & 109bps in SIP Gross sale

#### **Market influences:**

##### **Equity Market Overview:**

FY-18 can easily be dubbed as the 'Year of Reforms'. Reform measures such as the implementation of the GST (Goods and Services Tax), and the Insolvency and Bankruptcy Code (IBC) were some of the major initiatives of the year. In fact, as a recognition of the pace of India's reforms initiative, the rating agency Moody's upgraded India's sovereign rating to BAA2 from BAA3 (the last rating upgrade by Moody's was in January 2004). While the domestic economy saw the initiation reform measures, the cues from across the globe have been rather volatile. The recent imposition of import tariffs by the US on steel and aluminum imports along with other import duties on goods from China have resulted in fears of an escalating global trade war. India has been largely immune so far but the evolving global trade situation along with the action of the US Federal Reserve warrants close monitoring.

One of the key concern in the past year has been that the upward move in the markets was not supported by strong earnings growth. While earnings growth has been muted for the last few years, we now think that the trend is about to reverse and corporate earnings are set for a recovery and such a recovery would be one of the main pre-conditions to the market sustaining current valuations. This earnings recovery would, in our opinion, be led by the macro policies and reforms agenda, a boost to infrastructure spending, export growth supported by global growth revival, a robust consumer demand (including improvement in rural demand) and a nascent recovery in private capex.

On earnings recovery, a recovery in overall capital formation cycle would be a key factor apart from growth in consumption. While the key driver for capex in the economy would continue to be public spend, the private capex cycle should also benefit from three years of low average lending rates, better corporate profitability, more FDI into

manufacturing and infrastructure and a renewed focus on housing. Public capex growth is likely to remain healthy with a focus on roads, rural development and affordable housing.

Apart from the factors mentioned above, the pace of resolution of NPLs (Non-Performing Loans) and the repair of the balance sheets of corporate private sector banks and state owned banks would play a role in the revival of private sector investments in India. In this regard, the plan to infuse INR 2.11 Lakh crore of capital into Public Sector Banks through a mix of recapitalization bonds, capital infusion as planned in the budget and fresh raise from the market, stand in good stead. Over time, as the resolution of big ticket NPLs gather pace, the cycle of low capital and low growth could be broken, resulting in a pick-up in credit growth.

While FY-18 was the year of reforms, in FY-19, the focus of the Government will be on consolidation and building on reforms like GST, bank recapitalization plan, bankruptcy and insolvency process. In this context, we would also await the recommendation of the Committee on Direct Tax reforms with the focus on improving tax buoyancy and compliance. The later part of 2018 will see many states coming up for elections, the outcome of which could have a bearing on many macro parameters and set the expectations for the General Elections scheduled in 2019.

Against this backdrop, we expect the Nifty to report mid-teens earnings growth in FY19E. The large cap Nifty Index is currently trading at 18.5x FY19E EPS and 15.1x FY20E EPS (on a free float basis). While valuations do not appear to be cheap, the expectations of a better year for corporate earnings is what is supporting the markets. However, as earnings recovery takes place, the overall macro indicators appear challenging, especially on the back of a rising current account deficit (CAD). The fiscal deficit too needs close monitoring given the election-heavy calendar. All these factors would mean navigating the equity market in FY-19 would be more challenging than in FY-18 with volatility being a key factor to contend with.

With improving corporate earnings, we too would continue to follow our investment philosophy of Growth at a Reasonable Price (GARP) with the aim of investing in companies which have the potential to report earnings growth higher than the market, strong balance sheet position and stable management.

## **Debt Market Overview**

FY-18 was largely an uphill journey for the fixed income markets. The 10-yr gilt yields moved from 6.65% levels at the beginning of April 2017 to 7.39% levels at the end of March 2018, i.e. a rise of almost ~75 bps (i.e. 0.75%).

Barring the 25bps rate cut announced in the August 2017 meeting, the RBI's Monetary Policy Committee (MPC) maintained a hawkish commentary throughout FY-18. This combined with the RBI's unabated bond sales through Open Market Operations (OMO) continued the sell-off in yields through the first three quarters of the year. As a double whammy, towards the end of Q3FY18 the RBI deputy governor, while addressing a forum of bankers, expressed the institution's wariness towards intervening and arresting the tailspin of gilt yields. This immediately led to a drastic drop in demand for longer maturity gilts, especially from banking quarters.

FY-18 did see some positive events - India's credit rating upgrade from Moody's, positive outlook from S&P and cancellation of the RBI's OMO sale. However, these positives were eclipsed by rising inflation numbers; the US Fed's December rate hike and a guidance of three more hikes in 2018; hardening crude prices; expectations of fiscal slippage in FY-19 – and the bond yields continued their upward march. An upward revision of government's budgeted expenditure for FY-18, by ₹ 73,000 crores and a revision of the earlier 3.2% fiscal deficit target to 3.5% mark, added to the bond investors' woes.

The key influencers of interest rates in FY-18 were fiscal deficit, inflation, liquidity in the banking system, GDP and growth rates and global impact from actions and policies of other central bankers.

Towards the last quarter of the year, the benchmark yields touched a high of 7.80% in the penultimate week of the year. However, in the last week of FY-18, the Government announced a reduction in their FY-19E expenditure by ₹ 50,000 crores and slashed their H1FY-19 budgeted expenditure to ~47% of the annual target. This led the

overly-cautious and jittery bond markets to cool down and the benchmark 10-yr gilt ended the year at 7.39%.

This announcement by the Government was a strong measure to arrest the sell-off in bond yields and to boost demand for bonds. It was also a bold move given that FY-19 is going to be an election year for states as well as the centre. Perhaps, one may safely assume that the Government is positive on its GST collections. If so, the large-scale structural reforms undertaken in FY-18 will start reaping benefits in the coming year.

Since the year gone by has displayed excessive pessimism w.r.t. bond yields and has also discounted negative news multiple times, we expect a more muted impact on rates in FY-19. We base our outlook on the premise that crude prices shall remain range bound within \$60 - \$70 / barrel, for FY-19.

On the inflation front, the immediate footprint of inflation is likely to be positive. However, headline is likely to rise till June and then fall for the remaining part of the year. Monsoon, MSP and crude will play a key role in the headline inflation trajectory in H2FY-19. The RBI has revised its inflation expectations downwards for FY-19. This, in addition to the RBI MPC's dovish tone in the April 2018 meeting, indicates a longish pause on interest rates for the bulk of FY-19.

From the fiscal deficit point of view, we expect FY-18 to end with a fiscal deficit of 3.5% ( $\pm 0.2\%$ ); and fiscal deficit for FY-19 to be in the range of 3.2% ( $\pm 0.2\%$ ).

We believe India's macro-economic story is evolving and with most of the pessimism already discounted by the bond markets, we do not expect to see any grave or adverse impact on the bond yields in FY-19.

#### KEY SEBI Circulars

##### SEBI circulars:

- a) **SEBI/HO/IMD/DF2/CIR/P/2017/39 dated May 8, 2017 - Instant Access Facility and Use of e-wallet for investment in Mutual Funds – which permits instant payment of redemption proceeds up to ₹50,000 and accepting investment by investors through e-wallets (prepaid Payments instruments (PPI)) up to ₹ 50,000.**
- b) **SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017 – Norms for participation in interest rate derivatives by Mutual Funds.**
- c) **SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017 and December 4, 2017 - Categorization and Rationalization of Schemes of Mutual Fund.**

SEBI, vide the referred circulars has stated that all open ended schemes of Mutual Fund would be now broadly classified in the following groups

- Equity Schemes
- Debt Schemes
- Hybrid Schemes
- Solution Oriented Schemes
- Other Schemes

This is expected to provide a level playing field in the market place and also enable easier comparison for investors of MF schemes across the industry.

- d) **SEBI/HO/IMD/DF3/CIR/P/2018/04 dated January 4, 2018 - Benchmarking of Scheme's performance to Total Return Index against the earlier Price Return Index.**
- e) **SEBI/HO/IMD/DF2/CIR/P/2018/15 dated February 2, 2018 - Charging of additional expenses of upto**

0.20% in terms of Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996 has since been reduced to 0.05% for schemes which do not levy exit load or are not leviable.

- f) SEBI/HO/IMD/DF2/CIR/P/2018/16 dated February 2, 2018** - Review of additional expenses of up to 0.30% towards inflows from beyond top 15 cities (B15) – The said additional expenses has been restricted to inflows from Beyond Top 30 cities against the earlier Top 15 cities.
- g) SEBI/HO/IMD/DF2/CIR/P/2018/18 dated February 5, 2018 - Total Expense Ratio ( TER)** – change and disclosure. – In order to prevent frequent changes in TER and appropriate disclosure to investors, SEBI has directed that all increases be subject to prior notice and reductions be notified to investors.

Thus the focus of SEBI has been on increased transparency, reduction of costs in the hands of the unit holders and product standardization in the industry. All this should auger well for the future of the MF industry.

