

The Path of Prudence

Kotak Mahindra Assets Management Company Limited

ANNUAL REPORT 2008 - 2009



Think Investments. Think Kotak.

Directors' Report

To the Members of

Kotak Mahindra Asset Management Company Limited

The Directors present their Fifteenth Annual Report together with the audited accounts of your Company for the year ended March 31, 2009.

1. Financial Results

The financial position of the company at the end of the current financial year is given below:

(Rs. In Lakhs)

	2008-2009	2007-2008
Gross income	8541.93	6808.44
Profit before Tax	1588.04	222.14
Provision for Tax	(554.81)	(119.61)
Profit after Tax	1033.23	102.52
Profit/(Loss) brought forward from previous year	368.41	265.89
Less: Dividend on Preference Shares (including dividend tax)	(19.68)	—
Profit Carried to Balance Sheet	1381.96	368.41

The Gross income of your Company has increased by 25% along with an increase of 3% in the expenses of the Company. The increase in the revenue as compared to the last year has been on account of better realizations, in spite of lower assets under management.

2. Dividend

Your directors do not recommend any dividend on equity shares for the financial year. However, your directors recommend dividend on the preference shares at the coupon rate i.e. 8.5% for the period commencing from the date of allotment until the end of the financial year.

3. Capital

Your company has issued 85,00,000 Cumulative convertible preference shares of the face value of Rs 10 each at Rs 10 per share amounting to Rs 8,50,00,000 during the course of the year. The paid up share capital of your company after this issue stands at Rs. 28.30 crores as per the break up given below:

Equity share capital:	Rs.	19,80,00,000
Preference share capital:	Rs.	8,50,00,000
Total:	Rs.	28,30,00,000

4. Subsidiary

During the year your company entered into a joint venture with Kotak Mahindra Bank Limited for setting up a new company "Kotak Mahindra Pension Fund Limited", to manage Pension Funds of Citizen of India under the New Pension Scheme launched by Pension Fund Regulatory and Development Authority. The shareholding percentage of your company in the Pension Fund Company will be 90% and Kotak Mahindra Bank will be 10%.

5. Highlights of Performance

The Average Assets under Management for the year 2008-2009 was Rs. 18517 crores, as compared to Rs. 19739 crores for the year 2007-2008 a reduction of 8%. It should be noted that the industry Assets under Management on a point to point basis has seen a reduction by 17%. The number of folios as on March 31, 2009 was about 11.25 lakhs as compared to about 9.39 lakhs as of March 31, 2008, a growth of 19%.

During the year under review, the mainstream debt schemes of the Fund performed well. The performance on the debt side was characterized by a softening trend in the yields due to rate cuts by the RBI. As a result, "duration funds" out performed "short tenure funds". Some of our debt schemes won awards at the ICRA Mutual Fund Awards 2009. Kotak Liquid Regular Plan was ranked 7-star and has been awarded the Gold Award for Best Performance in the category of open ended liquid funds for one year as well as 3 year period ending December 31, 2008. Kotak Flexi Debt was ranked 5 Star by ICRA. Kotak Floater Long Term was ranked 5 star fund by Value research Online- indicating performance among the top 10% funds of its category in terms of historical risk adjusted returns.

The debt schemes managed by your Company have received over 18 Performance awards over the past nine years from CNBC, CRISIL, Outlook Money, ICRA online and Lipper Fund Awards.

Performance of equity funds reflected the poor sentiment of the market caused by the impact of the sub prime and credit crisis. Conservative diversified and large cap oriented funds relatively performed better as compared to schemes in the thematic and other aggressive categories. Performance of our equity schemes remained satisfactory with Kotak 30 showing better relative performance as reflected by the awards it won. Kotak 30 was ranked 5 star at ICRA Mutual Funds Awards 2009 – indicating performance among the top 10% in the category of open ended diversified equity – defensive for a three year period ending Dec 31, 2008. Kotak 30 also got a CPR 1 under the open ended equity scheme, December 2008 indicating “very good” in the consistent CPR performer that ranks within 10% of the 29 schemes ranked in the category.

6. New Schemes Launched During 2008-2009

All 27 new schemes launched during the year were in the nature of Interval Plans (debt) and other debt schemes (Fixed Maturity Plans) except the Kotak Sensex ETF. The total amount of subscriptions received by all the new schemes launched was Rs 7260.74 crores; the amount of subscriptions received in Kotak Sensex Scheme was Rs. 35.76 crores.

