



# MULTIPLYING BY ADDING

**Kotak Mahindra Asset Management Company Limited**

ANNUAL REPORT 2015 - 16

# DIRECTORS' REPORT

To The Members of,

## Kotak Mahindra Asset Management Company Limited

Your Directors present their Twenty Second Annual Report together with the Audited Financial Statement the Company for the year ended 31st March, 2016.

### 1. FINANCIAL HIGHLIGHTS

Particulars	(Rs. In Lac)	
	Year ended 31st March 2016	Year ended 31st March 2015
Gross income	23,996	12,564
Profit/(Loss) before Depreciation and Tax	7,890	(3,269)
Depreciation	696	322
Profit/(Loss) before Tax	7,194	(3,590)
Profit/(Loss) after Tax	5,933	(3,618)
Balance of Profit from previous years	543	4248
Amount available for appropriation	6,476	630
Appropriations		
Dividend on Preference Shares	72	72
Corporate Dividend Tax thereon	15	15
Surplus carried forward to the Balance Sheet	6,389	543

### 2. DIVIDEND

Your Directors recommend a dividend on the preference shares at the coupon rate i.e. 8.5% for the financial year ended 31st March 2016.

### 3. SHARE CAPITAL

The Issued, subscribed and paid share capital of the Company is Rs. 38,30,00,000/- divided into 2,98,00,00 Equity Shares of Rs. 10/- each aggregating to Rs. 29,80,00,000/- and 85,00,000 Preference shares of Rs. 10/- each aggregating to Rs. 8,50,00,000/-

There was no change in the Capital Structure of the Company during the year

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

FY 16 was an eventful year for the Mutual Fund Industry, which saw healthy growth in Assets under Management (AUM). The Mutual Fund Industry Quarterly Average Assets Under Management (QAAUM) grew by 14% to Rs. 13.59 lac crs in March 2016 against Rs. 11.96 lac crs in March 2015. Kotak Mahindra Mutual Fund (KMMF) witnessed QAAUM increase of 41% at Rs. 58,731 crs for March 2016 against Rs. 41,652 crs for the corresponding period ended March 2015. It is notable that KMMF was one of the fastest growing AMCs by asset size among the top 10 AMCs.

The Mutual Fund Industry Equity QAAUM grew by 15% to Rs. 4.33 lac crs in March 2016 against Rs. 3.76 lac crs in March 2015. KMMF witnessed a QAAUM increase of 60% at Rs. 14,482 crs for March 2016 against Rs. 9,033 crs for the corresponding period ended March 2015.

KMMF's total number of live non-gold fund SIPs increased significantly by 80% this financial year and stood at 1,86,275. This amounted to a total SIP book value of Rs. 653 crs in FY 16, which is 129% higher than FY 15.

The aforesaid increase in AAUMs, coupled with a favourable mix in favour of equities and an overall reduction in distribution expenses of the

schemes, resulted in a significant increase of 91% in the gross income of the Company.

The overall expenses of the Company have grown at only 4%. This has contributed to a significant increase in the profits before tax at Rs. 72.01 crs, as compared to a loss of Rs. 35.91 crs last year.

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

KMMF broadened its product offering during the year as follows:

- Three capital protection oriented series were launched and garnered a total of Rs. 320 crs during the NFO period
- Sixteen Fixed Maturity Plans (FMPs) were launched which collected Rs. 3062 crs during their NFO period. These are close-ended income schemes which mature at the end of the stipulated tenure.
- A close ended equity scheme - Kotak India Growth Fund - Series I – was launched and it collected Rs. 353 crs during the NFO period.
- Kotak NV20 ETF tracking the NV20 Index was launched, collecting Rs. 10 crs during the NFO period.

#### **Market influences:**

On the equity market front, FY 16 witnessed turbulence owing to global headwinds led by the reversal in US Federal Reserve Monetary Policy stance, slowing Chinese economy, and currency devaluation by China. This was visible in the performance of key indices; S&P BSE Sensex and CNX Nifty ended in the red at -10.33% and -9.87% respectively, while the CNX Midcap index ended at -6.44%. However, India remained one of the better performing markets globally on the back of improved valuation comfort and relatively better growth prospects.

On the fixed income front, expectations of monetary easing by the Reserve Bank of India (RBI) led to easing across the yield curve. The benchmark 10 year gilt ended the year at 7.47% from 7.74% at the start of the financial year. In FY16, the benchmark repo rate was cut by 75 bps to 6.75%. It was also heartening to note that the government continued to pave the way towards fiscal prudence by targeting 3.5% fiscal deficit for FY16. The headline Consumer Price Index (CPI) was contained at 5.18% on a YoY basis in February 2016.

Global market outlook painted a bleak picture through the last year. Liquidity injection measures by Central Banks continued in most developed economies. Deflationary expectations, declining global commodity prices, negative treasury yields in most parts of Euro zone, Japan, etc. were some of the key focus points last year. The US Fed announced a 25 bps rate hike and pledged a gradual pace of increase to more normalize the interest rates.

#### **Scheme Performance:**

The snapshot of the performance for FY 16 is as under:

Equity Schemes	Benchmark	FY 16 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak Select Focus Fund	CNX 200 Index	-2.83	-8.09	5.26
Kotak 50 Fund	CNX Nifty Index	-4.55	-8.84	4.29
Kotak Midcap Fund	CNX Midcap 100 Index	1.76	-1.91	3.67
Kotak Opportunities Fund	CNX 500 Index	-5.59	-7.52	1.93
Kotak Emerging Equity Fund	S&P BSE Mid Small Cap Index	-2.26	-3.34	1.08
Kotak Balance Fund	Crisil Balanced Fund Index	-2.82	-2.9	0.08
Kotak Taxsaver Fund	CNX 500 Index	-7.99	-7.52	-0.47
Kotak Equity Arbitrage Fund	Crisil Liquid Fund Index	6.81	8.04	-1.23
Kotak Classic Equity Fund	CNX 100 Index	-9.33	-8.05	-1.28

Debt Schemes	Benchmark	FY 16 Returns (%)	Benchmark Returns (%)	Outperformance (%)
Kotak Income Opportunities Fund	Crisil Short Term Bond Fund Index	9.09	8.44	0.65
Kotak Treasury Advantage Fund	Crisil Liquid Fund Index	8.41	8.04	0.37
Kotak Banking and PSU Debt Fund	Crisil Liquid Fund Index	8.33	8.04	0.29
Kotak Floater Short Term Fund	Crisil Liquid Fund Index	8.25	8.04	0.21
Kotak Bond Short Term Fund	Crisil Short Term Bond Fund Index	7.91	8.44	-0.53
Kotak Gilt Investment Fund	ISEC Composite Index	5.65	8.22	-2.57
Kotak Bond Fund	Crisil Composite Bond Fund Index	5.3	8.22	-2.92
Kotak Liquid Fund	Crisil Liquid Fund Index	7.23	8.04	-0.81
Kotak Flexi Debt Fund	Crisil Composite Bond Fund Index	7.83	8.22	-0.39

#### Awards:

During the year under review your Company has won the Best new ETF India and ETF Manager of the Year India award from Asia Asset Management ETF & Indexing Awards 2016

#### Investor Awareness Programme:

The focus of the Company is to spread Investor Awareness with an objective to increase financial awareness to make Mutual Funds a preferred avenue for wealth creation.

During FY 16, there were 460 investor awareness programmes undertaken across various companies, schools, colleges and housing societies touching approximately 28,000 investors.

New concept of using graphics for explaining various concepts related to mutual funds were also developed to reach out to investors better and helping them in breaking common myths which could help in taking sound investment decisions.

During FY 16 the Company launched IAP campaign with a tagline of "Jo samjhega wo hi paayega". The campaign had a huge regional focus and was developed in various languages like Hinglish, Hindi, Gujarati, Marathi, Tamil, Telugu, Kannada, Oriya and English. The campaign was run across print, outdoor, online and television media with an objective to help people overcome the psychological barrier of not considering SIP to be an ideal way of investing and thereby turning it into a more preferred mode of investment by informing and educating investors about the benefits of SIP.

#### Mutual Fund Industry

During the year, the following important developments took place in the Mutual Fund Industry:

- As a part of risk management framework and to strengthen the risk management practices, SEBI issued guidelines on stress testing of Liquid Funds and Money Market Mutual Fund Schemes.
- SEBI has replaced the colour coding in Schemes Documents, and has introduced pictorial representation of risks by displaying image of a 'Riskometer'. The 'Riskometer' will state a scheme's risk level - "low", "moderately low", "moderate", "moderately high" or "high".
- In order to provide investors with enhanced diversification benefits and put mutual funds in a better position to handle adverse credit events, SEBI has further tightened the limits for single issuer, sector level exposure limits.
- In order to have further transparency in the functioning of Mutual Funds, SEBI vide its circular dated March 18, 2016 has mandated mutual funds to:-
  - Enhance disclosures in Consolidated Account Statements (CAS) by requiring MFs to disclose the amount of commissions paid to distributors along with the scheme's average Total Expense Ratio (in percentage terms) in the CAS.
  - Disclose Executive Remuneration on websites of the MFs.
  - Have in-house credit risk assessment policy for investing in fixed income securities.