#### Scheme Performance:

The snapshot of the performance for FY-18 is as under:

Equity Schemes	Benchmark	FY 18 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak 50	Nifty 50	9.02	11.76	-2.74
Kotak Balance	CRISIL Hybrid 35+65 - Aggressive Index	6.27	9.96	-3.69
Kotak Classic Equity	Nifty 100	16.42	12.22	4.2
Kotak Emerging Equity Scheme	S&P BSE Mid Small Cap	11.01	16.75	-5.74
Kotak Equity Arbitrage Fund	Nifty 50 Arbitrage Index	6.15	4.36	1.79
Kotak Midcap Fund	Nifty Midcap 100	10.97	10.25	0.72
Kotak Opportunities Fund	Nifty 500	9.25	12.87	-3.62
Kotak Select Focus Fund	Nifty 200	10.7	12.42	-1.72
Kotak Tax saver	Nifty 500	6.25	12.87	-6.62
Kotak Equity Savings Fund	75% Nifty 50 Arbitrage Index and 25% Nifty 50	8.31	6.26%	8.25
Kotak Infrastructure and Economic Reform Fund	S&P BSE 100	10.15	12.12	-1.97

Debt Schemes	Benchmark	FY 18 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak Banking and PSU Debt Fund - Reg - Growth	Crisil Short Term Bond Fund Index	6.54%	6.11%	0.43%
Kotak Bond Scheme - Reg - Growth	Crisil Composite Bond Fund Index	2.70%	5.06%	-2.36%
Kotak Bond Short Term Plan - Reg - Growth	Crisil Short Term Bond Fund Index	5.48%	6.11%	-0.63%
Kotak Flexi Debt Scheme - Reg - Growth	Crisil Composite Bond Fund Index	6.17%	5.06%	1.11%

Debt Schemes	Benchmark	FY 18 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak Floater - ST - Reg - Growth	Crisil Liquid Fund Index	6.79%	6.84%	-0.05%
Kotak Gilt - Investment Regular Plan - Growth	I-Sec Composite Gilt Index	3.34%	5.06%	-1.72%
Kotak Income Opportunities Fund - Reg - Growth	Crisil Short Term Bond Fund Index	6.52%	6.11%	0.41%
Kotak Liquid Scheme - Reg - Growth	Crisil Liquid Fund Index	6.75%	6.84%	-0.09%
Kotak Treasury Advantage Fund - Reg - Growth	Crisil Liquid Fund Index	6.67%	6.79%	-0.12%
Kotak Medium Term Fund – Reg- Growth	Crisil Composite Bond Fund Index	6.55%	5.06%	1.49%
Kotak Corporate Bond Fund Reg – Growth	Crisil Composite Bond Fund Index	6.77%	5.06%	1.71%
Kotak Low Duration Fund – Reg - Growth	Crisil Liquid Fund Index	7.02%	6.79%	0.23%
Kotak Monthly Income Plan	CRISIL Hybrid 85+15 - Conservative Index	5.86%	6.21%	-0.35%

#### Awards:

During FY-18, The company won number of awards, including Thomson Reuters Lipper Fund Award (India Best Group Over 3 Years Equity 2017).

#### Investor Awareness Programme:

KMAMC has been conducting investor awareness programs throughout India. The KMAMC has been making efforts to educate and make prospective investors aware about Mutual Funds. During the Financial year ended 31<sup>st</sup> March, 2018, 440 investor awareness programs were conducted across India and approximately 23,000 investors have attended these programs.

Further, various booklets, leaflets, newsletters explaining the concepts of Mutual Funds were presented and distributed during the various investor meets with an aim to educate investors.

## 5. SUBSIDIARY

Kotak Mahindra Pension Fund Limited (KMPFL), a subsidiary of Kotak Mahindra Asset Management Co. Ltd (KMAMC) was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA) on 30<sup>th</sup> April, 2009. The initial license was for a period of 3 years. Various term extensions were granted by PFRDA for this arrangement of management of Pension Funds.

Request for Proposal (RFP) for selection of Pension Funds for NPS Private Sector Schemes in conjunction with PFRDA (Pension Fund) Regulations, 2015 dated 9<sup>th</sup> September, 2016 called for bids afresh with applications from the sponsors and allowed differential pricing by PFMs with a cap on investment management fee at 0.10 percent per annum. An application was made by the Kotak Mahindra Bank Ltd. to PFRDA on 17<sup>th</sup> October, 2016 as a standalone sponsor for managing NPS assets and to directly hold Kotak Mahindra Pension Fund Ltd (KMPFL) as a subsidiary with a validity period of nine months, from 17<sup>th</sup> October, 2016. Extension of the application, was sought

by PFRDA for a further period of three months from the original date of expiry of the validity period which has expired on 17<sup>th</sup> October, 2017.

KMAMC would continue to act as the Sponsor of KMPFL vide letter dated 24<sup>th</sup> June, 2016 until fresh selection process is initiated by PFRDA under Pension Fund Regulatory and Development Authority (Pension Funds) Regulations, 2015.

KMPFL manages nine schemes. The combined assets under management (AUM) on 31<sup>st</sup> March, 2018 were ₹ 536.17 crores (₹ 312.05 crores as of 31<sup>st</sup> March, 2017) a growth of 71.82%. The overall pension fund industry AUM (including the private and public sectors) has grown from ₹ 1,74,560.94 crores as on 31<sup>st</sup> March, 2017 to ₹ 234,579.00 crores as on 31<sup>st</sup> March, 2018, a growth of 34.38% and the private sector industry AUM has grown from ₹ 3,085.47 crores as on 31<sup>st</sup> March, 2017 to ₹ 5,682.47 crores as on 31<sup>st</sup> March, 2018, a growth of 84.17%.

## **6. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

### **Directors retiring by rotation**

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

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

### **Directors appointed during the year**

No new Director was appointed during the year.

### **Board Evaluation**

A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for the year 2017 - 18. The evaluation was done using individual questionnaires covering various aspect of performance. including composition, relationship among Directors, director competency, contribution to risk management compliance roles and responsibilities, board procedures, processes, functioning and effectiveness.

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

### **Key Managerial Personnel (KMPs)**

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

### **Appointment and Remuneration Policy for Directors and Key Managerial Personnel**

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

The Board has adopted a Remuneration Policy for Managerial Personnel and Senior Management personnel and all other employees. The policy is in line with the Compensation Policy of Kotak Mahindra Bank Ltd., its holding

company, which is based on the Guidelines issued by the Reserve Bank of India. The salient features of the Remuneration Policy are as follows:

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

Approval of the shareholders for payment of profit based commission to Independent Directors and Non-Executive Director (i.e. directors who are not in employment of Kotak Bank or its subsidiaries) of the Company for FY-18 is being sought at the ensuing Annual General Meeting of the Company.

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

## 7. NUMBER OF BOARD MEETINGS

### Board Meetings

During the financial year ended 31<sup>st</sup> March 2018, 5 meetings of the Board of Directors were held.

### Declaration from Independent Directors

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

## **8. COMMITTEES**

### **(A) AUDIT COMMITTEE**

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

During the financial year ended 31<sup>st</sup> March, 2018, 5 meetings of the Committee were held. There was no case where recommendation of the Audit Committee was not accepted by the Board of Directors of the Company.

### **(B) NOMINATION AND REMUNERATION COMMITTEE**

In terms of the requirement of Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee presently consists of Mr. Sukant Kelkar – Chairman, Mr. Bipin R. Shah, Mr. C. Jayaram and Mr. Gaurang Shah, with any two members forming the quorum.

During the financial year ended 31<sup>st</sup> March, 2018, 2 meetings of the Committee were held.

### **(C) CSR COMMITTEE**

In terms of the requirement of Section 135 of the Companies Act, 2013, the CSR Committee presently consists of Mr. Sukant Kelkar – Chairman, Mr. C. Jayaram and Mr. Gaurang Shah, with any two members forming the quorum.

During the financial year ended 31<sup>st</sup> March, 2018, 2 meetings of the Committee were held. During the year under review, to broaden the scope of CSR initiatives, the Company revised the Corporate Social Responsibility Policy.

## **9. AUDITORS**

### **Statutory Auditors**

The Company's Auditors, M/s. S. R. Batliboi and Associates, LLP, Mumbai, Chartered Accountants, retire at the Twenty Fourth Annual General Meeting. M/s. S. R. Batliboi and Associates, LLP, Mumbai, Chartered Accountants, have consented to act as Auditors of the Company and are eligible for reappointment. You are requested to ratify the appointment of the Statutory Auditors for the FY 2018-19 and fix their remuneration.

### **Secretarial Auditors**

Pursuant to Section 204 of the Companies Act, 2013, The Company has appointed Ms. Rupal D. Jhaveri, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2018 is annexed to this Report.

### **INTERNAL FINANCIAL CONTROLS**

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

Certain employees of the Company had misappropriated funds amounting to ₹ 658 Lakh during the current and preceding financial years. An amount of ₹ 65 Lakh has been recovered since then. Recovery proceedings for the balance amount is under progress. Further, the Company has taken steps to put in place appropriate controls in systems and processes.

## **10. RELATED PARTY TRANSACTIONS**

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

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

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

## 11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

## 12. WHISTLE BLOWER POLICY

The Company has also put in place the Whistle Blower Policy to raise concerns internally and to disclose information which the individual believes shows malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any Indian law.

## 13. CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted a Corporate Social Responsibility (CSR) Committee and consists of the following Directors at present:

- Mr. Sukant Kelkar– Chairman (Independent Director)
- Mr. C. Jayaram, Director
- Mr. Gaurang Shah, Director

The Company's CSR Committee drives the CSR programme of the Company. The Company has a Board approved CSR policy, charting out its CSR approach. This policy articulates the Company's aim to positively contribute towards economic, environmental and social well-being of communities through its Corporate Social Responsibility agenda. The Company's CSR agenda is driven by its key focus areas:

- a. Education
- b. Vocational skills and livelihood
- c. Preventive healthcare and sanitation
- d. Reducing inequalities faced by socially and economically backward groups
- e. Sustainable development
- f. Relief and rehabilitation
- g. Clean India
- h. Sports

The Company's CSR Policy is available on the Company's website viz. [assetmanagement.kotak.com](http://assetmanagement.kotak.com)

Pursuant to the provisions of Section 135, schedule VII of the Companies Act 2013 (the Act), read with the Companies (Corporate Social Responsibility) Rules, 2014 the report of the expenditure on CSR by the Company is as under:

The average net profit U/S 198 of the Company for the last three financial years preceding 31<sup>st</sup> March, 2018 is ₹ 2,884.43 Lakh.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2017-18 is ₹ 57.69 Lakh.

The CSR expenditure incurred for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 under Section 135 of Companies Act, 2013 amounts to ₹ 20 Lakh as against ₹10 Lakh CSR spend in the financial year 2016-17. The unspent amount for FY2017-18 is ₹ 37.69 Lakh.

CSR expenditure of ₹ 20 Lakh in FY 2017-18 as a percentage of average net profit U/S 198 of the Company at ₹2884.43 Lakh is 0.69 %.

The Company has been spending CSR budgets on sectors and programmes, which have been approved by the Board CSR Committee and the Board. The Company's CSR spending is guided by the vision of creating long-term benefit to the society. The Company is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. The Company identifies suitable NGO partners for carrying out its CSR programmes and undertakes CSR programmes that are scalable, sustainable and have the potential to be replicated across locations and create a sustainable and measurable impact in the communities that it is working with. Most of the CSR programmes are - in sectors such as education, health, livelihood and environmental to name a few, designed for medium to long term period and the full implementation of the programmes takes several years. Further, the CSR footprint – both sectorally and geographically, and expenditure have been consistently increasing over the years and the Company is committed to stepping-up its CSR programmes and expenditure in the years ahead. In FY 2016-17, the Company's CSR spend was ₹ 10 Lakh , in FY 2015-16 it was ₹2 Lakh. In the reporting period, FY 2017-18, the CSR expenditure was to ₹ 20 Lakh. Your Company does not consider "administrative overheads" as a part of its CSR spends.