7. Management Discussion and Analysis

➤ Industry structure, developments and segment wise performance

- Market related developments

As a fall out of the sub prime and credit crisis, the year gone by witnessed unprecedented volatility both in equity as well as the debt market. Most developed economies like US, Japan and the Euro zone were characterized with recession and the impact was also felt on the emerging economies as foreign investors pulled money out of these economies. Growth in the Indian economy slowed down to 5.3% in the quarter ended Dec 08. The equity markets reflected the poor sentiment as the BSE SENSEX lost 37.9% for the year ended March 31, 2009.

Amid high volatility, the 10-year benchmark yield opened the year at 7.95%, rose to 9.47% in July 2008 and made a low of 5.24% in January 2009. It finally closed at 7.01% on March 31, 2009.

In an attempt to improve the liquidity situation in the financial system and fuel demand in the economy the RBI resorted to several measures. There were a series of CRR cuts reducing it to 5.0% at the end of the year from 7.5% at the opening of the year and the SLR was cut from 25% to 24%. The RBI also cut the policy rates like Repo and Reverse Repo to 5.0% from 7.75% and 3.5% from 6% respectively.

Impact of the global financial turmoil was severely felt in the Indian market in the third quarter of the year specifically in the month of October 2008. As major global financial institutions declared bankruptcy or got taken over, a crisis of confidence erupted which led to a liquidity crunch. Taking account of the fact that due to heightened risks, debt securities were traded at a wide range of yields, SEBI issued a circular which increased the permitted valuation discretion with a view to ensure that the valuation of debt securities reflected the market scenario in calculating the net asset value (NAV).

The financial turbulence further dented the investor sentiment leading to investors redeeming their investments from debt funds, especially Fixed Maturity Plans (FMP). In cases where due to the volatility, the underlying became illiquid, several mutual funds in the industry had to resort to borrowing to meet these redemptions. Some fund houses even deferred redemptions.

Considering the situation, SEBI issued circulars that completely changed the structure of debt oriented closed ended funds especially FMPs. SEBI issued a circular, which strengthened the framework for closed ended funds by making the listing of these funds mandatory. The circular also stated that a closed ended debt scheme should invest only in such securities, which mature on or before the date of the maturity of the scheme.

In order to enhance the transparency of portfolios of debt oriented closed ended and interval schemes, SEBI directed mutual funds to disclose portfolio of such schemes on a monthly basis. SEBI also issued a circular to stop the practice of disclosing indicative portfolios and yields to investors. SEBI also issued a circular to discontinue the nomenclature of ‘Liquid Plus’ schemes since it gave a wrong impression of added liquidity. The circular also stated that liquid schemes should only invest in debt and money market securities with maturity of upto 91 days only given the short-term nature of the scheme.

Further, to move away from the net asset value based on application date, SEBI issued a circular stating that for debt schemes (except liquid schemes), units can be allotted only on realization of money, for amounts greater than or equal to Rs. 1 crore.

➤ Internal control systems and their adequacy

Before the launch of any new scheme, your Company reviews the adequacy of internal controls, audit and systems through checks carried out by professionals specialising in the mutual fund sphere. An independent firm of Chartered Accountants carries out continuous internal audit of operations of the mutual fund, regulatory compliance and adequacy of internal controls. An Audit Committee oversees the Internal Audit carried out by an independent Internal Audit team.

➤ Material developments in Human Resources/Industrial Relations front, including number of people employed

At the start of the year, your Company had 320 employees on board. While your Company had some attrition, and some fresh intake, the overall headcount has reached 311 persons by the end of the year.

Cautionary Note: Certain statements in the 'Management Discussion and Analysis' section may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

8. Directors

During the year, eight meetings of the board of directors were convened.

Mr. R.C. Khanna retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

9. Audit Committee

Pursuant to Section 292A of the Companies Act, 1956, your Company has constituted an Audit Committee of the Board consisting of Mr. R. C. Khanna, Mr. Uday Kotak, Mr. B. R. Shah and Mr. Sukant Kelkar. Mr. R. C. Khanna, independent Director on the Board, is the Chairman of the Audit Committee. The committee met six times during the year to review accounts, operations and internal controls.