## 5. SUBSIDIARY

Kotak Mahindra Pension Fund Limited (KMPFL), subsidiary of your Company was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), on April 30, 2009 which was initially for a period of three years for managing the funds under National Pension System Trust (NPS). Subsequently various term extensions were granted by PFRDA under Registration Guidelines, 2012.

On January 16, 2014, PFRDA had issued revised guidelines for appointment of upto eight (8) Pension Fund Managers (PFM), for a period of 5 years, to manage the Pension Assets of the Private Sector NPS. Kotak Mahindra Asset Management Co. Ltd (KMAMC). PFRDA on July 23, 2014 approved appointment of KMAMC as a Sponsor of Pension Fund for managing the pension assets under NPS for the private sector.

With reference to the Guidelines 2012, Investment Management Fees for Tier I and Tier II schemes were charged @ 0.25% p.a. and 0.0102% p.a. for NPS Lite scheme on the Assets Under Management w.e.f. March 21, 2013 upto July 31, 2014 on a daily basis inclusive of brokerage except Custodian Charges, applicable taxes and any other charges permitted by PFRDA from time to time. As per the directive from PFRDA, Investment Management Fees for Tier I and Tier II schemes were reduced to 0.01% p.a (No Changes in the 0.0102% p.a. charge for NPS Lite Scheme – Govt Pattern) w.e.f. August 1, 2014 as determined through the request for proposal.

Kotak Mahindra Pension Fund Ltd manages seven schemes, and the combined Assets Under Management on March 31, 2016 were Rs. 172.69 crs (Previous year – Rs. 107.47 crs). The overall pension fund industry (including the private and public sectors) AUM has grown from Rs. 80,855.18 crs as on March 31, 2015 to Rs. 118,810.18 crs as on March 31, 2016, a growth of 47% and the private sector industry AUM has grown from Rs. 606.51 crs as on March 31, 2015 to Rs. 1,361.27 crs as on March 31, 2016. The pension fund management business is currently at a nascent stage and considering the low rates of management fees, the revenue generated from the investment management activity for the year ended March 31, 2016 is Rs. 0.13 cr against Rs. 0.46 cr in the previous year. The fees are lower on account of the lower rate of Investment Management fees as compared to the previous year. The net loss of the Company was Rs. 24.03 crs as compared to Rs. 27.40 crs in the previous year.

## 6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

### **Directors retiring by rotation**

Mr. Gaurang Shah (DIN 00016660) will retire by rotation at the Twenty Second Annual General Meeting (AGM) and being eligible, has offered himself for re-appointment.

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

Mr. Nalin Shah was appointed as an Independent Director at the Extraordinary General Meeting held on April 13, 2015 for a period of 5 consecutive years from date of the meeting.

### **Board Evaluation**

The Nomination and Remuneration Committee of the Company's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The Criteria formulated broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style.

A Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors in accordance with the criteria set and covering various aspects of performance including composition, relationship among directors, director competency, contribution to risk management compliance, roles and responsibility, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors of the Company for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, Chairman and the individual Directors, a summary of the Board Evaluation was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors.

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

In terms of the provisions of Section 203 of 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 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 of the Company 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 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 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 employee 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 shareholders for payment of profit based commission to Independent Directors of the Company is being sought at the ensuing Annual General Meeting of the Company.

Remuneration to KMPs, are as per the terms of their employment.

## **7. NUMBER OF BOARD MEETINGS**

### **Board Meetings**

During the financial year ended 31st March 2016, 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**

The Audit Committee was reconstituted on March 29, 2016. 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, Mr. Nalin Shah and Mr. Mr. Pranab Kumar Datta with any two members forming the quorum.

During the financial year ended 31st March 2016, 4 meetings of Committee were held. There were no cases where recommendations of Audit Committee were not accepted by the Board of Directors of your Company.

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

In terms of the requirement of Section 178 of 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 31st March 2016, 2 meetings of Committee were held.

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

In terms of the requirement of Section 135 of the Companies act, 2013, the Corporate Social Responsibility Committee monitors, reviews, approves CSR initiatives and expenditure and makes recommendations to the Board on CSR policy and related matters. The CSR Committee presently comprises of Mr. Pranab Kumar Datta - Chairman, Mr. C. Jayaram and Mr. Gaurang Shah with any two members forming the quorum.

During the financial year ended 31st March 2016, 1 meetings of Committee were held.

## **9. AUDITORS**

Your Company's Auditors M/s. S. R. Batliboi and Associates, LLP, Mumbai, Chartered Accountants, retire at the Twenty Second 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 re-appoint them for the current financial year and fix their remuneration.

## **10. INTERNAL FINANCIAL CONTROLS**

The Board of Directors confirms that there are internal controls in place with reference to the Financial Statements and that such controls are operating effectively.

## **11. 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) 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 Standards AS18 are reported in Notes to Financial Statement under clause no. 27(l).

## **12. PARTICULARS OF LOAN 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 Companies Act, 2013.

## **13. WHISTLE BLOWER POLICY**

Your 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.

#### 14. CORPORATE SOCIAL RESPONSIBILITY

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

- Mr. Pranab Kumar Datta – Chairman (Independent Director)
- Mr. C. Jayaram
- Mr. Gaurang Shah

Your 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:

- Promoting education
- Enhancing vocational skills and livelihood
- Promoting preventive healthcare and sanitation
- Reducing inequalities faced by socially and economically backward groups
- Sustainable development
- Relief and rehabilitation
- Clean India

The CSR policy is available on the Company's website viz. [www.assetmanagement.kotak.com](http://www.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 March 31, 2016 is Rs. 3.12 crore.

The prescribed CSR expenditure required U/S 135, of the Act for FY 2015-16 is Rs. 6.24 lac.

The CSR expenditure incurred for the period 1st April 2015 to 31st March 2016 under Section 135 of Companies Act, 2013 amounts to Rs. 2 lac as against Rs. 5 lac CSR spend in the financial year 2014-15.

CSR expenditure of Rs. 2 lac in FY 2015-16 as a percentage of average net profit U/S 198 of the Company at Rs. 3.12 crs is 0.64%

Your Company is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

#### 15. 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 Kotak Mahindra Asset Management Company Ltd 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 your 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 a 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.

Your Company has robust risk management practices in all the above related areas of functioning.



## **Liquidity Management**

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 have 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.

## **16. EMPLOYEES**

The employee strength of your Company was three hundred and fifteen (315) as of 31st March 2016.

As required by the Sexual Harrasment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has formulated a Policy on Sexual Harrasment of Women at Workplace (Prevention, Prohibition & Redressal). No such instances were 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 your Company during the business hours on working days.

## **17. DEPOSITS**

Your Company did not accept 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 31st March 2016.

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

The provisions pertaining to conservation of energy and technological absorption are not applicable to the Company.

During the financial year ended 31st March 2016 the Company's foreign exchange income during the year under review were Rs. 2.67 crs (Previous year Rs. 2.84crs), while the outgo was Rs. 0.36 crs (Previous year Rs. 0.30 crs)

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

There have been no material changes and commitments affecting the financial position of your 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.

## **20. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS WHICH IMPACTS GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE.**

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

## 21. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. Your Company has, in the preparation of the annual accounts for the financial year ended March 31, 2016, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2016 and of the Profit of your Company for the financial year ended March 31, 2016;
- iii. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv. The Directors have prepared the annual accounts on a going concern basis.
- v. The Directors have 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)

## ACKNOWLEDGEMENT

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Government and Securities and Exchange Board of India, Reserve Bank of India and other Government and Regulatory agencies. The Directors thank the shareholders for the strong support that they have continued to extend to your Company. The Board also takes this opportunity to place on record its appreciation of the outstanding performance and dedication of your Company's employees at all levels, without whose commitment, the achievement of results as indicated above couldnot have been possible.