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2016-17 is enclosed.

#### **14. RISK MANAGEMENT**

SEBI circular MFID/CIR/15/19133/2002 dated September 30, 2002 governs Mutual Funds on Risk Management. The said circular details guidelines in the areas of Fund Management, Operations, Customer Service, Marketing and Distribution and other business risks. These practices are being audited by the Internal Auditors and the audit report on risk management is presented to the Boards of the Company and Kotak Mahindra Trustee Company Limited, every six months. Over and above this, SEBI has mandated a system audit for mutual funds to be conducted once every two years, by an independent auditor. The same has been implemented by the Company.

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

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

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

##### **Liquidity Management**

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

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

The Company invests its surplus funds in the Liquid Schemes of the Kotak Mahindra Mutual Fund. The Company's surplus funds were invested by the authorized personnel of the Company as per the mandate of the Board of Directors. The Company also has Manual of Policies and Procedures for expenditure management (including

capital and revenue). All expenses during the year were in accordance with the policy. Additionally, the Company has invested in the growth option of all its open ended schemes in accordance with the guidelines as specified under SEBI (Mutual Fund) Regulations, 1996.

## 15. EMPLOYEES

The employee strength of your Company was 397 as of 31<sup>st</sup> March, 2018.

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

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

## 16. DEPOSITS

The Company neither invited nor accepted any deposit falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014 from the public during the year. Also, there are no deposits due and outstanding as on 31<sup>st</sup> March, 2018.

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

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

During the financial year ended 31<sup>st</sup> March, 2018 the Company's foreign exchange income was ₹ 3.24 crores (Previous year ₹ 2.59 crores), while the outgo was ₹ 1.78 crores (Previous year ₹ 1.40 crores)

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

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

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

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

## 20. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. The Company has, in the preparation of the annual financial statements for the financial year ended 31<sup>st</sup> March, 2018, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2018 and of the Profit of the Company for the year ended 31<sup>st</sup> March, 2018;

- iii. The Directors had taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the annual financial statements on a going concern basis; and
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## **ANNEXURES**

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

- (a) Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of Companies (Management & Administration) Rules, 2014. (Annexure – A).
- (b) Report on CSR activities pursuant to the provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – B).
- (c) Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013(Annexure C).

## **ACKNOWLEDGEMENT**

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

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

**For and on behalf of the Board of Directors**

**UDAY KOTAK**

(DIN 00007467)

**CHAIRMAN**

Mumbai

Dated: April 24, 2018

**FORM MR-3****SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2018**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

**KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kotak Mahindra Asset Management Company Limited** (hereinafter called the "Company").

Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the **Kotak Mahindra Asset Management Company Limited's** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **Kotak Mahindra Asset Management Company Limited** for the financial year ended on 31<sup>st</sup> March 2018, according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there under;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
3. The Depositories Act, 1996 and the Regulations and Bye- Laws framed there under;
4. Foreign Exchange Management Act, 1999 ('FEMA') and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, overseas Direct Investment and External Commercial Borrowings **(Not Applicable)**;
5. The laws prescribed under Securities and Exchange Board of India Act, 1992 to the extent applicable:-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. **(Not Applicable)**;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not Applicable)**;
  - f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client;

- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not Applicable)**;
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not Applicable)** and;
  - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **(Not Applicable)**;
6. The Company being an Asset Management Company, the acts, laws and regulations specifically applicable to the Company are given below:
- a) The Securities and Exchange Board of India (Mutual funds) Regulations, 1996 as amended;
  - b) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;

The Company has its own robust compliance system and the Company is also subject to monitoring by and reporting of compliances to SEBI.

7. Other laws to the extent applicable to the Company as per the representations made by the Company;

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

- (i) Secretarial Standards 1, 2 and 3 issued by The Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the above mentioned Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. and have observed following:

### **Companies Act, 2013**

1. *The Company has a wholly owned subsidiary- Kotak Mahindra Pension Fund Limited, but it fulfils criteria for exemption stated under second proviso to Rule 6 of the Companies (Accounts) Rules, 2014. Accordingly, provisions with respect to consolidation of accounts stated under Sub- Section (3) of Section 129 of the Companies Act, 2013 are exempt to the Company.*

*Further, the requirement of attaching along with its financial statement, a separate statement containing salient features of the financial statement of its subsidiary is pursuant to first proviso to Sub- Section (3) of Section 129 of the Companies Act, 2013 and hence, in the opinion of the Company the same is not required to be attached with the financial statements.*

### **I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non- Executive Directors and Independent Directors. There was no change in the composition of the Board of Directors that took place during the review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent atleast seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Company were carried out unanimously. There were no dissenting views by any member of the Board of Directors during the period under review.

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

I further report that during the audit period in my opinion, there are no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules regulations, guidelines, standards, etc. referred to above.

**Rupal Dhiren Jhaveri**

Place: Mumbai

Date: 17<sup>th</sup> April, 2018

FCS No: 5441

Certificate of Practice No. 4225

*This report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report*

#### **Annexure A**

To,

The Members,

#### **KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

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

#### **'Annexure A'**

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

**Rupal Dhiren Jhaveri**

Place: Mumbai

Date: 17<sup>th</sup> April, 2018

FCS No: 5441

Certificate of Practice No. 4225

# Form No. MGT-9

**Extract of Annual Return  
as on the financial year ended on March 31, 2018**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS:

1. CIN	U65991MH1994PLC080009
2. Registration Date	August 2, 1994
3. Name of the Company	Kotak Mahindra Asset Management Company Limited
4. Category/Sub-Category of the Company	Public Company limited by shares
5. Address of the Registered office and contact details	27 BKC, Plot No. C - 27, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051, Maharashtra, INDIA Tel No. : (022) 61152100 Fax No.: (022) 67082213
6. Whether listed Company (Yes/No)	No
7. Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sr. No	Name and Description of Main Product/ Services	NIC Code of the Product	% to total turnover of the Company
1.	Management of Mutual Funds	66301	81.99%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sr. No	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Kotak Mahindra Bank Limited <b>Address:</b> 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051	L65110MH1985PLC038137	Holding Company	100%	2(46)
2.	Kotak Mahindra Pension Fund Limited <b>Address:</b> 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051	U67200MH2009PLC191144	Subsidiary Company	95.71	2(87)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding – Kotak Mahindra Trustee Company Ltd is 100% subsidiary of Kotak Mahindra Bank Ltd

Category of Shareholders	No. of Shares held at the beginning of the year			% of Total Shares	No. of Shares held at the end of the year			% of Total Shares	% Change during the year
	Demat	Physical	Total		Demat	Physical	Total		
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
f) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>	<b>-</b>	<b>2,98,00,000</b>	<b>2,98,00,000</b>	<b>100</b>	<b>-</b>	<b>2,98,00,000</b>	<b>2,98,00,000</b>	<b>100</b>	<b>-</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>-</b>	<b>2,98,00,000</b>	<b>2,98,00,000</b>	<b>100</b>	<b>-</b>	<b>2,98,00,000</b>	<b>2,98,00,000</b>	<b>100</b>	<b>-</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) others	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									

Category of Shareholders	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% Change during the year
	Demat	Physical	Total	Demat	Physical	Total	
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-
Total Public Shareholding (B)=(B(1)+ (B)(2))	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>2,98,00,000</b>	<b>2,98,00,000</b>	<b>100</b>	-	<b>2,98,00,000</b>	<b>100</b>

(ii) Shareholding of Promoters

Sr No	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	Pledged / encumbered to total shares	
1.	Kotak Mahindra Bank Limited	2,98,00,000	100	-	2,98,00,000	100	-	-

(iii) Change in Promoters' Shareholding

Sr No		Share holding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat	-	-	-	-

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr No	Name of the Shareholder For Each of the Top 10 Shareholders	Share holding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
-	-	-	-	-	-

## (v) Shareholding of Directors and Key Managerial Personnel:

For Each of the Directors and KMP	Share holding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1. At the beginning of the year	19	0.0001%	19	0.0001%
Date wise Increase/ Decrease in Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	19	0.0001%	19	0.0001%

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
• Addition				
• Reduction				
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ In Lakhs)

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
<b>Mr. Nilesh Shah</b>			
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	643.77	643.77
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.396	0.396
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2	Stock Option	38.21	38.21
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify...	-	-
5	Others, please specify	-	-
<b>Total (A)</b>		<b>682.38</b>	<b>682.38</b>
Ceiling as per the Act#		-	-

# Remuneration payable to Managing Director shall not exceed 11% of the net profit of the Company

### B. Remuneration to other directors:

(₹ In Lakhs)

Sl. no.	Particulars of Remuneration	Mr. Bipin Shah	Mr. Sukant Kelkar	Mr. Nalin Shah	Mr. Sanjiv Malhotra*	Total Amount
1	Independent Directors					
	• Fee for attending board /committee meetings	2.2	4.8	4.0	2.5	13.58
	• Commission @	2.0	2.0	2.0	2.0	8.0
	• Others, please specify	-	-	-	-	-
<b>Total (1)</b>		<b>4.2</b>	<b>6.8</b>	<b>6.0</b>	<b>4.5</b>	<b>21.5</b>
2	<b>Other Non-Executive Directors</b>	<b>Mr. Chengalath Jayaram</b>	-	-	-	-
	• Fee for attending board /committee meetings	2.5	-	-	-	2.5
	• Commission	2.0	-	-	-	2.0
	• Others, please specify	-	-	-	-	-
<b>Total (2)</b>		<b>4.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.5</b>
<b>Total (B) = (1 + 2)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>
<b>Total Managerial Remuneration</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overall Ceiling as per the Act#</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

@ Payment of Commission is subject to approval of members at the AGM of 2017 – 2018.