10. Auditors

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Baroda, retire at the Annual General Meeting and are eligible for re-appointment on such remuneration as may be fixed by the Board of the Directors of your Company.

11. Statutory Information

A statement giving the information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

During the year under review your Company did not accept any deposits. Your Company's foreign exchange income during the year under review were Rs.49,257,279 (Previous year Rs. 44,397,706), while the outgo was Rs.2,749,485 (Previous year Rs. 780,799). The other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since your Company is not a manufacturing company.

12. Directors' Responsibility Statement

Based on representations from the Management, the Directors state, in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

Your Company has, in the preparation of the annual accounts for the year ended 31st March 2009, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

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 31st March 2009 and of Profit and Loss of your Company for the financial year ended 31st March 2009;

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

The Directors have prepared the annual accounts on a going concern basis.

13. Acknowledgements

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Securities and Exchange Board of India, Reserve Bank of India and other Government and Regulatory agencies. Your Directors acknowledge and wish to place their appreciation of employees for their commendable efforts, teamwork and professionalism.

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Place : Mumbai
Dated : 28th April, 2009

Auditors' Report

THE MEMBERS OF KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED,

1. We have audited the attached Balance Sheet of Kotak Mahindra Asset Management Company Limited as at 31st March, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far, as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2009;
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

R. Salivati
Partner
Membership No. 34004

Place : Mumbai
Dated : 28th April, 2009

Annexure to the Auditors' Report

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

The nature of the Company's activities during the year has been such that clauses (ii), (viii), (xiii) and (xiv) of Paragraph 4 of the Order are not applicable to the Company for the year.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets were physically verified by the management in accordance with a programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of its fixed assets during the year.
- (ii) According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.
In view of what has been stated above, reporting requirements under sub-clauses (b), (c), (d), (f) and (g) of clause (iii) of paragraph 4 of the Order are not applicable to the Company for the year.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control systems. There is no purchase of inventory and sale of goods.
- (iv) (a) To the best of our knowledge and belief and according to the information and explanations given to us the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.
(b) According to the information and explanations given to us, in respect of transactions amounting to Rs. 5,00,000 or more:
 - (i) Some of the above transactions are of special nature for which no comparative prices are available; and
 - (ii) In respect of other transactions, in case of each party they have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (v) The Company has not accepted any deposits from the public during the year.
- (vi) In our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, relating to Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues as applicable with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (viii) The company has no accumulated losses as at 31st March, 2009 and has not incurred any cash loss during the financial year ended on that date and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the company did not have any dues to a financial institution or bank or debenture holders. Consequently, the provisions of clause 4(xi) of the order are not applicable for the year.
- (x) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Consequently, the provisions of clause 4(xii) of the order are not applicable for the year.
- (xi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Consequently, the provisions of clause 4(xv) of the order are not applicable for the year.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, there has been no term loans availed during the year. Consequently, the provisions of clause 4(xvi) of the order are not applicable.

- (xiii) According to the information and explanations given to us and on an overall examination of the Balance sheet and other records of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xiv) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clause 4(xviii) of the order are not applicable.
- (xv) The company has not issued any debentures during the year. Consequently, the provisions of clause 4(xix) of the order are not applicable.
- (xvi) The Company has not raised any money by public issues during the year. Consequently, the provisions of clause 4(xx) of the order are not applicable.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

R. Salivati
Partner
Membership No. 34004

Place : Mumbai
Dated : 28th April, 2009

Balance Sheet as at 31st March, 2009

	Schedule	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
Sources of Funds			
Shareholders' Funds			
Share capital	1	283,000,000	198,000,000
Reserves and Surplus	2	183,996,063	82,641,565
Total		466,996,063	280,641,565
Application of Funds			
Fixed Assets			
Gross Block	3	120,845,870	103,889,916
Less: Accumulated Depreciation		75,030,916	62,009,752
Net Block		45,814,954	41,880,164
Investments	4	—	154,715,000
Deferred Tax Asset		12,304,907	10,117,305
Current Assets, Loans and Advances			
Interest accrued on Investments		—	13,400,031
Sundry debtors	5	94,389,133	16,811,185
Cash and bank balances	6	268,026,109	63,443,073
Loans and advances	7	154,276,316	172,255,395
		516,691,558	265,909,684
Less: Current Liabilities and Provisions	8		
(a) Liabilities		86,280,990	173,799,141
(b) Provisions		21,534,366	18,181,447
		107,815,356	191,980,588
Net Current Assets		408,876,202	73,929,096
Total		466,996,063	280,641,565
Significant Accounting Policies and Notes to the Accounts	13		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2009