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

**UDAY KOTAK  
CHAIRMAN**

Mumbai  
Dated: April 27, 2016

# ANNEXURE "A" FORM NO. MGT-9

## Extract of Annual Return as on the financial year ended on March 31st, 2016

[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.	<b>CIN</b>	U65991MH1994PLC080009
2.	<b>Registration Date</b>	August 2, 1994
3.	<b>Name of the Company</b>	Kotak Mahindra Asset Management Company Limited
4.	<b>Category/Sub-Category of the Company</b>	Public Company limited by shares
5.	<b>Address of the Registered office and contact details</b>	27 BKC, Plot No. C 27, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051 Tel No. : (022) 66056825, Fax No.: (022) 66384455
6.	<b>Whether listed Company (Yes/No)</b>	NO
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	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:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Management of Mutual Funds	66301	98.46%

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

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary of the Company	% 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	U672002009191144	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 Asset Management Company is 100 % subsidiary of Kotak Mahindra Bank Ltd.*

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	% of total shares	Demat	Physical	Total	% of total shares	
<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>	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
<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>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-
<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>2. Non-Institutions</b>									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-

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	% of total shares	Demat	Physical	Total	% of total shares	
b) Individuals	-	-	-	-	-	-	-	-	-
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>	-	2,98,00,000	2,98,00,000	100	-	2,98,00,000	2,98,00,000	100	-

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares 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*

Sl. No.	Particulars	Shareholding 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):*

Sl. No.	Name of the Shareholder	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of 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:*

Sl. No.	For Each of the Directors and KMP	Shareholding 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	Mr. Gaurang Shah (as nominee of Kotak Mahindra Bank Ltd)				
	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*

₹ in crs

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	13.87	-	13.87
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	13.87	-	13.87
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	39.65	-	39.65
• Reduction	-	39.65	-	39.65
<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 crores)			
Sr. No.	Particulars of Remuneration	Name of MD/ WTD/ Manager	Total Amount
		<b>Mr. Nilesh Shah (Managing Director)</b>	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4.685	4.685
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.004	0.004
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit		
	- others, specify...	-	-
5	Others, please specify	-	-
	Total (A)\$	<b>4.689</b>	<b>4.689</b>
	<b>Ceiling as per the Act #</b>		

### B. Remuneration to other directors

(₹ in crores)						
Sr. No.	Particulars of Remuneration	Name of Director				Total Amount
		Mr. Sukant Kelkar	Mr. Bipin R. Shah	Mr. Pranab Kumar Datta	Mr. Nalin Shah	
1.	Independent Director					
	Fee for attending board / committee meetings	0.04	0.04	0.03	0.02	0.12
	Commission @					
		0.02	0.02	0.02	0.02	0.08
	Others, please specify	-	-	-	-	-
	Total (1)	0.06	0.06	0.05	0.04	0.20
2.	Other Non-Executive Directors					
	• Fee for attending board / committee meetings					
	• Commission					
	• Others, please specify					
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)	0.06	0.06	0.05	0.04	0.20
	Total Managerial Remuneration	-	-	-	-	-
	Overall Ceiling as per the Act#	-	-	-	-	-

@ Payment of Commission is subject to approval of members at the AGM of 2015 – 2016.

#The overall limit in accordance with Section 197(1) of Companies Act, 2013 excluding the payment of sitting fees to Directors is 4.49 crores.

\$ The Company has made an application to the Central Government for remuneration to be paid to managerial person for the financial year ended 31st March, 2016. The approval of the Central Government is yet to be received.

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

₹ in crs

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		CS	CFO	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.18	1.30	1.48
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	-	0.11	0.11
	(C) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	Cost included in 1(b) above (ESOP- 0.10)		
3	Sweat Equity			
4	Commission			
	- as % of profit			
	- others, specify...	-	-	-
5	Others, please specify	-	-	
	Total	<b>0.18</b>	<b>1.41</b>	<b>1.59</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL**

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>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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>KEF has partnered with 36 schools, majority of which are Located in the poorest wards of Mumbai. Livelihood training is provided at 7 centres spread across the poorest neighbour hoods of the city. In 2015-16, KEF has touched nearly 50,000 youngsters through its nine interventions.</p>	Promoting Education & Livelihood	Mumbai	2,00,000.00	167,204.00	27,818.00	₹ 7,00,000.00 (Out of this, Kotak Education Foundation has not utilised ₹ 4,978/- which wil. This will be used towards meeting expenses for FY2016-17)	2,00,000 (Implemented through the Kotal Education Foundation-KEF)
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2015-16								2,00,000.00

Pranab Kumar Datta  
Chairman of CSR Committee

Nilesh Shah  
Managing Director

Uday Kotak  
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, 2016, 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of 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, 2016, its profit, and its cash flows for the year ended on that date.

## **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 27(K) of the Notes to the financial statements. As represented to us by the management, the Company has made an application to the Central Government to seek approval for the managerial remuneration paid in excess of the prescribed limits amounting to Rs. 28.08 lacs. Pending final outcome of the Company's application for the matter indicated above, no adjustment have been made to the accompanying financial statements in this regard.

Our opinion is not qualified in respect of this matter.

## 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 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 A" to this report;
  - (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 27(A) to the financial statements. The Company does not have any pending litigations which would impact its financial position as at March 31, 2016;
    - ii. The Company did not have any outstanding long-term contracts including derivative contracts as at March 31, 2016 for which there were any material foreseeable losses; and
    - iii. As at March 31, 2016 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

Mumbai  
April 27, 2016

**per Viren H. Mehta**  
Partner  
Membership Number: 048749

# ANNEXURE A INDEPENDENT AUDITOR'S REPORT

## Annexure 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) 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, the Company does not have any immovable property at the end of the financial year. Accordingly, reporting under clause 3 (i) (c) is not applicable to the Company and hence not commented upon.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(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 granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (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 records of the Company, the dues outstanding of income-tax, service tax, and cess on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (₹)*	Amount paid under protest (₹)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax demand payable	1,27,63,419	NIL	Assessment Year 2009-10	Commissioner of Income Tax (Appeals)
		50,99,230	50,99,230	Assessment Year 2011-12	Assistant Commissioner of Income Tax

\*including amount paid under 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) Based upon the 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, we report that no fraud on or by the officers and employees of the Company has been noticed or reported during the year.
- (xi) 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, we report that the Company has paid managerial remuneration which is over and above the amount mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013, by ₹28.08 lacs as at March 31, 2016. As represented to us, the Company has applied to the Central Government seeking approval for the managerial remuneration paid in excess and which is detailed as under:

S. No	Name of the Director, MD, WTD or any other person to whom remuneration is provided or paid which is not in accordance with section 197	Amount involved (in excess of the limit prescribed)	Amount due for recovery as at Balance sheet date	Steps taken to recover the amount	Remarks
1	Mr. Nilesh Shah	₹ 28.08 lacs	See remarks	See remarks	Pending receipt of the Central Government approval, no steps / adjustments have been taken / considered.

- (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) 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, 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 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.
- (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

Mumbai  
April 27, 2016

**per Viren H. Mehta**  
Partner  
Membership Number: 048749

## **ANNEXURE A 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, 2016 in conjunction with our audit of the 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, both 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, 2016, 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.

### **Explanatory paragraph**

We also have audited, 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, the financial statements of Kotak Mahindra Asset Management Company Limited, which comprise the Balance Sheet as at March 31, 2016, and the related 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, and our report dated April 27, 2016 expressed an unqualified opinion thereon.

Mumbai  
April 27, 2016

For **S.R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 301003E

**per Viren H. Mehta**  
Partner  
Membership Number: 048749

# BALANCE SHEET

## AS AT 31ST MARCH, 2016

	Notes	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds:</b>			
(a) Share Capital	3	3,830.00	3,830.00
(b) Reserves and Surplus	4	7,978.60	2,132.52
<b>Total</b>		<b>11,808.60</b>	<b>5,962.52</b>
<b>2. Non-current liabilities</b>			
(a) Other Long-term Liabilities	5	195.52	202.49
(b) Long-term Provisions	6	614.57	553.03
<b>Total</b>		<b>810.09</b>	<b>755.52</b>
<b>3. Current liabilities</b>			
(a) Short-term Borrowings	7	-	1,387.39
(b) Trade payables	8	1,171.38	1,059.33
(c) Other Current Liabilities	9	601.34	409.67
(d) Short-term Provisions	10	878.36	753.93
<b>Total</b>		<b>2,651.08</b>	<b>3,610.32</b>
<b>Grand Total</b>		<b>15,269.77</b>	<b>10,328.36</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed Assets	11		
(i) Tangible assets		564.08	510.39
(ii) Intangible assets acquired		1,494.99	1,713.55
(b) Non current Investments	12	4,337.52	2,750.00
(c) Deferred Tax Assets (net)	13	324.05	349.27
(d) Long term Loans & Advances	14	106.02	590.00
(e) Other Non-Current Assets	15	3,391.85	2,947.24
<b>Total</b>		<b>10,218.51</b>	<b>8,860.45</b>
<b>2. Current assets</b>			
(a) Current Investments	16	703.78	-
(a) Trade Receivables	17	2,145.42	100.11
(b) Cash & Bank Balance	18	125.17	9.44
(c) Short term Loans & Advances	19	609.72	952.73
(d) Other Current Assets	20	1,467.17	405.63
<b>Total</b>		<b>5,051.26</b>	<b>1,467.91</b>
<b>Grand Total</b>		<b>15,269.77</b>	<b>10,328.36</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