# Remuneration payable shall not exceed 1% of the net profit of the Company.

### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ MANAGER/ WTD

₹ In Lakhs

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary	CFO	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	30.06	158.21	188.27
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.31	0.61	0.92
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	-	20.99	20.99
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit			
	- others, specify...	-	-	-
5	Others, please specify	-	-	-
	<b>Total</b>	<b>30.36</b>	<b>179.81</b>	<b>210.17</b>

### VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
<b>B. DIRECTORS</b>					
<b>C. OTHER OFFICERS IN DEFAULT</b>					

For and on behalf of the Board of Directors

UDAY KOTAK  
CHAIRMAN

# CSR ANNEXURE

Sl. No	CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken)	Programme / project wise budgeted amount	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure from FY 2014-15 upto reporting period	Amount spent through implementing agency
1	<p>Education and Livelihood. Implemented through Kotak Education Foundation (KEF), which was set up in 2007 with a purpose to support children and youth from underprivileged families through different education based interventions and skilling programmes. KEF takes a holistic and innovative approach to helping the urban poor break free from the vicious cycle of extreme poverty and generational disadvantages.</p> <p>The 'Mid-day Meal' programme catering to approximately 8293 students from 17 partner schools, provides nutritious meal to pre-primary, 9<sup>th</sup> std and 10<sup>th</sup> std school children who are excluded from Government's mid-day-meal programme.</p> <p>KEF has partnered with 44 schools, majority of which are located in the poorest wards of Mumbai. KEF conducts intensive training / mentoring programme for Principals, Teachers, Students and Parents for sensitisation and empowerment. It also supports the schools with infrastructure like providing Hand wash points, replacement of roofs, water storage tanks, water purifiers, doors, windows, electrification etc. It has touched 40,636 beneficiaries.</p> <p>Livelihood training is provided at 6 centres spread across the poorest neighbourhoods of the city. In 2017-18, 1371 aspirants were trained and several of them were placed at an average monthly salary of ₹ 10000/-</p>	Promoting Education & Livelihood	Mumbai	2,000,000.00	816,000.00	162,000.00	₹ 2,678,000.00 (Out of this, Kotak Education Foundation has not utilised ₹1,022,000/-. This will be used towards meeting expenses for FY2018-19)	978,000 (Implemented through the Kotak Education Foundation-KEF)
<b>TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2017-18</b>								<b>978,000.00</b>

**SUKANT KELKAR**  
(DIN 00015883)

**CHAIRMAN OF CSR COMMITTEE**

**NILESH SHAH**  
(DIN 01711720)

**MANAGING DIRECTOR**

**UDAY KOTAK**  
(DIN 00007467)

**CHAIRMAN**

# INDEPENDENT AUDITOR'S REPORT

To

The Members of

**Kotak Mahindra Asset Management Company Limited**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kotak Mahindra Asset Management Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## 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 that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014. 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 the design, implementation and maintenance of adequate internal financial control 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 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 give 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 statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us, the 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 March 31, 2018, its profit, and its cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26(A) to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

Place: Mumbai

Date: April 24, 2018

# INDEPENDENT AUDITOR'S REPORT

## **Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date**

### **Re: Kotak Mahindra Asset Management Company Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- ((iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, custom duty, excise duty, value added tax and cess which has not been deposited on account of any dispute.
- (viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.
- (ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

- (x) During the course of our examination of the books of accounts and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud by the Company. However, we have been informed that certain employees of the Company had misappropriated funds amounting to ₹ 658 lakhs during the preceding years and the year under audit. The Company has initiated recovery proceedings against the said employees.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

Place: Mumbai

Date: April 24, 2018

# INDEPENDENT AUDITOR'S REPORT

## **ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

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

To the Members of Kotak Mahindra Asset Management Company Limited

We have audited the internal financial controls over financial reporting of Kotak Mahindra Asset Management Company Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

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

#### **AUDITOR'S RESPONSIBILITY**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

#### **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance

regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

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

### **OPINION**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

Place: Mumbai

Date: April 24, 2018

# Balance Sheet

as at 31 March 2018

Particulars	Notes	As at	As at
		31 March 2018	31 March 2017
		Rupees in Lacs	Rupees in Lacs
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds:</b>			
(a) Share Capital	3	2,980.00	3,830.00
(b) Reserves and Surplus	4	19,755.37	11,801.95
<b>Total</b>		<b>22,735.37</b>	<b>15,631.95</b>
<b>2. Non-current liabilities</b>			
(a) Other Long-term Liabilities	5	203.79	202.82
(b) Long-term provisions	6	849.93	634.84
<b>Total</b>		<b>1,053.72</b>	<b>837.66</b>
<b>3. Current liabilities</b>			
(a) Trade payables	7	3,461.17	2,483.72
(b) Other current liabilities	8	5,746.35	1,485.89
(c) Short-term provisions	9	1,838.37	1,399.24
<b>Total</b>		<b>11,045.89</b>	<b>5,368.85</b>
<b>Grand Total</b>		<b>34,834.98</b>	<b>21,838.46</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed Assets	10		
(i) Tangible assets		841.83	627.59
(ii) Intangible assets		918.12	1,275.00
(b) Non-current Investments	11	4,287.52	4,337.52
(c) Deferred Tax Assets (net)	12	664.39	404.03
(d) Long term Loans and Advances	13	93.72	115.48
(e) Other Non-current Assets	14	2,091.09	2,456.96
<b>Total</b>		<b>8,896.67</b>	<b>9,216.58</b>
<b>2. Current assets</b>			
(a) Current Investments	15	16,534.69	8,262.31
(b) Trade Receivables	16	5,711.71	2,860.98
(c) Cash and Bank Balance	17	628.02	15.79
(d) Short-term Loans and Advances	18	277.99	215.45
(e) Other Current Assets	19	2,785.90	1,267.35
<b>Total</b>		<b>25,938.31</b>	<b>12,621.88</b>
<b>Grand Total</b>		<b>34,834.98</b>	<b>21,838.46</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S. R. Batliboi & Co. LLP**

Firm Registration. No. 301003E/E300005

Chartered Accountants

**per Viren H. Mehta**

Partner

Membership No.:048749

Mumbai

Dated: 24, April 2018

**For and on behalf of the Board of Directors of  
Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary

Dated: 24, April 2018

# Statement of Profit and loss

for the year ended 31 March 2018

Particulars	Notes	For the Year Ended	For the Year Ended
		31 March 2018	31 March 2017
		Rupees in Lacs	Rupees in Lacs
<b>Income</b>			
Revenue from Operations	20	50,199.44	28,611.58
Other income	21	1,690.57	512.67
<b>Total Income</b>		<b>51,890.01</b>	<b>29,124.25</b>
<b>Expenses</b>			
Employee benefit expenses	22	7,712.80	6,385.88
Finance cost	23	11.17	10.57
Depreciation and amortization	10	907.42	785.65
Other expenses	24	30,813.33	16,082.45
<b>Total Expenses</b>		<b>39,444.72</b>	<b>23,264.55</b>
Profit before tax		12,445.29	5,859.70
<b>Tax expenses</b>			
Current Tax		(4,584.07)	(2,094.73)
Deferred Tax		260.36	79.98
Adjustment of income tax relating to earlier periods		(0.32)	(21.60)
<b>Profit for the year after tax</b>		<b>8,121.26</b>	<b>3,823.35</b>
Earnings per share [nominal value of share ₹10 (31 <sup>st</sup> March 2017: ₹10)]	25		
Basic and Diluted		24.16	12.83
Summary of significant accounting Policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S. R. Batliboi & Co. LLP**

Firm Registration. No. 301003E/E300005  
Chartered Accountants

**per Viren H. Mehta**

Partner  
Membership No.:048749

Mumbai

Dated: 24, April 2018

**For and on behalf of the Board of Directors of  
Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary

Dated: 24, April 2018

# Balance Sheet

as at 31 March 2018

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before taxation and extraordinary items</b>	12,445.29	5,859.70
Add / (Less) Adjustments for:		
Depreciation	907.42	785.65
(Profit) / Loss on sale of tangible asset (Net)	(18.06)	(14.41)
Provision for Gratuity, Leave Encashment and Long Service Award	254.72	51.32
Interest on Income tax refund	-	(208.04)
(Profit) / Loss on Sale of Investments (Net)	(570.06)	(281.70)
Dividend	-	(3.55)
	<b>574.02</b>	<b>329.27</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>13,019.31</b>	<b>6,188.97</b>
<b>Movements in working capital :</b>		
Increase/ (decrease) in other current and long term liabilities	4,261.42	891.85
Increase/ (decrease) in trade payables	977.44	1,312.34
Increase / (decrease) in provisions	399.51	567.71
Decrease / (increase) in trade receivables	(2,850.71)	(715.56)
Decrease / (increase) in loans and advances	(40.78)	384.81
Decrease / (increase) in other assets	(1,310.46)	773.18
	<b>1,436.42</b>	<b>3,214.33</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>14,455.73</b>	<b>9,403.30</b>
Payment of Taxes (Net of refund)	(4,426.63)	(1,537.69)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>10,029.10</b>	<b>7,865.61</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets (owned)	(766.94)	(650.93)
Sale of Fixed assets (owned)	20.22	36.19
Sale of Long Term Investments	62.68	-
Purchase of Current Investments	(33,780.00)	(27,681.00)
Sale of Current Investments	26,065.00	20,404.16
Dividend received	-	3.55
	(8,399.04)	(7,888.03)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>(8,399.04)</b>	<b>(7,888.03)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (decrease) in share capital	(850.00)	-
Premium paid on redemption of Preference Shares	(80.87)	-
Dividend paid on preference shares	(72.25)	(72.25)
Tax on preference dividend paid	(14.71)	(14.71)
	(1,017.83)	(86.96)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(1,017.83)</b>	<b>(86.96)</b>

Particulars	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>612.23</b>	<b>(109.38)</b>
<b>CASH and CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>15.79</b>	<b>125.17</b>
<b>CASH and CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>628.02</b>	<b>15.79</b>
Components of cash and cash equivalents		
With banks- on current account	628.02	15.79
<b>Total cash and cash equivalents</b>	<b>628.02</b>	<b>15.79</b>

The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements"

As per our report of even date

**For S. R. Batliboi & Co. LLP**

Firm Registration. No. 301003E/E300005  
Chartered Accountants

**per Viren H. Mehta**

Partner  
Membership No.:048749

Mumbai

Dated: 24, April 2018

**For and on behalf of the Board of Directors of  
Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary

Dated: 24, April 2018

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 1. CORPORATE INFORMATION

Kotak Mahindra Asset Management Company Limited “the Company” has been appointed as the asset management company, to provide management and administrative services to the Kotak Mahindra Mutual Fund and to deploy the funds raised by the Kotak Mahindra Mutual Fund under its various Schemes. The Company also provides portfolio management services and portfolio advisory services.