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Profit and Loss Account for the year ended 31st March, 2009

	Schedule	Year ended 31st March, 2009 Rupees	Year ended 31st March, 2008 Rupees
Income			
Management fees (Gross) (TDS Rs. 20,591,690, Previous Year Rs. 71,556,275)		723,241,559	560,558,861
Portfolio Advisory Services (Gross) (TDS Rs. 1,602,758, Previous Year Rs. 7,492,591)		64,191,707	76,800,000
Income from Investments	9	2,286,442	15,044,929
Other income	10	63,160,256	28,347,077
Total		852,879,964	680,750,867
Expenditure			
Employee costs	11	281,258,265	317,416,786
Administrative and Other expenses	12	392,807,042	322,881,296
Depreciation		20,010,543	18,239,267
Total		694,075,850	658,537,349
Profit before tax		158,804,114	22,213,519
Excess/(Short) provision for Taxation of earlier years		—	(1,035,222)
Provision for taxation			
Current Tax (including Wealth Tax provision Rs. 110,000 Previous Year Rs. 110,000)		(53,110,000)	(7,810,000)
Deferred Tax		2,187,602	2,284,218
Income Tax Prior Years		41,264	
Fringe Benefit Tax		(4,600,000)	(5,400,000)
Profit after tax		103,322,980	10,252,515
Profit/(Loss) brought forward from previous year		36,841,565	26,589,050
Profit Available for Appropriation		140,164,545	36,841,565
Appropriations			
Dividend on Preference Shares		1,682,534	—
Corporate Dividend Tax There on		285,947	—
Profit carried to Balance Sheet		138,196,063	36,841,565
Basic and Diluted earnings per share of Face value of Rs. 10 each (in Rs.) (Refer Note II (G) of Schedule 13)		5.22	0.52
Significant Accounting Policies and Notes to the Accounts	13		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2009

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Cash Flow Statement for the year ended 31st March, 2009

	2008-2009 Rupees	2007-2008 Rupees
(A) Cash Flow from Operating Activities		
Net Profit before taxation and extraordinary items	158,804,114	22,213,519
Add/(Less) Adjustments for:		
Depreciation	20,010,543	18,239,267
Profit on sale of Shares	(17,100,719)	—
Provision for gratuity and Leave Encashment	1,383,438	3,030,781
Interest on Income tax refund	(1,327,401)	(460,348)
Interest/Dividend	(2,286,442)	(15,044,929)
Profit/Loss on sale of assets	651,362	(93,172)
Operating Profit Before Working Capital Changes	160,134,895	27,885,118
(Increase)/Decrease in loans and advances	7,958,780	(51,528,658)
(Increase)/Decrease in Sundry Debtors	(77,577,948)	15,766,027
Increase/(Decrease) in Provisions	—	10,000
Increase/(Decrease) in Current liabilities	(87,518,151)	43,261,199
	(157,137,319)	7,508,568
Cash Generated From Operations	2,997,576	35,393,686
Payment of Taxes (Net of refund)	(41,989,436)	(78,747,518)
Fringe Benefit Tax	(4,330,601)	(5,750,000)
Net Cash Flow from Operating Activities (A)	(43,322,461)	(49,103,832)
(B) Cash Flow from Investing Activities		
Purchase of Fixed assets (owned)	(26,285,984)	(28,716,631)
Advance paid towards Capital Purchase	—	(3,065,150)
Sale of Fixed assets (owned)	1,689,289	1,130,730
Sale of Investments	574,760,543	722,986,303
Purchase of Investments	(402,944,824)	(596,786,225)
Interest received	14,638,935	1,668,007
Dividend received	1,047,538	6,947,806
Net Cash Flow from Investment Activities (B)	162,905,497	104,164,840

Cash Flow Statement for the year ended 31st March, 2009 (Contd.)