Chartered Accountants

**per Viren H. Mehta**

Partner

Membership No.:048749

Mumbai

Dated: April 27, 2016

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

**Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary



# STATEMENT OF PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31ST MARCH, 2016

	Notes	Year ended 31st March, 2016 Rupees in Lacs	Year ended 31st March, 2015 Rupees in Lacs
<b>Income</b>			
Revenue from Operations	21	23,849.23	12,238.54
Other income	22	146.31	325.73
<b>Total Income</b>		<b>23,995.54</b>	<b>12,564.27</b>
<b>Expenses</b>			
Employee benefits expense	23	5,292.44	4,830.28
Finance costs	24	144.13	20.12
Depreciation and amortisation	11	696.09	321.97
Other expenses	25	10,668.50	10,982.71
<b>Total Expenses</b>		<b>16,801.16</b>	<b>16,155.08</b>
<b>Profit before tax</b>		7,194.38	(3,590.81)
<b>Tax expenses</b>			
Current Tax		(1,538.26)	-
Mat Credit Entitlement		305.26	-
Deferred Tax		13.41	-
Adjustment of income tax relating to earlier periods		(3.12)	(47.63)
Adjustment of deferred tax relating to earlier periods		(38.63)	20.69
<b>Profit for the year</b>		<b>5,933.04</b>	<b>(3,617.75)</b>
Earnings per equity share [nominal value of share ₹10 (31st March 2015: ₹10)]	26		
Basic and Diluted		19.62	(17.10)
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

Chartered Accountants

**per Viren H. Mehta**

Partner

Membership No.:048749

Mumbai

Dated: April 27, 2016

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

**Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH 2016

	For the Year Ended 31st March 2016	For the Year Ended 31st March 2015
	Rupees in Lacs	Rupees in Lacs
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation and extraordinary items	7,194.38	(3,590.81)
Add / (Less) Adjustments for:		
Provision for Wealth Tax	-	2.60
Depreciation	696.09	321.97
(Profit) / Loss on sale of tangible asset (Net)	(24.85)	(28.24)
Provision for Gratuity, Leave Encashment & Long Service Award	(26.06)	108.37
Interest Expense	131.35	2.43
(Profit) / Loss on Sale of Investments (Net)	(26.22)	(150.23)
Dividend	-	(40.08)
	<b>750.31</b>	<b>216.82</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>7,944.69</b>	<b>(3,373.99)</b>
<b>Movements in working capital :</b>		
Increase/ (decrease) in other liabilities	184.70	129.81
Increase/ (decrease) in trade payables	112.05	253.35
Increase / (decrease) in provisions	204.40	1.15
Decrease / (increase) in trade receivables	(2,045.31)	1,050.49
Decrease / (increase) in loans and advances	827.00	109.71
Decrease / (increase) in other assets	(1,666.60)	(198.98)
	<b>(2,383.76)</b>	<b>1,345.53</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>5,560.93</b>	<b>(2,028.46)</b>
<b>Payment of Taxes (Net of refund)</b>	(1,068.05)	(62.52)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>4,492.88</b>	<b>(2,090.98)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets (owned)	(589.38)	(2,040.62)
Sale of Fixed assets (owned)	83.02	66.76
Purchase of Non Current Investments	(1,647.53)	(65.00)
Purchase of Current Investments	(7,490.00)	(12,449.52)
Sale of Current Investment	6,872.44	13,599.76
Dividend received	-	40.08
	<b>(2,771.45)</b>	<b>(848.54)</b>
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>(2,771.45)</b>	<b>(848.54)</b>

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH 2016

	For the Year Ended 31st March 2016		For the Year Ended 31st March 2015	
	Rupees in Lacs		Rupees in Lacs	
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase /(decrease) in share capital	-		1,000.00	
Dividend paid on equity shares	-		(495.00)	
Tax on equity dividend paid	-		(84.13)	
Interest Expense	(131.35)		(2.43)	
Dividend paid on preference shares	(72.25)		(72.25)	
Tax on preference dividend paid	(14.71)	(218.31)	(12.28)	333.91
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>		<b>(218.31)</b>		<b>333.91</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS (A + B + C)</b>		<b>1,503.12</b>		<b>(2,605.61)</b>
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		(1,377.95)		1,227.66
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>		125.17		(1,377.95)
Components of cash and cash equivalents				
With banks- on current account		<b>125.17</b>		9.44
- Bank Overdraft		-		(1,387.39)
Total cash and cash equivalents		<b>125.17</b>		(1,377.95)

1. 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

Chartered Accountants

**per Viren H. Mehta**

Partner

Membership No.:048749

Mumbai

Dated: April 27, 2016

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

**Kotak Mahindra Asset Management Company Limited**

Managing Director

Director

Chief Financial Officer

Company Secretary

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### 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 Trust (Kotak Mahindra Mutual Fund) and to deploy the funds raised by the Kotak Mahindra Mutual Fund under the Schemes.

The Company also provides portfolio management 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 under the historical cost convention on accrual basis to comply with the accounting standards specified under section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 / the Companies Act, 1956 as applicable. The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30 March 2016. The company is of the opinion that the said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 will be applicable to accounting periods commencing on or after the date of notification i.e. 1 April 2016. Hence, the said notification has not been considered in the preparation of these financial statements. 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 operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of 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 or non-current classification of assets and liabilities.

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. USE OF ESTIMATES

The preparation of 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 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 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, and are in accordance with the terms of agreement.

- Fees from rendering Portfolio Management Services

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

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

- Dividend income is accounted when the right to receive dividend is established.
- Purchase and sale of investments are recorded on trade date. The profit / loss on sale of investments are 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 AMORTISATION

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.

Depreciation is provided on a pro-rata basis on a Straight Line Basis over the estimated useful life of the assets at rates which are higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period, residual value 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. A rebuttable presumption that the useful life of an Intangible asset will not exceed 10 years from the date the asset is available for use is considered by the management.

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:

<b>Asset</b>	<b>Useful life in years</b>
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

Gain or losses arising from the retirement or disposal of a fixed asset / intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense 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 value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### 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 long-term investments.

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. 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 schemes

- a. Retirement benefit in the form of provident fund is a defined contribution scheme. 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.

Defined benefit plan

- a. The Company accounts for the liability for future gratuity benefits based on an 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 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.

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 conducted by actuary of a fellow subsidiary.
- 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 enacted in India 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 substantially enacted, at the reporting date.

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

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, 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 LEASE**

Leases, where the lessor retains substantially all the risks and benefits of ownership of the leased item, 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. BORROWING COSTS**

Borrowing cost includes interest and other cost incurred in connection with the arrangement of borrowings.

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

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### **(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.

### **L. 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) regulation 1996.

### **M. REFERRAL FEES**

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

### **N. 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 is not been taken into consideration since the conversion price is not determined as of Balance Sheet date.

### **O. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

A provision is recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation 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.

### **P. EMPLOYEE STOCK OPTION SCHEME (ESOS)**

Cash-settled scheme:

The cost of cash-settled scheme (stock appreciation rights) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is 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'.

### **Q. 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.

### **R. SEGMENT REPORTING**

The Company's primary business segments are reflected based on the principal business carried out, i.e. asset management company. The risk and returns of the business of the Company is not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.



# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	As at 31st March, 2016	As at 31st March, 2015
	Rupees in Lacs	Rupees in Lacs
<b>Note 3 : SHARE CAPITAL</b>		
<b>Authorised</b>		
3,00,00,000 (Previous Year 3,00,00,000) equity shares of ₹10/- each	3,000.00	3,000.00
1,00,00,000 (Previous Year 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 (Previous Year 2,98,00,000) equity shares of ₹10/- each, fully paid up	2,980.00	2,980.00
85,00,000 (Previous Year 85,00,000) 8.5% Compulsory Convertible Preference shares of ₹10/- each, fully paid up. Conversion date 5th January 2019, at a valuation price, as determined by an independent valuer.	850.00	850.00
	<b>3,830.00</b>	<b>3,830.00</b>

### (a) Reconciliation of number of shares

Equity Shares:	As at 31 March 2016		As at 31 March 2015	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
Balance as at the beginning of the year	29,800,000	2,980.00	19,800,000	1,980.00
Issued during the year	-	-	10,000,000	1,000.00
Balance as at the end of the year	29,800,000	2,980.00	29,800,000	2,980.00

Preference Shares:	As at 31 March 2016		As at 31 March 2015	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
Balance as at the beginning of the year	8,500,000	850.00	8,500,000	850.00
Issued During the year	-	-	-	-
Balance as at the end of the year	8,500,000	850.00	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.