## 2. BASIS OF PREPARATION

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 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. 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.

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.

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. USE OF ESTIMATES

The preparation of the Financial Statements in conformity with generally accepted accounting policies requires the Management to make judgments, estimates and assumptions which are considered in the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the Financial Statements and the reported income and expenses during the reporting period. Although these estimates are based upon the Management's best knowledge of current events and actions, actual results could differ from these estimates and assumptions in future period.

#### B. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- **Fees from mutual fund operations**

Investment management fees are recognized net of service tax/ goods and service tax on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by SEBI guidelines), such that the total expenses, including management fees, do not exceed the rates prescribed within the provision of the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') on an annual basis.

- **Fees from rendering Portfolio Advisory Services**

Fees from Portfolio Advisory Services are recognized on an accrual basis in accordance with the terms of agreement.

- **Fees from rendering Portfolio Management Services**

Fees from Portfolio Management Services are recognized net of service tax / Goods and service tax on an accrual basis in accordance with the terms of agreement between the Company and the respective clients.

- Dividend income is accounted when the right to receive dividend is established.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

- Purchase and sale of investments are recorded on trade date. The profit / loss on sale of investments is recognized in the Statement of Profit and Loss on the trade date, using the weighted average cost method.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the Statement of Profit and Loss.

## C. TANGIBLE AND INTANGIBLE ASSETS, DEPRECIATION AND AMORTIZATION

Fixed assets (Tangible/ Intangible) are stated at acquisition cost inclusive of incidental expenses net of accumulated depreciation/ amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The estimates of useful lives of the assets, assets costing less than ₹ 5,000 are depreciated at 100% in the year of purchase based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. Estimated useful lives over which assets are depreciated / amortized are as follows:

Asset	Useful life in years
Motor vehicles	4
Computers	3
Furniture and fixtures	6
Office equipment	5
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years.
Intangible Assets – Software	3
Asset Management Rights	5

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

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 (Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).

## D. IMPAIRMENT OF FIXED ASSETS

- The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

## E. INVESTMENTS

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as Non-current investments.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried at lower of cost and fair value determined on an individual investment basis using the weighted average cost method. Long-term / Non-Current investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

## F. RETIREMENT AND OTHER EMPLOYEE BENEFITS

### Defined contribution plans

- a. Retirement benefit in the form of provident fund is a defined contribution plan. Contribution as required by the Statute made to the Government Provident Fund is debited to the Statement of Profit and Loss when incurred. The Company has no further obligation.
- b. The Company contributes a sum equivalent to 15% of basic subject to a maximum of ₹ 1 lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a life insurance company. The Company recognizes such contributions as an expense in the year they are incurred. The Company has no obligation beyond its contribution to the Fund.

### Defined benefit plan

- a. The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is unfunded. The net present value of the Company's obligation towards the same is determined based on the Projected Unit Credit method as at the Balance Sheet date.
- b. Actuarial gains/losses are immediately recognized in the Statement of Profit and Loss in the year in which they arise and are not deferred.

### Other long-term employee benefit

- a. The Company accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilization. The net present value of the Company's obligation is determined based on the Projected Unit Credit Method as at the Balance Sheet date. Actuarial Gains / Losses are recognized in the Statement of Profit and Loss in the year in which they arise and are not deferred.

### Other employee benefits

- a. As per the Group policy, employees of the Group are eligible for an award after completion of a specified number of years of service with the Group. The obligation is measured as at the Balance Sheet date on the basis of an actuarial valuation using the Projected Unit Credit method.
- b. The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service. These benefits include performance incentives.

## G. TAXES ON INCOME

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

## **H. MINIMUM ALTERNATE TAX**

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961 issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

## **I. OPERATING LEASES**

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a Straight Line Basis over the lease term.

## **J. FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions and balances

### **(A) Initial recognition**

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### **(B) Conversion**

Foreign currency monetary items are reported using the closing rate of exchange. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

## (C) Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as income and expenses in the period in which they arise.

## K. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which the schemes are unable to bear are borne by the Company. Further, scheme expenses also include new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) Regulations 1996.

## L. REFERRAL FEES

The brokerage charges relating to Portfolio Management Services are charged to the Statement of Profit and Loss net of service tax / goods and services tax on an accrual basis.

## M. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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. However, for computing diluted earnings per share effect of preference share has not been taken into consideration since the conversion price is not determined as of Balance Sheet date.

## N. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the Financial Statements.

## O. EMPLOYEE STOCK OPTION SCHEME (ESOS)

### Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using the intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortized on a Straight Line Basis over the vesting period with recognition of corresponding liability. This liability is re-measured at each Balance Sheet date up to and including the settlement date with changes in intrinsic value recognized in the Statement of Profit and Loss in 'Employee benefits expense'.

## P. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and short-term investments with an original maturity of three months or less.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 3 : SHARE CAPITAL</b>		
<b>Authorised</b>		
3,00,00,000 (31 March 2017 3,00,00,000) equity shares of ₹10/- each	3,000.00	3,000.00
1,00,00,000 (31 March 2017 1,00,00,000) Preference shares of ₹10/- each	1,000.00	1,000.00
<b>Issued, subscribed and paid-up</b>		
2,98,00,000 (31 March 2017 2,98,00,000) equity shares of ₹10/- each, fully paid up	2,980.00	2,980.00
Nil (31 March 2017 85,00,000) 8.5% Convertible Preference shares of ₹10/- each, fully paid up.	-	850.00
	<b>2,980.00</b>	<b>3,830.00</b>

(a) Reconciliation of number of shares

	As at 31 March 2018		As at 31 March 2017	
	Number of Shares	Amount (₹in Lacs)	Number of Shares	Amount (₹in Lacs)
<b>Equity Shares:</b>				
Balance as at the beginning of the year	29,800,000	2,980.00	29,800,000	2,980.00
Issued during the year	-	-	-	-
Balance as at the end of the year	29,800,000	2,980.00	29,800,000	2,980.00

	As at 31 March 2018		As at 31 March 2017	
	Number of Shares	Amount (₹in Lacs)	Number of Shares	Amount (₹in Lacs)
<b>Preference Shares:</b>				
Balance as at the beginning of the year	8,500,000	850.00	8,500,000	850.00
Issued during the year	-	-	-	-
Redeemed during the year	8,500,000	850.00	-	-
Balance as at the end of the year	-	-	8,500,000	850.00

(b) Rights, preferences and restrictions attached to shares:

Equity Shares: The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Terms of conversion/ redemption of Convertible Preference Shares(CPS):

CPS carry dividend @ 8.50% p.a. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The preference shares of ₹10 each were issued in Financial Year 2008 - 2009. These CPS were convertible into equity shares on January 5, 2019, at a valuation price, as determined by an independent valuer. During the year, the Company and Kotak Securities Limited have mutually agreed to amend the terms of the CPS. As per the terms of amendment, the CPS can be redeemed at fair value as determined by an independent valuer for similar securities.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

(d) Shares held by Holding Company and its subsidiary :

Particulars	31 March, 2018	31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>Equity Shares:</b>		
2,98,00,000 Shares (31 March 2017: 2,98,00,000 Shares) held by Kotak Mahindra Bank Limited, the Holding Company, and its nominees	2,980.00	2,980.00
<b>Preference Shares:</b>		
Nil (31 March 2017: 85,00,000 Shares) held by Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	-	850.00

(e) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Particulars	31 March, 2018	31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>Equity Shares:</b>		
Kotak Mahindra Bank Limited, the Holding Company and its nominees	2,980.00 (100%)	2,980.00 (100%)
<b>Preference Shares:</b>		
Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	-	850.00 (100%)

Particulars	As at 31 March 2018	As at 31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 4 : RESERVES AND SURPLUS</b>		
Capital Redemption Reserve		
Opening Balance	420.00	420.00
Add: Transfer from Statement of Profit and Loss	850.00	-
Closing Balance	1,270.00	420.00
General Reserve		
Opening Balance	1,169.25	1,169.25
Add: Transfer from Statement of Profit and Loss	-	-
Closing Balance	1,169.25	1,169.25
Surplus in Statement of Profit and Loss		
Opening Balance	10,212.70	6,389.35
Profit for the year	8,121.26	3,823.35
Less: Appropriations		
Transferred to Capital Redemption Reserve	850.00	-
Dividend on Preference Shares for the year"	72.25	-
Dividend distribution tax on Preference Shares"	14.72	-
Premium on Redemption of Preference shares	80.87	-
Net Surplus in Statement of Profit and Loss	17,316.12	10,212.70
	<b>19,755.37</b>	<b>11,801.95</b>

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 5 : OTHER LONG-TERM LIABILITIES</b>		
Rent Escalation	33.79	32.82
Others	170.00	170.00
	<b>203.79</b>	<b>202.82</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 6 : LONG-TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	495.94	364.09
Provision for compensated absences	142.35	153.19
Provision for long service award	19.91	21.13
Employees related payables (stock appreciation rights)	191.73	96.43
	<b>849.93</b>	<b>634.84</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 7 : TRADE PAYABLES</b>		
Trade payables (Refer Note 26(K))	3,461.17	2,483.72
	<b>3,461.17</b>	<b>2,483.72</b>
Above includes payable to Kotak Mahindra Mutual Fund	947.59	1,211.83

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 8 : OTHER CURRENT LIABILITIES</b>		
<b>Other Liabilities</b>		
Statutory dues payable	2,535.32	198.57
Unearned revenue	485.90	340.21
Employees related payable	-	2.99
Rent escalation	14.32	10.63
Provision for expenses	33.89	84.42
Referral fees payable	2,430.61	556.48
Others	246.31	292.59
	<b>5,746.35</b>	<b>1,485.89</b>

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>Others and Referral Fees Payable includes dues to:</b>		
Kotak Mahindra Bank Limited	229.43	352.69
Kotak Securities Limited	29.41	10.28
Kotak Mahindra Financial Services Limited	44.22	11.33

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 9 : SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	110.50	41.81
Provision for compensated absences	95.99	29.75
Employees related payable (stock appreciation rights)	242.77	338.00
Employees related payables (others)	1,338.67	939.24
Provision for Tax (Net of advance tax and Tax deducted at source of ₹3,380.95 Lacs) (31 March 2017: ₹3,380.95 Lacs)	50.44	50.44
	<b>1,838.37</b>	<b>1,399.24</b>