	2008-2009 Rupees	2007-2008 Rupees
(C) Cash Flow from Financing Activities		
Increase/(Decrease) in share capital	85,000,000	—
Net Cash Flow from Financing Activities (C)	85,000,000	—
Net Increase/(Decrease) In Cash & Cash Equivalents (A + B + C)	204,583,036	55,061,008
Cash & Cash Equivalents at the beginning of the year	63,443,073	8,382,065
Cash & Cash Equivalents at the end of the year	268,026,109	63,443,073

Note:

1. Cash and cash equivalent include :

Cash on hand	—	—
Bank Balances in Fixed Deposit and Interest Accrued	265,000,000	
Bank Balances in Current Account	3,026,109	63,443,073
Total cash and cash equivalents	268,026,109	63,443,073

2. The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard — 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

3. The corresponding amounts of previous year have been re-grouped, wherever necessary.

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2009

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Schedules forming part of the Balance Sheet

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
Schedule 1 — Share Capital		
Authorised		
2,50,00,000 equity shares of Rs. 10/- each	250,000,000	250,000,000
1,00,00,000 Preference shares of Rs. 10/- each	100,000,000	—
Issued, subscribed and paid-up		
19,800,000 (Previous Year 19,800,000) equity shares of Rs 10/- each, fully paid up	198,000,000	198,000,000
All the above shares are held by Kotak Mahindra Bank Ltd., the holding company and its nominees.		
8,500,000 (Previous Year Nil) 8.5% Compulsory Convertible Preference shares of Rs. 10/- each, fully paid up. Conversion date 5th January 2019	85,000,000	—
Total	283,000,000	198,000,000
Schedule 2 — Reserves and Surplus		
Capital Redemption Reserve		
Opening Balance	42,000,000	42,000,000
Transfer from Profit & Loss Account	—	—
Closing Balance	42,000,000	42,000,000
General Reserve		
Opening Balance	3,800,000	3,800,000
Transfer from Profit & Loss Account	—	—
Closing Balance	3,800,000	3,800,000
Balance in Profit and Loss Account	138,196,063	36,841,565
	183,996,063	82,641,565

Schedule 3 — Fixed Assets

Description	Gross Block			Depreciation				Net Block		
	As on	Additions	Deductions	As on	As on	For the year	Deductions	As on	As on	As on
	01-04-2008			31-03-2009	01-04-2008			31-03-2009	31-03-2009	31-03-2008
A. Intangible Assets										
Software	13,202,833	—		13,202,833	6,994,275	2,741,094		9,735,369	3,467,464	6,208,558
B. Tangible Assets										
Leasehold Improvement	25,701,640	7,917,727	4,892,253	28,727,113	14,602,036	3,496,838	3,774,224	14,324,650	14,402,463	11,099,604
Computers	32,208,289	8,915,883	90,178	41,033,994	24,536,061	7,052,694	37,774	31,550,980	9,483,013	7,672,228
Office Equipments	10,499,152	3,410,263	50,097	13,859,318	6,935,167	1,933,614	14,354	8,854,427	5,004,890	3,563,985
Furniture & Fixtures	4,864,849	1,518,294	379,786	6,003,358	1,951,603	829,431	77,504	2,703,531	3,299,828	2,913,246
Vehicles	17,413,153	4,523,817	3,917,716	18,019,254	6,990,610	3,956,872	3,085,523	7,861,959	10,157,295	10,422,543
Total	103,889,916	26,285,984	9,330,030	120,845,870	62,009,752	20,010,543	6,989,379	75,030,916	45,814,954	
Previous year	75,810,132	30,677,401	2,597,617	103,889,916	45,330,544	18,239,267	1,560,059	62,009,752		41,880,164

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
Schedule 4 — Investments (Non-trade, unquoted, fully paid):		
Long Term Investments (at cost)		
In Equity Shares of Other Companies		
Nil (Previous year 36,000) Equity shares of face value of Rs.10/- each, of Kotak Mahindra Prime Ltd. *	—	59,715,000
Debentures/Bonds of Other Companies		
Nil (Previous Year 950,000), 8.5% Fully Convertible Debentures of Face Value of Rs. 100/- each, of Kotak Mahindra Investments Ltd. *	—	95,000,000
* Also Companies under the same management		
Total	—	154,715,000
Note: In addition to the above, following investments were purchased as well as sold during the year:		
Particulars		
Investment in Units of Mutual Fund		
7,113,443.433 (Previous Year - 4,879,819.3946) units of Kotak Mahindra Liquid Scheme - Institutional Premium Plan, Daily Dividend	86,983,898	59,670,920
18,403,675.854 (Previous Year - 53,545,005.5507) units of Kotak Flexi Debt Scheme - Daily Dividend Option	184,597,287	537,115,305
13,074,261.247 (Previous Year - Nil) units of Kotak Flexi Debt Scheme - Institutional - Daily Dividend Option	131,363,640	—
Schedule 5 — Sundry Debtors (Unsecured, considered good)		
Debts outstanding for less than six months	94,389,133	16,811,185
	94,389,133	16,811,185
Schedule 6 — Cash and Bank Balances		
Balances with scheduled banks in current accounts	3,026,109	63,443,073
Balances with scheduled banks in Fixed Deposits	265,000,000	—
Total	268,026,109	63,443,073