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

**(c) Terms of conversion/ redemption of Compulsory Convertible Preference Shares(CCPS):**

“CCPS 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.

8.5% Redeemable preference shares of ₹10 each were issued in Financial Year 2008 - 2009 to Kotak Securities Ltd. These preference shares are convertible into equity shares on 5th January 2019, at a valuation price, as determined by an independent valuer.”

**(d) Shares held by Holding Company and their subsidiary :**

	<b>31 March 2016</b>	31 March 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Equity Shares:</b>		
2,98,00,000 Shares (March 31, 2015: 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>		
85,00,000 Shares (March 31, 2015: 85,00,000 Shares) held by Kotak Securities Limited, subsidiary of Kotak Mahindra Bank Limited	850.00	850.00

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

	<b>31 March 2016</b>	31 March 2015
	<b>Rupees in Lacs</b>	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%)	850.00 (100%)

**(f) Proposed dividend on Preference Shares:**

	<b>31 March 2016</b>	31 March 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>The board proposed dividend on preference shares after the balance sheet date</b>		
Proposed dividend on preference shares for the year ended on 31st March 2016 : ₹0.85 per share (March 31, 2015: ₹0.85)	72.25	72.25
DDT on proposed preference shares	14.71	14.71

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 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 & Loss	-	-
Closing Balance	420.00	420.00
General Reserve		
Opening Balance	1,169.25	1,169.25
Add: Transfer from Statement of Profit & Loss	-	-
Closing Balance	1,169.25	1,169.25
Surplus in Statement of Profit & Loss		
Opening Balance	543.27	4,247.99
Profit/(Loss) for the year	5,933.04	(3,617.75)
Less: Appropriations		
Proposed dividend on Preference Shares for the year	72.25	72.25
Dividend distribution tax on Proposed dividend on Preference Shares	14.71	14.71
Transfer to General Reserve	-	-
Net Surplus in Statement of Profit & Loss	6,389.35	543.27
	<b>7,978.60</b>	<b>2,132.52</b>

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 5 : OTHER LONG TERM LIABILITIES</b>		
Rent Escalation	25.52	32.49
Others	170.00	170.00
	<b>195.52</b>	<b>202.49</b>

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 6 : LONG TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	324.89	319.00
Provision for compensated absences	153.45	152.32
Provision for Long Service Award	18.94	20.02
Employee Related Payable (Stock Appreciation Rights)	117.29	61.69
	<b>614.57</b>	<b>553.03</b>

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 7 : SHORT TERM BORROWINGS</b>		
From Bank - Unsecured		
Bank Overdraft	-	1,387.39
	-	<b>1,387.39</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 8 : TRADE PAYABLES</b>		
Trade Payable (Refer Note 27(L))	1,171.38	1,059.33
	<b>1,171.38</b>	<b>1,059.33</b>
Above includes payable to Kotak Mahindra Mutual Fund	238.04	655.98

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 9 : OTHER CURRENT LIABILITIES</b>		
Other Liabilities		
Statutory Dues Payable	139.11	163.89
Unearned revenue	140.73	4.63
Employee Related Payable	6.06	3.34
Rent Escalation	14.95	10.31
Provision for Expenses	19.34	51.48
Referral Fees Payable	115.71	-
Others	165.44	176.02
	<b>601.34</b>	<b>409.67</b>
Others & Referral Fees Payable includes		
Dues to		
Kotak Mahindra Bank Limited	127.92	24.27
Kotak Securities Limited	7.26	-

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 10 : SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
Provision for gratuity	34.20	67.06
Provision for compensated absences	27.17	26.30
Employee Related Payable	688.67	539.86
Other Provisions		-
Proposed Dividend on Preference Shares	72.25	72.25
Dividend distribution tax on proposed dividend on Preference Shares	14.71	14.71
Provision for Tax (Net of advance tax and Tax deducted at source of ₹3369.92 Lacs) (March 31, 2015: ₹1,841.87 Lacs)	37.71	27.50
Provision for Wealth Tax	3.65	6.25
	<b>878.36</b>	<b>753.93</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### Note 11 : FIXED ASSETS

Rupees in Lacs

Description	GROSS BLOCK			As on 31-03-2016	DEPRECIATION			NET BLOCK	
	As on 01-04-2015	Additions	Deductions		As on 01-04-2015	For the year	Deductions	As on 31-03-2016	As on 31-03-2016
Tangible Assets									
Leasehold Improvements	281.75	59.67	45.73	295.69	182.33	33.92	37.24	179.01	116.68
Computers	493.87	154.23	26.29	621.81	374.63	91.92	26.27	440.28	181.53
Office Equipments	126.24	26.77	13.73	139.28	106.16	10.44	13.22	103.38	35.90
Furniture & Fixtures	39.81	6.96	6.14	40.63	37.85	6.66	5.83	38.68	1.95
Vehicles	508.33	112.38	161.78	458.93	238.64	105.21	112.94	230.91	228.02
<b>Total</b>	<b>1,450.00</b>	<b>360.01</b>	<b>253.67</b>	<b>1,556.34</b>	<b>939.61</b>	<b>248.15</b>	<b>195.50</b>	<b>992.26</b>	<b>564.08</b>

Description	GROSS BLOCK			As on 31-03-2016	AMORTIZATION			NET BLOCK	
	As on 01-04-2015	Additions	Deductions		As on 01-04-2015	For the year	Deductions	As on 31-03-2016	As on 31-03-2016
Intangible Assets Acquired									
Software	542.55	229.37	129.53	642.39	366.80	129.93	129.53	367.20	275.19
Asset Management Rights	1,590.08	-	-	1,590.08	52.28	318.01	-	370.28	1,219.80
<b>Total</b>	<b>2,132.63</b>	<b>229.37</b>	<b>129.53</b>	<b>2,232.47</b>	<b>419.08</b>	<b>447.94</b>	<b>129.53</b>	<b>737.48</b>	<b>1,494.99</b>

Description	GROSS BLOCK			As on 31-03-2016	DEPRECIATION			NET BLOCK	
	As on 01-04-2015	Additions	Deductions		As on 01-04-2015	For the year	Deductions	As on 31-03-2016	As on 31-03-2016
Tangible Assets									
Leasehold Improvement	270.43	49.69	38.37	281.75	193.46	25.74	36.87	182.33	99.42
Computers	482.92	81.26	70.31	493.87	380.96	63.98	70.31	374.63	119.24
Office Equipments	137.15	4.79	15.70	126.24	109.56	11.54	14.94	106.16	20.08
Furniture & Fixtures	44.65	2.20	7.04	39.81	42.34	2.51	7.00	37.85	1.96
Vehicles	500.04	138.69	130.40	508.33	222.83	109.99	94.18	238.64	269.69
<b>Total</b>	<b>1,435.19</b>	<b>276.63</b>	<b>261.82</b>	<b>1,450.00</b>	<b>949.15</b>	<b>213.76</b>	<b>223.30</b>	<b>939.61</b>	<b>510.39</b>