## NOTE 10 : FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at	Additions	Deductions	As at	As at	For the year	Deductions	As at	As at
	01-04-2017			31-03-2018	01-04-2017			31-03-2018	31-03-2018
<b>Tangible Assets</b>									
Leasehold Improvements	303.07	112.98	19.96	396.09	137.19	59.28	18.37	178.10	217.99
Computers	720.57	187.67	34.57	873.67	533.55	136.72	34.34	635.93	237.74
Office Equipments	164.01	32.42	8.10	188.33	97.66	23.52	7.93	113.25	75.08
Furniture and Fixtures	43.11	14.73	6.16	51.68	39.59	13.34	6.13	46.80	4.88
Vehicles	463.09	216.02	65.89	613.22	258.27	114.56	65.75	307.08	306.14
<b>Total</b>	<b>1,693.85</b>	<b>563.82</b>	<b>134.68</b>	<b>2,122.99</b>	<b>1,066.26</b>	<b>347.42</b>	<b>132.52</b>	<b>1,281.16</b>	<b>841.83</b>

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at	Additions	Deductions	As at	As at	For the year	Deductions	As at	As at
	01-04-2017			31-03-2018	01-04-2017			31-03-2018	31-03-2018
<b>Intangible Assets Acquired</b>									
Software	926.87	203.12	-	1,129.99	553.65	241.98	-	795.63	334.36
Asset Management Rights	1,590.08	-	-	1,590.08	688.30	318.02	-	1,006.32	583.76
<b>Total</b>	<b>2,516.95</b>	<b>203.12</b>	<b>-</b>	<b>2,720.07</b>	<b>1,241.95</b>	<b>560.00</b>	<b>-</b>	<b>1,801.95</b>	<b>918.12</b>

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions	As at	As at	For the year	Deductions	As at	As at
	01-04-2016			31-03-2017	01-04-2016			31-03-2017	31-03-2016
Amount (₹)									
<b>Tangible Assets</b>									
Leasehold Improvements	295.69	94.09	86.71	303.07	179.01	44.84	86.66	137.19	165.88
Computers	621.81	117.29	18.53	720.57	440.28	111.06	17.79	533.55	187.02
Office Equipments	139.28	46.22	21.49	164.01	103.38	15.62	21.34	97.66	66.35
Furniture and Fixtures	40.63	13.39	10.91	43.11	38.68	11.82	10.91	39.59	3.52
Vehicles	458.93	95.47	91.31	463.09	230.91	97.84	70.48	258.27	204.82
<b>Total</b>	<b>1,556.35</b>	<b>366.46</b>	<b>228.95</b>	<b>1,693.85</b>	<b>992.26</b>	<b>281.18</b>	<b>207.18</b>	<b>1,066.26</b>	<b>627.59</b>

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions	As at	As at	For the year	Deductions	As at	As at
	01-04-2016			31-03-2017	01-04-2016			31-03-2017	31-03-2016
Amount (₹)									
<b>Intangible Assets Acquired</b>									
Software	642.39	284.48	-	926.87	367.20	186.45	-	553.65	373.22
Asset Management Rights	1,590.08	-	-	1,590.08	370.28	318.02	-	688.30	901.78
<b>Total</b>	<b>2,232.46</b>	<b>284.48</b>	<b>-</b>	<b>2,516.95</b>	<b>737.48</b>	<b>504.47</b>	<b>-</b>	<b>1,241.95</b>	<b>1,275.00</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 11 : NON CURRENT INVESTMENTS</b>		
<b>Non - Trade Investments</b>		
<b>Unquoted</b>		
<b>Investments in Equity Instrument:</b>		
(a) Investments in subsidiary		
2,68,00,000 (31 March 2017: 2,68,00,000) Equity shares of face value of ₹10/- each, fully paid of Kotak Mahindra Pension Fund Limited	2,680.00	2,680.00
(b) Others		
5,00,000 (31 March 2017: 5,00,000) Equity shares of face value of Re.1/- each, fully paid of MF Utilities India Private Limited	5.00	5.00
<b>Investments in Mutual Fund Schemes:</b>		
<b>Unquoted</b>		
5,00,000 Units (31 March 2017 : 5,00,000) of ₹ 10 each in Kotak Equity Savings Fund-Direct-Growth	50.00	50.00
1,23,466 Units (31 March 2017 : 1,23,466) of ₹ 10 each in Kotak Bond Plan -Direct-Growth	50.00	50.00
1,88,220 Units (31 March 2017 : 1,88,220) of ₹ 10 each in Kotak Mahindra Bond Short Term Plan-Direct-Growth	50.00	50.00

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
3,28,258 Units (31 March 2017 : 3,28,258) of ₹ 10 each in Kotak Income Opportunities Fund-Direct-Growth	50.00	50.00
2,165 Units (31 March 2017 : 2,165) of ₹ 1000 each in Kotak Floater Short Term Scheme-Direct-Growth	50.00	50.00
2,21,972 Units (31 March 2017 : 2,21,972) of ₹ 10 each in Kotak Treasury Advantage Fund-Direct-Growth	50.00	50.00
2,83,267 Units (31 March 2017 : 2,83,267) of ₹ 10 each in Kotak Flexi Debt Scheme-Direct-Growth	50.00	50.00
4,14,370 Units (31 March 2017 : 4,14,370) of ₹ 10 each in Kotak Gold Fund-Direct-Growth	50.00	50.00
1,02,664 Units (31 March 2017 : 1,02,664) of ₹ 10 each in Kotak Mahindra Gilt Investment Plan-Direct-Growth	50.00	50.00
1,59,280 Units (31 March 2017 : 1,59,280) of ₹ 10 each in Kotak Banking and PSU Debt Fund-Direct-Growth	50.00	50.00
2,12,170 Units (31 March 2017 : 2,12,170) of ₹ 10 each in Kotak Monthly Income Plan-Direct-Growth	50.00	50.00
1,750 Units (31 March 2017 : 1,750) of ₹ 1000 each in Kotak Liquid Plan-Direct-Growth	50.00	50.00
Nil Units (31 March 2017 : 3,46,861) of ₹ 10 each in Kotak Multi Asset Allocation Fund-Direct-Growth	-	50.00
4,39,920 Units (31 March 2017 : 4,39,920) of ₹ 10 each in Kotak Medium Term Fund-Direct-Growth	50.00	50.00
2,942 Units (31 March 2017 : 2,942) of ₹ 1000 each in Kotak Low Duration Fund-Direct-Growth	50.00	50.00
2,438 Units (31 March 2017 : 2,438) of ₹ 1000 each in Kotak Corporate Bond Fund-Direct-Growth	45.00	45.00
2,67,344 Units (31 March 2017 : 2,67,344) of ₹ 10 each in Kotak Balance -Direct-Growth	50.00	50.00
1,39,785 Units (31 March 2017 : 1,39,785) of ₹ 10 each in Kotak Classic Equity Scheme-Direct-Growth	50.00	50.00
2,38,387 Units (31 March 2017 : 2,38,387) of ₹ 10 each in Kotak Equity Arbitrage Fund-Direct-Growth	50.00	50.00
1,61,298 Units (31 March 2017 : 1,61,298) of ₹ 10 each in Kotak Tax Saver Scheme-Direct-Growth	50.00	50.00
1,95,198 Units (31 March 2017 : 1,95,198) of ₹ 10 each in Kotak Emerging Equity Scheme-Direct-Growth	50.00	50.00

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
42,447 Units (31 March 2017 : 42,447) of ₹ 10 each in Kotak Asset Allocator Fund-Direct-Growth	25.00	25.00
3,19,613 Units (31 March 2017 : 3,19,613) of ₹ 10 each in Kotak Global Emerging Market Fund-Direct-Growth	50.00	50.00
29,287 Units (31 March 2017 : 29,287) of ₹ 10 each in Kotak 50 Equity Scheme-Direct-Growth	50.00	50.00
61,689 Units (31 March 2017 : 61,689) of ₹ 10 each in Kotak Opportunities-Direct-Growth	50.00	50.00
97,934 Units (31 March 2017 : 97,934) of ₹ 10 each in Kotak Midcap Scheme-Direct-Growth	50.00	50.00
2,21,705 Units (31 March 2017 : 2,21,705) of ₹ 10 each in Kotak Select Focus Fund-Direct-Growth	50.00	50.00
3,30,585 Units (31 March 2017 : 3,30,585) of ₹ 10 each in Kotak Infrastructure and Economic Reforms Fund-Direct-Growth	50.00	50.00
5,90,357 Units (31 March 2017 : 5,90,357) of ₹ 10 each in Kotak World Gold Fund-Direct-Growth	50.00	50.00
84,710 Units (31 March 2017 : 84,710) of ₹ 10 each in Kotak US Equity Fund-Direct-Growth	10.00	10.00
<b>Quoted</b>		
7,975 Units (31 March 2017 : 7,975) of ₹ 10 each in Kotak Banking ETF-Direct-Growth	15.00	15.00
10,000 Units (31 March 2017 : 10,000) of ₹ 10 each in Kotak PSU Bank ETF-Direct-Growth	35.42	35.42
20,000 Units (31 March 2017 : 20,000) of ₹ 10 each in Kotak Gold ETF-Direct-Growth	50.25	50.25
100,000 Units (31 March 2017 : 10,000) of ₹ 10 each in Kotak Nifty ETF-Direct-Growth	83.30	83.30
10,000 Units (31 March 2017 : 10,000) of ₹ 10 each in Kotak Sensex ETF-Direct-Growth	27.55	27.55
30,689 Units (31 March 2017 : 30,689) of ₹ 10 each in Kotak NV 20 ETF-Direct-Growth	11.00	11.00
	<b>4,287.52</b>	<b>4,337.52</b>
Aggregate Amount of Unquoted Investments	4,065.00	4,115.00
Market Value of Unquoted Investments	4,498.92	4,416.82
Aggregate Amount of Quoted Investments	222.52	222.52
Market Value of Quoted Investments	252.91	237.04