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
Schedule 7 — Loans and Advances (Unsecured, considered good)		
Loans to employees	775,547	471,638
Advance payment of taxes and Tax deducted at source (net of provision for taxation of Rs. 152,586,318, Previous Year Rs. 80,141,000)	85,820,450	95,840,748
Advances recoverable in cash or in kind or for value to be received	33,412,053	41,393,599
Other Deposits	34,268,267	34,549,410
Total	154,276,316	172,255,395
Note:-		
Due from Companies under the same management		
Kotak Mahindra Old Mutual Life Insurance Limited		
Outstanding	—	—
Maximum Outstanding	26,740	—
Kotak Securities Limited		
Outstanding	85,200	—
Maximum Outstanding	813,903	—
Kotak Mahindra Trustee Company Limited		
Outstanding	—	—
Maximum Outstanding	4,705,413	2,586,822
Kotak Mahindra Investments Limited		
Outstanding	—	—
Maximum Outstanding	—	13,400,031
Schedule 8 — Current Liabilities and Provisions		
Current liabilities		
Sundry creditors		
a) total outstanding dues of micro enterprises and small enterprises; and	—	
b) total outstanding dues of creditors other than micro enterprises and small enterprises	79,079,842	170,541,591
	79,079,842	170,541,591
Other liabilities	7,201,148	3,257,550
	86,280,990	173,799,141
Provisions		
Gratuity	9,645,941	7,700,717
Accumulated Leave Balances	9,806,747	10,368,533
Wealth Tax	113,197	112,197
Proposed Preference Share Dividend	1,682,534	—
Tax on Preference Share Dividend	285,947	—
	21,534,366	18,181,447
Total	107,815,356	191,980,588

Schedules forming part of the Profit and Loss Account

	Period ended 31st March, 2009 Rupees	Period ended 31st March, 2008 Rupees
Schedule 9 — Income from Investments		
Interest on Long term Investments (Gross)	1,238,904	8,097,123
(TDS Rs.Nil, Previous Year Rs.16,68,007)		
Dividend from Current Investments	1,047,538	6,947,806
Total	2,286,442	15,044,929
Schedule 10 — Other Income		
Interest on Deposits (Gross)	7,295,301	—
(TDS Rs.15,02,835, Previous Year nil)		
Interest on loans to staff	79,699	46,472
Interest on income-tax refunds	1,327,401	460,348
Profit on Sale of Long Term Investment (net)	17,100,719	—
Rebate Received From Overseas Investment Manager	36,732,478	26,591,668
Miscellaneous Income	624,658	1,248,589
Total	63,160,256	28,347,077
Schedule 11 — Employee Costs		
Salaries and allowances (Refer Note II (J) of Schedule 13)	274,846,890	311,679,310
Contribution to provident and other funds	14,056,058	11,054,350
Staff welfare	2,201,791	2,133,331
	291,104,739	324,866,991
Less: Recovery of common establishment expenses	9,846,474	7,450,205
Total	281,258,265	317,416,786
Schedule 12 — Administrative and Other Expenses		
Rent, Society Property Expenses	75,584,199	37,553,656
Rates and taxes	2,049,377	1,012,720
Insurance	2,560,332	1,807,459
Legal and professional fees	12,623,872	8,445,985
Reimbursement of common administrative cost	11,830,714	8,311,785
Travel and conveyance	19,972,961	27,323,154
Communication expenses	17,683,333	16,319,251
Business promotion and distribution costs	183,932,464	135,706,567
Printing and stationery	7,924,498	8,530,137
Membership subscription	12,444,715	10,254,508
Electricity	7,259,122	6,035,348
Computer and software related expenses	5,724,573	4,909,392

Schedules forming part of the Profit and Loss Account (Contd.)