Description	GROSS BLOCK			As on 31-03-2016	AMORTIZATION			NET BLOCK	
	As on 01-04-2015	Additions	Deductions		As on 01-04-2015	For the year	Deductions	As on 31-03-2016	As on 31-03-2016
Intangible Assets Acquired									
Software	368.64	173.91	-	542.55	310.87	55.93	-	366.80	175.75
Asset Management Rights	-	1,590.08	-	1,590.08	-	52.28	-	52.28	1,537.80
<b>Total</b>	<b>368.64</b>	<b>1,763.99</b>	<b>-</b>	<b>2,132.63</b>	<b>310.87</b>	<b>108.21</b>	<b>-</b>	<b>419.08</b>	<b>1,713.55</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 12 : NON CURRENT INVESTMENTS</b>		
Non - Trade Investments		
<b>Unquoted</b>		
<b>Investments in Equity Instrument:</b>		
(a) Investments in subsidiary		
2,68,00,000 (31st March 2015: 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 (31st March 2015: 5,00,000) Equity shares of face value of ₹1/- each, fully paid of MF Utilities India Private Limited	5.00	5.00
<b>Investments in Mutual Fund:</b>		
<b>Unquoted</b>		
5,00,000 Units (Previous Year 5,00,000) of ₹ 10 each in Kotak Equity Savings Fund-Direct-Growth	50.00	50.00
1,23,466 Units (Previous Year NIL) of ₹ 10 each in Kotak Bond Scheme Plan A-Direct Plan-Growth	50.00	-
1,88,220 Units (Previous Year NIL) of ₹ 10 each in Kotak Bond (Short Term) -Direct Plan-Growth	50.00	-
3,28,258 Units (Previous Year NIL) of ₹ 10 each in Kotak Income Opportunities Fund-Direct Plan-Growth	50.00	-
2,165 Units (Previous Year NIL) of ₹ 1000 each in Kotak Floater Short Term Scheme-Direct Plan-Growth	50.00	-
2,21,972 Units (Previous Year NIL) of ₹ 10 each in Kotak Treasury Advantage Fund-Direct-Growth	50.00	-
2,83,267 Units (Previous Year NIL) of ₹ 10 each in Kotak Flexi Debt Scheme Plan A-Direct-Growth	50.00	-
4,14,370 Units (Previous Year NIL) of ₹ 10 each in Kotak Gold Fund-Direct Plan-Growth	50.00	-
1,02,664 Units (Previous Year NIL) of ₹ 10 each in Kotak Gilt (Investment Regular) -Direct Plan-Growth	50.00	-
1,59,280 Units (Previous Year NIL) of ₹ 10 each in Kotak Banking and PSU Debt Fund-Direct-Growth	50.00	-
2,12,170 Units (Previous Year NIL) of ₹ 10 each in Kotak Monthly Income Plan-Direct-Growth	50.00	-
1,750 Units (Previous Year NIL) of ₹ 1000 each in Kotak Liquid Scheme Plan A-Direct Plan-Growth	50.00	-
3,46,861 Units (Previous Year NIL) of ₹ 10 each in Kotak Multi Asset Allocation Fund-Direct Plan-Growth	50.00	-
4,39,920 Units (Previous Year NIL) of ₹ 10 each in Kotak Medium Term Fund-Direct Plan-Growth	50.00	-
2,942 Units (Previous Year NIL) of ₹ 1000 each in Kotak Low Duration fund-Direct-Growth	50.00	-
2,438 Units (Previous Year NIL) of ₹ 1000 each in Kotak Corporate Bond Fund-Direct-Growth	45.00	-
2,67,344 Units (Previous Year NIL) of ₹ 10 each in Kotak Balance -Direct Plan-Growth	50.00	-
1,39,785 Units (Previous Year NIL) of ₹ 10 each in Kotak Classic Equity Scheme-Direct Plan-Growth	50.00	-
2,38,387 Units (Previous Year NIL) of ₹ 10 each in Kotak Equity Arbitrage Fund-Direct Plan-Growth	50.00	-
1,61,298 Units (Previous Year NIL) of ₹ 10 each in Kotak Tax Saver Scheme-Direct Plan-Growth	50.00	-
1,95,198 Units (Previous Year NIL) of ₹ 10 each in Kotak Emerging Equity Scheme-Direct Plan-Growth	50.00	-
42,447 Units (Previous Year NIL) of ₹ 10 each in Kotak Asset Allocator Fund-Direct Plan-Growth	25.00	-
3,19,613 Units (Previous Year NIL) of ₹ 10 each in Kotak Global Emerging Market Fund-Direct Plan-Growth	50.00	-
29,287 Units (Previous Year NIL) of ₹ 10 each in Kotak 50 Equity Scheme-Direct Plan-Growth	50.00	-
61,689 Units (Previous Year NIL) of ₹ 10 each in Kotak Opportunities-Direct Plan-Growth	50.00	-

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	As at 31st March, 2016	As at 31st March, 2015
	Rupees in Lacs	Rupees in Lacs
97,934 Units (Previous Year NIL) of ₹ 10 each in Kotak Midcap Scheme-Direct Plan-Growth	50.00	-
2,21,705 Units (Previous Year NIL) of ₹ 10 each in Kotak Select Focus Fund-Direct Plan-Growth	50.00	-
3,30,585 Units (Previous Year NIL) of ₹ 10 each in Kotak Infrastructure and Economic Reforms Fund-Direct-Growth	50.00	-
5,90,357 Units (Previous Year NIL) of ₹ 10 each in Kotak World Gold Fund-Direct-Growth	50.00	-
84,710 Units (Previous Year NIL) of ₹ 10 each in Kotak US Equity Fund-Direct-Growth	10.00	-
<b>Quoted</b>		
7,975 Units (Previous Year 7975) of ₹ 10 each in Kotak Banking ETF-Dividend Pay Option	15.00	15.00
10,000 Units (Previous Year NIL) of ₹ 10 each in Kotak PSU Bank ETF	35.42	-
20,000 Units (Previous Year NIL) of ₹ 10 each in Kotak Gold ETF Scheme	50.25	-
10,000 Units (Previous Year NIL) of ₹ 10 each in Kotak Nifty ETF	83.30	-
10,000 Units (Previous Year NIL) of ₹ 10 each in Kotak Sensex ETF	27.55	-
30,689 Units (Previous Year NIL) of ₹ 10 each in Kotak NV 20 ETF	11.00	-
	<b>4,337.52</b>	<b>2,750.00</b>
Aggregate Amount of Unquoted Investments	4,115.00	2,735.00
Market Value of Unquoted Investments	4,173.48	2,738.21
Aggregate Amount of Quoted Investments	222.52	15.00
Market Value of Quoted Investments	207.00	14.39

	As at 31st March, 2016	As at 31st March, 2015
	Rupees in Lacs	Rupees in Lacs
<b>Note 13 : Deferred Tax Asset</b>		
Net Deferred Tax Asset	324.05	349.27
(Refer Note 27 (G))		
	<b>324.05</b>	<b>349.27</b>

	As at 31st March, 2016	As at 31st March, 2015
	Rupees in Lacs	Rupees in Lacs
<b>Note 14 : LONG TERM LOANS &amp; ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind	11.83	489.17
Security Deposit	81.62	95.21
Other Loans & Advances		
Loans to employees	12.57	5.62
Kotak Mahindra Mutual Fund	<b>106.02</b>	<b>590.00</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 15 : OTHER NON CURRENT ASSETS</b>		
Others		
Advance Tax (Net of Provision for Tax of ₹184.62 Lacs) (March 31st,2015: ₹181.50 Lacs)	2,146.09	2,611.81
Prepaid Expenses	1,245.76	335.43
	<b>3,391.85</b>	<b>2,947.24</b>

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 16 : CURRENT INVESTMENTS</b>		
Investment in Units of Mutual Fund - Unquoted		
28,226 Units (Previous Year NIL) of ₹ 10 each in Kotak Quarterly Interval Plan - Series 2-Direct Plan-Growth	5.00	-
83,551 Units (Previous Year NIL) of ₹ 10 each in Kotak Quarterly Interval Plan - Series 3-Direct Plan-Growth	15.00	-
1,11,949 Units (Previous Year NIL) of ₹ 10 each in Kotak Quarterly Interval Plan - Series 6-Direct-Growth	20.00	-
1,50,000 Units (Previous Year NIL) of ₹ 10 each in Kotak Quarterly Interval Plan - Series 7-Direct-Growth	15.00	-
30,690 Units (Previous Year NIL) of ₹ 10 each in Kotak Quarterly Interval Plan - Series 9-Direct Plan-Growth	5.00	-
26,057 Units(Previous Year NIL) of ₹ 1000 each in Kotak Floater Short Term Plan-Direct-Growth	643.78	-
	<b>703.78</b>	-
Aggregate value of Investments at Market Value	710.86	-

	<b>As at 31st March, 2016</b>	As at 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 17 : TRADE RECEIVABLES</b>		
Unsecured, considered good		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others	2,145.42	100.11
Less: Provision for trade receivables	-	-
	<b>2,145.42</b>	<b>100.11</b>
Trade receivables includes		
Due from Kotak Mahindra Mutual Fund	2,041.58	-
Due from Kotak Mahindra UK Limited	20.51	34.96



# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 18 : CASH &amp; BANK BALANCES</b>		
Cash & Cash equivalents		
Balances with Bank		
In current accounts	125.17	9.44
	<b>125.17</b>	<b>9.44</b>

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 19 : SHORT TERM LOANS &amp; ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind	560.80	924.07
Security Deposits	10.47	2.26
Other Loans & Advances		
Loans to employees	38.45	26.40
	<b>609.72</b>	<b>952.73</b>

	As at 31st March, 2016 Rupees in Lacs	As at 31st March, 2015 Rupees in Lacs
<b>Note 20: OTHER CURRENT ASSETS</b>		
Prepaid Expenses	905.74	303.57
Miscellaneous Receivable	14.59	8.61
Mat Credit Entitlement	305.26	-
Service Tax Receivable	241.58	93.45
	<b>1,467.17</b>	<b>405.63</b>
Miscellaneous Receivable includes		
Dues from		
Kotak Mahindra Old Mutual Life Insurance Limited	1.92	-
Kotak Mahindra Trustee Company Limited	5.81	4.93
Kotak Securities Limited	-	0.15