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 12 : DEFERRED TAX ASSET</b>		
Net Deferred Tax Asset (Refer Note 27 (G))	664.39	404.03
	<b>664.39</b>	<b>404.03</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 13 : LONG-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Security deposits	83.35	93.65
Loans to employees	10.37	21.83
	<b>93.72</b>	<b>115.48</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 14 : OTHER NON-CURRENT ASSETS</b>		
Others		
Advance Tax (Net of Provision for Tax of ₹6,863.74 Lacs) (31 March 2017: ₹2,279.34 Lacs))	1,626.78	1,784.56
Prepaid expenses	464.31	672.40
	<b>2,091.09</b>	<b>2,456.96</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 15 : CURRENT INVESTMENTS</b>		
Investment in Units of Mutual Fund - Unquoted		
594,976 (31 March 2017 : 314,284) of ₹1,000 each in Kotak Floater Short Term Scheme-Direct-Growth	16,534.69	8,262.31
	<b>16,534.69</b>	<b>8,262.31</b>
Aggregate value of Investments at Market Value	16,968.46	8,389.44

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 16 : TRADE RECEIVABLES</b>		
Unsecured, considered good		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others	5,711.71	2,860.98
	<b>5,711.71</b>	<b>2,860.98</b>
Trade receivables includes		
Due from Kotak Mahindra Mutual Fund	3,218.47	2,187.76

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 17 : CASH AND BANK BALANCES</b>		
Cash and Cash equivalents		
Balances with Bank		
In current accounts	628.02	15.79
	<b>628.02</b>	<b>15.79</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 18 : SHORT-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind	245.70	193.56
Security deposits	22.83	5.53
Loans to employees	9.46	16.36
	<b>277.99</b>	<b>215.45</b>

Particulars	As at	As at
	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 19: OTHER CURRENT ASSETS</b>		
Prepaid expenses	859.12	973.18
Miscellaneous receivable	13.19	8.52
Goods and Service Tax receivable	1,913.59	-
Service tax receivable	-	285.65
	<b>2,785.90</b>	<b>1,267.35</b>
Miscellaneous Receivable includes dues from:		
Kotak Mahindra Life Insurance Company Limited (formerly known as Kotak Mahindra Old Life Insurance Limited)	0.30	-
Kotak Mahindra Bank Limited	-	2.44
Kotak Securities Limited	-	0.96

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 20 :REVENUE FROM OPERATIONS</b>		
Management Fees	42,545.86	26,992.44
Portfolio Advisory Services	442.71	259.00
Portfolio Management Services	7,210.87	1,360.14
	<b>50,199.44</b>	<b>28,611.58</b>

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 21 : OTHER INCOME</b>		
Interest Income		
Income-tax refunds	-	208.04
Others	2.45	4.20
Dividend Income on non current investments	-	3.55
Profit on sale of fixed assets (Net)	18.06	14.41
Profit on sale of current / non current (Net)	570.06	281.70
Other non-operating income (Refer Note 27 (L))	1,100.00	0.77
	<b>1,690.57</b>	<b>512.67</b>

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 22 : EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Wages and Bonus	7,162.38	6,106.08
Contribution to defined contribution plans	263.91	230.57
Gratuity (includes Exgratia)	251.32	86.36
Compensated absences	59.19	5.62
Staff welfare	28.94	30.29
	7,765.74	6,458.92
Less: Recovery of employee expenses	(52.94)	(73.04)
	<b>7,712.80</b>	<b>6,385.88</b>

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 23 : FINANCE COSTS</b>		
Bank Charges	11.17	10.57
	<b>11.17</b>	<b>10.57</b>

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 24 : OTHER EXPENSES</b>		
Rent	995.49	964.55
Rates and taxes	6.63	46.23
Insurance	78.22	79.34
Repairs and maintenance		
Others	40.67	49.71
Legal and professional fees	200.07	247.06
Reimbursement of common administrative cost	478.15	408.61
Travel and conveyance	346.95	304.64
Communication expenses	274.02	226.87
Business promotion, Distribution and Mutual Fund expenses	18,053.99	8,849.30
Referral fees for Portfolio Management Services	8,267.38	3,223.72
Printing and stationery	119.70	98.11
Membership subscription	501.99	415.34
Electricity	131.74	114.65
Exchange Loss (net)	0.91	0.50
Computer and software related expenses	365.40	337.59
Directors' Fees and Expenses	31.20	23.20
Payment to Auditors		
As Auditor:		
Audit Fees	19.50	19.50
Reimbursement of expenses	0.49	0.41
	<b>19.99</b>	<b>19.91</b>
Entertainment Expenses	183.12	191.02
Office upkeep expenses	284.20	234.93
Contribution towards Corporate Social Responsibility (Refer Note 27(J))	20.00	10.00
Miscellaneous expenses	418.68	248.14
	<b>30,818.50</b>	<b>16,093.42</b>
Less: Recovery of common administrative expenses	(5.17)	(10.97)
	<b>30,813.33</b>	<b>16,082.45</b>

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Particulars	For the Year ended 31 March, 2018	For the Year ended 31 March, 2017
	Rupees in Lacs	Rupees in Lacs
<b>NOTE 25 : EARNING PER SHARE</b>		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
<b>Profit after tax</b>	<b>8,121.26</b>	<b>3,823.35</b>
<b>Net profit for calculation of basic and diluted EPS</b>	8,121.26	3,823.35
Less : Dividends on convertible preference shares and tax thereon	922.25	-
<b>Net profit for calculation of basic EPS</b>	7,199.01	3,823.35
Weighted average number of equity shares used in calculating Basic and Diluted EPS	29,800,000	29,800,000
<b>Basic and Diluted EPS</b>	24.16	12.83

## 26. NOTES TO ACCOUNTS

### A. CONTINGENT LIABILITIES

Claims against the Company not acknowledged

Particulars	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
For service tax matters	Nil	24.12
For interest on value added tax towards Gold ETF schemes	14.71	14.71

### B. CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 126.18 Lacs (Previous year ₹ 101.30 Lacs).

### C. EARNINGS & EXPENDITURE IN FOREIGN CURRENCY (Accrual Basis)

Expenditure in Foreign Currency:-

- Travelling Cost (Net of Recoveries) ₹19.37 Lacs (Previous Year ₹3.75 Lacs)
- Other Membership Fees ₹7.38 Lacs (Previous Year ₹0.64 Lacs)
- Promotion Cost Nil (Previous Year ₹8.79 Lacs)
- Referral Fees ₹150.92 Lacs (Previous Year ₹126.70 Lacs)

Earnings in Foreign Currency:-

- Portfolio advisory services ₹324.00 Lacs (Previous Year ₹259.00 Lacs)

### D. EMPLOYEE BENEFITS

#### GRATUITY

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Group subject to a maximum of ₹20.00

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Lacs (Previous year: ₹10.00 Lacs). There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below.

## Balance Sheet

Changes in the present value of the defined benefit obligations are as follows:

Particulars	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Change in Unfunded benefit obligations		
Present value of unfunded defined benefit obligations, at the beginning of the year	405.89	359.08
Current Service cost	42.73	36.92
Interest cost	30.71	30.12
Actuarial (gain)/loss on obligations	58.18	19.32
Past Service cost	119.71	Nil
Liabilities assumed	(0.49)	4.86
Benefits paid	(50.29)	(44.41)
Present value of unfunded benefit obligations as at year end	606.44	305.89

## Benefit asset/ liability

Reconciliation of present value of the obligation and the fair value of the plan assets	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Fair value of plan assets as at the beginning of the year	-	-
Present value of defined benefit obligations as at year end	606.44	405.89
Plan asset/ (liability) as at year end	(606.44)	(405.89)

## Statement of Profit and Loss

Net employee benefit expense recognized in the employee benefits expenses (Note 22)

Cost recognized for the period	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Current service cost	42.73	36.92
Interest cost on benefit obligation	30.71	30.12
Expected return on plan assets	-	-
Actuarial (gain)/loss	58.18	19.32
Past Service cost	119.71	-
Net benefit expense	251.33	86.36

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Experience Adjustments for the current annual period and previous four annual periods:

Particulars	Year ended (₹ In Lacs)				
	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 MARCH 2018
Defined Benefit Obligation	306.43	386.05	359.08	405.89	606.44
Plan Assets	-	-	-	-	-
Surplus/ (Deficit)	(306.43)	(386.05)	(359.08)	(405.89)	(606.44)
Experience Adjustment on Plan Liabilities	25.50	44.58	(13.72)	17.15	28.31
Experience Adjustment on Plan Assets	-	-	-	-	-

The principal assumptions used in determining gratuity benefit obligation for the company's plan are shown below:

Reconciliation of present value of the obligation and the fair value of the plan assets	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Fair value of plan assets as at the beginning of the year	-	-
Present value of defined benefit obligations as at year end	606.44	405.89
Plan asset/ (liability) as at year end	(606.44)	(405.89)

## Statement of Profit and Loss

Net employee benefit expense recognized in the employee benefits expenses (Note 22)

	31 March 2018	31 March 2017
Discount rate	7.90% p.a.	7.18% p.a.
Expected rate of return on Plan Assets	0%	0%
Salary escalation rate	7.00%	7.00%
Employee turnover	30% at 21-30 18% at 31-40 8% at 41-50 7% at 51-59	15% at 21-30 10% at 31-34 5% at 35-44 3% at 45-50 2% at 51-54 1% at 55-59

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

## COMPENSATED ABSENCES

The actuarially determined liability for compensated absences of accumulated leaves of the employees of the Bank is given below:

Particulars	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Total Actuarial Liability	238.34	182.94
Assumptions:		
Discount rate	7.90%	7.18%
Salary Escalation rate	7.00%	7.00%

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## E. OPERATING LEASES:

The Company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 36 months to 72 months. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments (net of recoveries) recognized in the Statement of Profit and Loss is ₹ 296.33 Lacs (Previous Year ₹267.17 Lacs). The future minimum lease payments under non-cancelable operating leases in accordance with agreement are as follows:

Particulars	Rupees in Lacs	
	Year Ending 31 <sup>st</sup> March 2018	Year Ending 31 <sup>st</sup> March 2017
Not later than one year	298.03	249.47
later than one year and not later than five years	639.46	572.24
later than five years	Nil	Nil

## F. EQUITY STOCK OPTIONS PLAN ( ESOP)

### Equity Settled Options

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

- Kotak Mahindra Equity Option Scheme 2007; and
- Kotak Mahindra Equity Option Scheme 2015

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

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

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Employee Share based payments" issued by the Institute of Chartered Accountants of India, 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.