	Period ended 31st March, 2009 Rupees	Period ended 31st March, 2008 Rupees
Schedule 12 — Administrative and Other Expenses (Contd.)		
Directors' sitting fees	585,000	510,000
Repairs and maintenance	3,438,768	3,151,044
Recruitment expenses	491,241	1,753,038
Filing fees	4,897,011	32,313,736
Auditors' Remuneration and expenses		—
Audit Fees	700,000	800,000
In any other manner - Certification	—	—
Out of pocket expenses	540	—
Service tax on above services	72,100	98,880
Service tax input credit	(72,100)	(98,880)
	700,540	800,000
Loss/(Profit) on sale of fixed assets (net)	651,362	(93,172)
Office upkeep expenses	7,959,521	8,690,391
Miscellaneous expenses	15,274,454	10,419,423
	393,588,057	323,754,422
Less: Recovery of common administrative expenses	781,015	873,126
Total	392,807,042	322,881,296

Schedules forming part of the Balance Sheet and the Profit and Loss Account

Schedule 13 — Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies:

A. Basis of Accounting:

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and conform with Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 to the extent applicable.

B. Use of Estimates:

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

Actual results could differ from these estimates and assumptions.

C. Revenue Recognition:

- Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where applicable, and investments made by the Company in the respective scheme), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.
- Portfolio Advisory Service income is recognized on accrual basis as per the terms of the contract.
- Dividend income is accounted when the right to receive dividend is established.
- Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

D. Fixed Assets and Depreciation:

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs incidental to the acquisition and installation of fixed assets.

Depreciation on fixed assets is provided pro-rata to the period of use, on the straight-line method, based on the estimated useful life of the assets, at the following rates, which are equal to or higher than those prescribed under Schedule XIV of the Companies Act, 1956:

Asset	Rate
Motor vehicles	25.00%
Computers	33.33%
Furniture and fixtures	16.67%
Office equipment	20.00%
Leasehold Improvements	Over the primary period of lease subject to maximum of 6 years

Depreciation on assets whose cost do not exceed Rs.5,000/- is provided at the rate of 100%.

E. Intangible Assets:

Intangible Assets comprising of Software purchased or developed/ licensed cost are amortised over a period of three years, on a Straight Line Method commencing from the date the software is first utilised.

F. Investments:

Gains and losses on sale of investments are determined using the weighted average cost method.

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary determined separately for each individual investment is provided for. Current investments are valued at cost or market value whichever is lower. The comparison of cost and net realizable value is done separately for each individual investment

G. Employee Benefits:

- Provident fund is a defined contribution scheme and the contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

- (b) Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.
- (c) Gratuity liability is defined benefit obligation and is wholly unfunded. The present value of gratuity obligation is actuarially determined based on the projected unit credit method as at the balance sheet date subject to maximum of Rs. 3.50 lakhs
- (d) Superannuation fund is a defined contribution scheme. The Company contributes a sum equivalent to 15%, subject to a maximum of Rs. 1.00 lakhs, of eligible employees' salary to Superannuation Fund administered by trustee and managed by a life insurance company. The contributions are recognized as an expense in the year they are incurred
- (e) The amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service. These benefits include performance incentives.
- (f) The Company accrues the liability for compensated absences based on the actuarial valuation as at the balance sheet conducted by an independent actuary.

H. Taxes on Income:

The Income Tax expense comprises Current tax, Deferred tax and Fringe Benefit tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income tax Act. Deferred tax adjustments comprises of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised subject to prudence and judgment that realisation is more likely than not. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change. Provision for Fringe benefit tax is made on the basis of applicable fringe benefit tax on the taxable value of chargeable expenditure of the company as prescribed under Income Tax Act

I. Operating Lease:

Leases, where the lessor retains substantially all the risks and benefits of ownership over the lease term, are classified as Operating Leases. Operating Lease rentals are recognized as an expense over the lease period.

J. Borrowing Costs:

Borrowing Costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

K. Foreign Currency Transactions:

- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions.
- Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing rate on that date.
- The exchange differences, if any, either on settlement or translation are recognized in Profit and Loss Account.