	For the Year ended 31st March, 2016 Rupees in Lacs	For the Year ended 31st March, 2015 Rupees in Lacs
<b>Note 21 :REVENUE FROM OPERATIONS</b>		
Management Fees	23,483.04	11,812.75
Portfolio Advisory Services	267.00	284.00
Portfolio Management Services	99.19	141.79
	<b>23,849.23</b>	<b>12,238.54</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	<b>For the Year ended 31st March, 2016</b>	For the Year ended 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 22 : OTHER INCOME</b>		
Interest Income		
Income-tax refunds	91.27	103.74
Others	3.23	2.73
Dividend Income On		
Current Investments	-	40.08
Profit on sale of fixed assets (Net)	24.85	28.24
Profit on sale of current investments (Net)	26.22	150.23
Other non operating income	0.74	0.71
	<b>146.31</b>	<b>325.73</b>

	<b>For the Year ended 31st March, 2016</b>	For the Year ended 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 23 : EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, Wages and Bonus	5,032.07	4,461.86
Contribution to provident, defined contribution plans and other funds	211.54	204.96
Reimbursement of expense on ESOP Scheme	-	0.21
Gratuity (includes Exgratia)	62.41	154.59
Compensated Absences	19.79	30.54
Staff welfare	27.27	30.53
	5,353.08	4,882.69
Less: Recovery of common establishment expenses	(60.64)	(52.41)
	<b>5,292.44</b>	<b>4,830.28</b>

	<b>For the Year ended 31st March, 2016</b>	For the Year ended 31st March, 2015
	<b>Rupees in Lacs</b>	Rupees in Lacs
<b>Note 24 : FINANCE COST</b>		
Interest Expenses	131.35	2.43
Bank Charges	12.78	17.69
	<b>144.13</b>	<b>20.12</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

	For the Year ended 31st March, 2016 Rupees in Lacs	For the Year ended 31st March, 2015 Rupees in Lacs
<b>Note 25 : OTHER EXPENSES</b>		
Rent	558.97	550.39
Rates and taxes	5.44	7.37
Insurance	82.99	77.63
Repairs and maintenance		
Others	29.54	40.25
Legal and professional fees	161.42	117.07
Reimbursement of common administrative cost	329.56	330.17
Travel and conveyance	354.47	325.31
Communication expenses	205.88	181.47
Business promotion, Distribution and Mutual Fund expenses *	7,633.71	8,203.38
Printing and stationery	54.05	35.59
Membership subscription	352.24	283.36
Electricity	109.04	110.81
Exchange Loss (net)	0.60	0.14
Computer and software related expenses	261.92	275.51
Directors' Fees & Expenses	20.20	7.60
Payment to Auditors		
As auditor:		
Audit Fees	18.00	15.50
Reimbursement of Expenses	0.26	0.24
	18.26	15.74
Entertainment Expenses	150.66	159.59
Office upkeep expenses	212.94	196.37
Contribution towards Corporate Social Responsibility (Refer Note 27(J))	2.00	5.00
Miscellaneous expenses	135.58	70.44
	10,679.47	10,993.20
Less: Recovery of common administrative expenses	(10.97)	(10.49)
	<b>10,668.50</b>	<b>10,982.71</b>

\* Includes ₹20.52 Crores (Previous Year: Nil) towards compensation for excess interest calculated on one security held by Certain Schemes

	For the Year ended 31st March, 2016 Rupees in Lacs	For the Year ended 31st March, 2015 Rupees in Lacs
<b>Note 26 : EARNING PER SHARE</b>		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/ (loss) after tax	5,933.04	(3,617.75)
<b>Net profit/ (loss) for calculation of basic &amp; diluted EPS</b>	<b>5,933.04</b>	<b>(3,617.75)</b>
Less : dividends on convertible preference shares & tax thereon	86.96	86.96
Net profit/ (loss) for calculation of basic EPS	5,846.08	(3,704.71)
Weighted average number of equity shares used in calculating Basic & Diluted EPS	29,800,000	21,663,014
Basic & Diluted EPS	19.62	(17.10)

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### 27. Notes to Accounts

#### A. CONTINGENT LIABILITIES

Claims against the Company not acknowledged

Particulars	March, 2016 ₹ in Lacs	March, 2015 ₹ in Lacs
Contingent liability for income tax Demand	127.64	127.64
Contingent liability for service tax matters	710.97	710.97
Contingent liability towards property tax	132.13	132.41
Contingent liability for value added tax towards Gold ETF schemes	14.71	45.48

#### B. CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 60.05 Lacs (Previous year ₹ 43.09 Lacs).

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

Expenditure in Foreign Currency:-

- Travelling Cost ₹11.18 lacs (Previous Year ₹5.82 Lacs) - Net of Recoveries
- Other Membership Fees ₹2.04 lacs (Previous Year ₹Nil Lacs)

Earnings in Foreign Currency:-

- Portfolio advisory services ₹267.00 Lacs (Previous Year ₹284.00 Lacs)

#### D. EMPLOYEE BENEFITS

##### GRATUITY

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	March, 2016 ₹ in Lacs	March, 2015 ₹ in Lacs
Change in Unfunded benefit obligations		
Present value of unfunded defined benefit obligations, at the beginning of the year	<b>386.05</b>	<b>306.43</b>
Current Service cost	43.38	33.18
Interest cost	31.59	29.94
Actuarial (gain)/loss on obligations	(12.56)	90.64
Liabilities assumed	(7.65)	1.87
Benefits paid	(81.73)	(76.01)
<b>Present value of unfunded benefit obligations as at year end</b>	<b>359.08</b>	<b>386.05</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### Benefit asset/ liability

Reconciliation of present value of the obligation and the fair value of the plan assets	March, 2016 ₹ in Lacs	March, 2015 ₹ in Lacs
Fair value of plan assets as at the beginning of the year	-	-
Present value of defined benefit obligations as at year end	359.08	386.05
<b>Plan asset/ (liability) as at year end</b>	<b>(359.08)</b>	<b>(386.05)</b>

### Statement of Profit and Loss

Net employee benefit expense recognized in the employee cost

Cost recognized for the period	March, 2016 ₹ in Lacs	March, 2015 ₹ in Lacs
Current service cost	43.38	33.18
Interest cost on benefit obligation	31.59	29.94
Expected return on plan assets	-	-
Actuarial (gain)/loss	(12.56)	90.64
<b>Net benefit expense</b>	<b>62.41</b>	<b>153.76</b>

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

Particulars	Year ended ₹ in Lacs				
	March 2012	March 2013	March 2014	March 2015	March 2016
Defined Benefit Obligation	231.02	287.99	306.43	386.05	359.08
Plan Assets	-	-	-	-	-
Surplus/ (Deficit)	(231.02)	(287.99)	(306.43)	(386.05)	(359.08)
Experience Adjustment on Plan Liabilities	4.77	(3.18)	25.50	44.58	(13.72)
Experience Adjustment on Plan Assets	-	-	-	-	-

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

	March, 2016	March, 2015
Discount rate	7.95% p.a.	7.98% p.a.
Expected rate of return on Plan Assets	0%	0%
Salary escalation rate	8.50%	8.50%
Employee turnover	15% at 21-30 10% at 31-34 5% at 35-44 3% at 45-50 2% at 51-54 1% at 55-59	15% at 21-30 10% at 31-34 5% at 35-44 3% at 45-50 2% at 51-54 1% at 55-57

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.

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### 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 ₹ 245.27 Lacs (Previous Year ₹249.13 Lacs). The future minimum lease payments under non-cancelable operating lease in accordance with agreement are as follows:

Particulars	Rupees In Lacs	
	Year Ending 31st March 2016	Year Ending 31st March 2015
Not later than one year	239.96	238.57
later than one year and not later than five years	556.10	574.13
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 Bank'), the shareholders of the Bank had unanimously passed Special Resolutions on 28th July 2000, 26th July 2004, 26th July 2005, 5th July 2007, 21st August 2007 and 29th June 2015, to grant options to the eligible employees of the Bank and its subsidiary and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted by the Bank:

- Kotak Mahindra Equity Option Scheme 2001-02;
- Kotak Mahindra Equity Option Scheme 2002-03;
- Kotak Mahindra Equity Option Scheme 2005;
- 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 2005;
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Ltd. (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Ltd. (IVBL) Employees Stock Option Scheme 2013

Consequent to the above, the Bank has granted stock options to employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOPs over the exercise price of the option is amortized on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ NIL (Previous year ₹ 0.21 Lac) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of expense on ESOP Scheme" under Note 23 Employee benefits expense. The effect on the financial position is ₹ NIL (Previous year ₹ NIL)

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### Cash Settled Employee Stock Option Scheme - Stock appreciation rights (SARs):

During the year, the management had approved SARs (stock of the Bank) to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and vest on the respective due dates in a graded manner as per the terms and conditions of grant.