### Cash Settled Employee Stock Option Scheme - 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 29<sup>th</sup> 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 ranges from 0.25 year to 2.79 years.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Detail of activity under SARs is summarized below:

Particulars	No. of SARs	
	As at 31 March 2018	As at 31 March 2017
Outstanding at the beginning of the year	84,816	94,052
Granted during the year	47,620	37,340
Additions/deletions due to transfer of employees	Nil	1,742
Exercised during the year	53,234	47,608
Expired/Forfeited during the year	953	710
Outstanding at the end of the year	78,249	84,816

Effect of grant of SARs to employees on the statement of profit and loss and on its financial position

Particulars	Rupees in Lacs	
	Year Ended	
	31 March 2018	31 March 2017
Employee Compensation Cost pertaining to share-based payment plans	551.03	472.85
Closing balance of liability for cash-settled options	434.50	434.43

Had the Company recorded the total compensation cost computed on the basis of fair valuation method instead of intrinsic value method for ESOP and SARs, employee compensation cost would have been higher by ₹300.98 Lacs (Previous year lower by ₹ 134.31 Lacs) and the profit before tax would have been lower by same amount. Consequently the basic and diluted EPS would have been lower by Re/.0.72 (Previous year higher by Re.0.45). The fair valuation has been prepared by the Kotak Mahindra Bank Limited and relied upon by the auditors.

## G. DEFERRED INCOME TAXES

Components of net deferred tax balances are as follows:

Particulars	31 March 2018	31 March 2017
	Rupees in Lacs	Rupees in Lacs
Deferred Tax Assets		
Provision for Employee Benefits		
Written down value of Fixed Assets	447.03	349.05
Provision for Lease Equalisation	141.65	39.95
Investment in Mutual Fund Units	16.81	15.03
	58.90	Nil
<b>Net Deferred Tax Asset</b>	<b>664.39</b>	<b>404.03</b>

## H. SEGMENT REPORTING

The Company's operations mainly relate to providing asset management services, advisory and portfolio management services. In the opinion of the Management the risks and rewards attached to the business are similar in nature. Hence, separate segments under Accounting Standard 17 on "Segment Reporting" are not required to be reported as the Company's business is restricted to a single segment i.e. Asset Management and Advisory Services. The risk and returns of the business of the Company are not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## I. RELATED PARTY DISCLOSURES

### Details of related parties:

#### Nature of relationship

Holding Company

Subsidiary Company

Fellow Subsidiaries

#### Name of related party

Kotak Mahindra Bank Limited holds 100% of equity share capital

Kotak Mahindra Pension Fund Limited

Kotak Mahindra Trustee Company Limited

Kotak Investment Advisors Limited

Kotak Mahindra (International) Limited

Kotak Mahindra (UK) Limited

Kotak Securities Limited

Kotak Mahindra Prime Limited

Kotak Mahindra Life Insurance Limited (Formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)

Kotak Mahindra General Insurance Company Limited

Kotak Mahindra Financial Services Limited

Kotak Mahindra Asset Management (Singapore) PTE. Limited

Mr.Nilesh Shah, Managing Director

Aero Agencies Limited

Key Management Personnel

Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence

Mutual Fund managed by the Company

Kotak Mahindra Mutual Fund

### Related Party Disclosure is as under

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance in Current Account	618.62					
	(4.73)					
Subscription in Equity Shares (Closing Balance)						
Equity Share Capital	2,980.00					
	(2,980.00)					
<b>Preference Share Capital</b>						
Kotak Securities Limited						
Redemption during the year		850.00				
		-				
Closing Balance		-				
		(850.00)				
Investments:						
Purchases / Subscriptions					33,780.00	
					(27,681.00)	
Sales					26,127.68	
					(20,404.16)	
Dividend					-	

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
					(3.55)	
Profit on Sale of Investments					570.06	
					(281.70)	
Closing Investment					18,137.22	
					(9,914.85)	
Investments in Equity Shares (Closing Balance)						2,680.00
						(2,680.00)
Fixed Assets						
Purchase of Fixed assets	6.31					
	(5.51)					
Sale of Fixed assets	-					
	(14.43)					
Other Receipts and Payments:						
Recovery of common establishment expenses						
Kotak Mahindra Trustee Company Limited		52.94				
		(73.04)				
Recovery of common administrative expenses						
Kotak Mahindra Trustee Company Limited		5.17				
		(10.97)				
Miscellaneous Income						
Kotak Mahindra Trustee Company Limited		-				
		(0.73)				
Reimbursement of Common administrative cost	478.15					0.80
	(408.61)					-
Brokerage Expenses (Including Referral Fees)	4,058.62					
	(3,219.17)					
Kotak Securities Limited		146.35				
		(33.13)				
Kotak Mahindra Financial Services Limited		150.92				
		(126.70)				
Unamortised Brokerage	618.16					
	(1,057.63)					
Kotak Securities Limited		4.25				
		(0.08)				
Other Expenses / Reimbursement of other expenses						
Kotak General Insurance Company Limited		9.25				
		(5.80)				
Kotak Mahindra Life Insurance Company Limited		15.53				
		(28.54)				
Kotak Securities Limited		19.80				

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
		(19.80)				
Kotak Mahindra Prime Limited		0.58				
		(0.30)				
Kotak Mahindra (UK) Limited		-				
		(3.49)				
Management Fees					42,545.86	
					(26,992.44)	
Payments to Mutual Fund for Expenses Borne					10,684.22	
					(3,683.23)	
“ Receipts from Mutual Fund-Brokerage and other Expenses Recovered ”					27.02	
					(496.03)	
Rent paid	690.60					
	(679.73)					
Kotak Mahindra Prime Limited		2.13				
		(2.13)				
Cost of travel tickets purchased ( Net of Discount )						
Aero Agencies Limited				31.32		
				(21.58)		
Remuneration to Key Management Personnel						
Nilesh Shah			672.20			
			(516.76)			
Advisory Fees						
Kotak Mahindra (UK) Limited		-				
		(101.00)				
Kotak Mahindra International Limited		221.00				
		(158.00)				
Kotak Mahindra Asset Management (Singapore) PTE. Limited		103.00				
		-				
Miscellaneous Receipts	-					
	(38.58)					
Kotak Securities Limited		0.26				
		(0.96)				
Kotak Mahindra Life Insurance Company Limited		0.30				
		-				
Kotak General Insurance Company Limited		0.38				
		(0.18)				
Miscellaneous Payments	753.26					
	(463.67)					

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Dividend Paid - Kotak Securities Limited		72.25				
		(72.25)				
Other Miscellaneous - Prepaid						
Kotak Mahindra Life Insurance Company Limited		8.99				
		-				
Kotak General Insurance Limited		3.23				
		(4.20)				
Outstanding – Receivables	-				3,215.78	0.86
	(2.44)				(2,187.76)	-
Kotak Securities Limited		-				
		(0.96)				
Kotak Mahindra Life Insurance Company Limited		0.30				
		(-)				
Outstanding - Payables	235.45				947.59	
	(352.69)				(1,211.83)	
Kotak Securities Limited		29.41				
		(10.28)				
Kotak Mahindra Life Insurance Company Limited		0.15				
		(-)				
Kotak Mahindra Financial Services Limited		44.22				
		(11.33)				
Note: Previous year figures are in brackets						

## J. CORPORATE SOCIAL RESPONSIBILITY (CSR)

a) Gross amount required to be spent during the year ₹ 57.69 Lacs (Previous year ₹ 51.85 Lacs)

(b) Amount spent during the year ended 31 March, 2018:	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	20.00	37.69	57.69
(c) Amount spent during the year ended 31 March, 2017:	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	10.00	41.85	51.85

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

- K. Based on information available with the Company, there are no amounts payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) as on the Balance Sheet date. This information has been relied upon by the auditors.
- L. Other Income includes recovery of ₹1100 lacs (Previous Year: Nil) towards compensation paid in an earlier year to certain Schemes for excess interest calculation on one security.
- M. The Company has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The Management is of the opinion that all the transactions are at arm's length so that the above legislation will not have any impact on the Financial Statements, particularly on the amount of tax expense and that of provision of taxes.
- N. Figures of the previous year have been regrouped/ reclassified wherever necessary to conform to current year's classification.

**“Form AOC-1**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures**

**Part A Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

1. Sl. No. - **1**
2. Name of the subsidiary - **KOTAK MAHINDRA PENSION FUND LIMITED**
3. The date since when subsidiary was acquired – **March 23, 2009**
4. Reporting period for the subsidiary concerned, if different from the holding company’s reporting period. – **Reporting period same as holding company**
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. - **INR**
6. Share capital – Rs. **2,800 Lacs**
7. Reserves and surplus – Rs. **(270.95) Lacs**
8. Total assets – Rs. **2595.84 Lacs**
9. Total Liabilities – Rs. **66.79 Lacs (external liability)**
10. Investments - Nil
11. Turnover – Rs. **247.51**
12. Profit before taxation – Rs. **(4.92) Lacs**
13. Provision for taxation - Nil
14. Profit after taxation - Rs. **(4.92) Lacs**
15. Proposed Dividend - Nil
16. Extent of shareholding (in percentage) – 95.71%

**Notes: The following information shall be furnished at the end of the statement:**

- 1. Names of subsidiaries which are yet to commence operations-None**
- 2. Names of subsidiaries which have been liquidated or sold during the year-None**

**Managing Director**

**Director**

**Chief Financial Officer**

**Company Secretary**

**Part B Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates or Joint Ventures	Name 1	Name 2	Name 3
1. Latest audited Balance Sheet Date	<b>Not Applicable</b>		
2. Date on which the Associate or Joint Venture was associated or acquired			
3. Shares of Associate or Joint Ventures held by the company on the year end			
No.			
Amount of Investment in Associates or Joint Venture			
Extent of Holding (in percentage)			
4. Description of how there is significant influence			
5. Reason why the associate/joint venture is not consolidated			
6. Networth attributable to shareholding as per latest audited Balance Sheet			
7. Profit or Loss for the year			
i. Considered in Consolidation			
ii. Not Considered in Consolidation			

1. Names of associates or joint ventures which are yet to commence operations.

2. Names of associates or joint ventures which have been liquidated or sold during the year.

**Note:** This Form is to be certified in the same manner in which the Balance Sheet is to be certified".



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Mumbai - 400 051

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

CIN: L65110MH1985PLC038137