The contractual life (which is equivalent to the vesting period) of the SARs ranges from 0.25 year to 2.75 years.

Detail of activity under SARs is summarized below:

Particulars	No. of SARs	
	As at March 31st, 2016	As at March 31st, 2015
Outstanding at the beginning of the year	41,524	94,018
Granted during the year	1,37,646	67,060
Additions/deletions due to transfer of employees	17,522	1,130
Exercised during the year	65,036	83,144
Expired/Forfeited during the year	2,560	37,540
Outstanding at the end of the year	94,052	41,524

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

Particulars	Rupees In Lacs	
	Year Ending	
	31st March 2016	31st March 2015
Employee Compensation Cost pertaining to share-based payment plans	655.41	403.10
Closing balance of liability for cash-settled options	324.04	174.06

Had the Company recorded the total compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been lower by ₹11.83 Lacs (Previous year ₹ 60.96 Lacs) and the profit before tax would have been higher by same amount. Consequently the basic and diluted EPS would have been higher by ₹0.33 (Previous year ₹0.68). The fair valuation has been prepared by the Bank and relied upon by the auditors.

The above number of ESOPs / SARs, exercise price, fair value and share price have been adjusted for bonus shares - one share for every share allotted on 10th July, 2015. The effect of the bonus share has been given in computation for the previous periods.

### G. DEFERRED INCOME TAXES

Components of net deferred tax balances are as follows:

Particulars	March, 2015	
	March, 2016 ₹ in Lacs	₹ in Lacs
<b>Deferred Tax Assets</b>		
Provisions for Employee Benefits	270.94	215.05
Depreciation on Fixed Assets	39.10	118.64
Provision for Lease Equalisation	14.01	15.58
<b>Net Deferred Tax Asset</b>	<b>324.05</b>	<b>349.27</b>

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

### 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" is not required to be reported as the Company business is restricted to a single segment i.e. Asset Management and Advisory Services. The risk and returns of the business of the Company is not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

### I. RELATED PARTY DISCLOSURES

Details of related parties:

Nature of relationship	Name of related party
Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
Subsidiary Company	Kotak Mahindra Pension Fund Limited
Fellow Subsidiaries	Kotak Mahindra Trustee Company Limited Kotak Mahindra Investments Limited Kotak Investment Advisors Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited Kotak Securities Limited Kotak Mahindra Prime Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra General Insurance Company Limited
Key Management Personnel	Mr.Nilesh Shah, Managing Director Mr. Sandesh Kirkire, Chief Executive Officer (till 30th Sept,2014) Mr. Hariharan R, Manager (From 1st April,2014 to 11th July,2014 & From 10th November,2014 to 13th January,2015.)
Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence	Aero Agencies Limited Kotak Commodity Services Limited
Mutual Fund managed by the Company	Kotak Mahindra Mutual Fund



# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

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	₹ In Lacs	
					Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance in Current Account	106.39					
Balance in Bank Overdraft Account	-					
	(1,387.39)					
<b>Subscription of Equity Shares</b>	-					
	(1,000.00)					
Equity Share Capital	2,980.00					
	(2,980.00)					
<b>Kotak Securities Limited</b>						
Preference Share Capital		850.00				
		(850.00)				
<b>Investments:</b>						
Purchases / Subscriptions					9,137.53	
					(12,474.45)	
Sales					6,872.44	
					(13,599.76)	
Dividend					-	
					(40.08)	
Profit on Sale of Investments					26.22	
					(150.23)	
Closing Investment					2,356.31	
					(65.00)	
<b>Balance as on Year end:</b>						
Investments of Equity Shares						2,680.00
						(2,680.00)
<b>Fixed Assets:</b>						
Purchase of Fixed assets						
Kotak Securities Limited		-				
		(19.61)				
<b>Sale of Fixed assets</b>						
Kotak Investment Advisors Limited		24.07				
		-				
<b>Other Receipts and Payments:</b>						
Recovery of common establishment expenses						
Kotak Mahindra Trustee Company Limited		60.64				
		(52.42)				
Recovery of common administrative expenses						
Kotak Mahindra Trustee Company Limited		10.97				
		(10.49)				
Kotak Investment Advisors Limited		3.19				
		(1.23)				
<b>Miscellaneous Income</b>						
Kotak Mahindra Trustee Company Limited		0.71				
		(0.58)				
Reimbursement of Common administrative cost	329.56					
	(330.17)					
Kotak Commodity Services Limited				-		
				(1.26)		

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

₹ In Lacs

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
Brokerage and Other Expenses	1,560.57 (1,106.93)					
Kotak Securities Limited		8.35 (2.39)				
Interest On Bank Overdraft	131.35 (2.43)					
<b>Other Expenses / Reimbursement of other expenses</b>						
Kotak General Insurance Company Limited		0.16 -				
Kotak Mahindra Old Mutual Life Insurance Limited		28.05				
Kotak Securities Limited		(25.93)				
Kotak Mahindra Prime Limited		19.80 (18.00)				
Kotak Mahindra (UK) Limited		0.26 (0.22)				
Kotak Mahindra (UK) Limited		13.52 (18.49)				
<b>Management Fees (Net of Repaid)</b>					23,483.04 (11,812.75)	
<b>Payments to Mutual Fund for Expenses Borne</b>					4,039.56 (5,605.66)	
<b>Receipts from Mutual Fund- Brokerage Recovered</b>					904.19 (1,068.98)	
License Fees Paid	304.66 (297.63)					
Kotak Mahindra Prime Limited		2.01 (1.42)				
Aero Agencies Limited Cost of travel tickets purchased ( Net of Discount )				33.94 (33.03)		
<b>Remuneration to Key Management Personnel</b>						
Sandesh Kirkire part of the year part of the year (till 30th Sep 2014)			- (101.99)			
Hariharan R part of the year part of the year (From 1st Apr 2014 to 11th July 2014 & from 10th Nov 2014 to 13th Jan 2015)			- (23.62)			
Nilesh Shah (From 15th Jan 2015)			477.76 (38.83)			
<b>Advisory Fees</b>						
Kotak Mahindra (UK) Limited		156.00 (224.00)				
Kotak Mahindra International Limited		111.00 (60.00)				
Miscellaneous Receipts	3.21 (0.18)					- -
Kotak Mahindra Old Mutual Life Insurance Limited		1.92 -				
Miscellaneous Payments	258.03 (266.65)					- -

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

₹ In Lacs

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
Kotak Investment Advisors Limited - Employee Transfer cost		93.46				
Dividend Paid	- (495.00)	-				
Dividend Paid - Kotak Securities Limited		72.25 (72.25)				
<b>Other Miscellaneous - Prepaid</b>						
Kotak Mahindra Old Mutual Life Insurance Limited		10.35 (6.80)				
Kotak Mahindra General Insurance Company Limited		1.81 -				
<b>Outstandings – Receivables</b>					2,041.58	
Kotak Securites Limited		- (0.15)			-	
Kotak Mahindra (UK) Limited		20.51 (34.96)				
Kotak Mahindra Old Mutual Life Insurance Limited		1.92 -				
Kotak Mahindra Trustee Company Limited		5.81 (4.93)				
Outstandings - Payables	127.92 (24.27)				238.04 (655.98)	
Kotak Securities Limited		79.51 (72.25)				

Note: Previous year figures are in brackets

### J. CORPORATE SOCIAL RESPONSIBILITY (CSR)

- a) Gross amount required to be spent during the year ₹6.24 Lacs (Previous year ₹43.94 Lacs)

(b) Amount spent during the year ended on 31st March, 2016	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	2.00	4.24	6.24

(c) Amount spent during the year ended on 31st March, 2015:	In cash	Yet to be paid in cash	Total
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	5.00	38.94	43.94

- K. "During the year ended 31st March, 2016, the Company had paid managerial remuneration, which was in excess of the limits specified by the relevant provisions of the Companies Act, 2013, by ₹ 28.08 Lacs. The Company has made an application to the Central Government in this regard, to approve the excess remuneration paid in the financial year ended 31st March, 2016 to the managerial person. The approval of the Central Government is yet to be received. Accordingly, pending final outcome of the Company's application for the matter indicated above, no adjustment has been made to the financial statements in this regard."

# NOTES

## FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH, 2016

- L.** 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 statutory auditors.
- 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. 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.