L. Scheme Expenses:

Expenses of schemes of Kotak Mahindra Mutual Fund in excess of the stipulated rates are required to be borne by the company, in accordance with the requirements of SEBI (Mutual Fund) Regulations, 1996, and as such, are charged to the Profit and Loss account.

M. Treatment of Contingent Liabilities:

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 reliable estimate can be made of the amount of obligation. Contingent Liabilities are not recognized but are disclosed in the notes unless the possibility of outflow of resources is remote. Contingent assets are neither recognized nor disclosed in the financial statements.

II. Notes to the Accounts:

A.

	31-03-2009 Rupees	31-03-2008 Rupees
Contingent Liability for Income Tax Demand	1,548,717	—

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

- B. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 6,85,935 (Previous year Rs. 7,016,911).
- C. Managerial remuneration under Section 198 of the Companies Act 1956 to the Manager for the year:

	31-03-2009	31-03-2008
	Rs.	Rs.
Salaries & Allowances	1,857,770	2,686,875
Contribution to provident and other funds *	210,400	191,200
Perquisites in cash or in kind	15,996	97,687
Employees Stock Option Scheme	82,785	9,083
Total	2,166,951	2,984,845

Note:* Provision for gratuity benefits which is based on actuarial valuation done on an overall basis for the company is excluded in the remuneration shown above.

- D. Additional information pursuant to the provisions of paragraph 4B and 4D of part II of Schedule VI to the Companies Act, 1956 to the extent applicable is given below:

Expenditure in Foreign Currency:

- Travelling Rs. 161,787 (Previous year Rs. 780,799)
- Establishment Expenses Rs 1,355,800 (Previous Year Nil)
- Professional Charges Rs 1,231,898 (Previous Year Nil)

Earnings in Foreign Currency:

- Portfolio Advisory Fees Rs.12,500,000 (Previous year Rs. 18,000,000).
- Rebate received Rs 36,732,478 (Previous year Rs. 26,591,668)

Exchange Gain – Rs. 24,801 (Previous year Exchange Loss Rs. 193,962).

- E. The year-end foreign currency exposures which have not been hedged by a derivative instrument or otherwise.

Amounts receivable in foreign currency

	Rs.	\$
	5,070,595	100,467.50
Previous Year	(11,525,932)	(288,364.57)

- F. **Employee Benefits:**

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

	As of 31st March, 2009 Rupees	As of 31st March, 2008 Rupees
Change in Unfunded benefit obligations		
Present value of unfunded benefit obligations, at the beginning of the year	7,700,717	4,877,877
Service cost	2,507,796	16,64,420
Interest cost	764,961	362,206
Actuarial (gain)/loss on obligations	(558,196)	1,058,497
Liabilities assumed	—	-
Benefits paid	(769,337)	(262,283)
Present value of unfunded benefit obligations as at year end	9,645,941	7,700,717

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

Reconciliation of present value of the obligation and the fair value of the plan assets	As of 31st March, 2009 Rupees	As of 31st March, 2008 Rupees
Fair value of plan assets as at the beginning of the year		—
Present value of benefit obligations as at year end	9,645,941	7,700,717
Net asset/(liability) as at year end	9,645,941	7,700,717
Cost recognised for the period		
Current service cost	2,507,796	1,664,420
Interest cost	764,961	362,206
Expected return on plan assets	—	—
Actuarial (gain)/loss	(558,196)	1,058,497
Net gratuity cost	27,14,561	3,085,123

Actuarial assumptions used

Discount rate	7.18% p.a.
Expected rate of return on Plan Assets	0%
Salary escalation rate	0% p.a. for first 2 years, 10% p.a. for next 2 years & 6% p.a. thereafter

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.

G. Earnings Per Share ('EPS') – The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	31-3-2009	31-3-2008
(a) Nominal Value of an Equity Share (Rs.)	10	10
(b) Net profit available to Equity Shareholders (Rs.)	103,322,980	10,252,515
(c) Weighted average number of shares outstanding	19,800,000	19,800,000
(d) Basic and Diluted EPS (Rs.) = (b) / (c)(annualised)	5.22	0.52

Since conversion price of shares is not determined, convertible preference shares are not been considered for arriving at diluted earning per share.

H. 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 11 months to 55 months. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments (net of recoveries) recognised in the profit and loss account is Rs. 50,062,187 (Previous Year Rs 19,488,488). The future minimum lease payments under non-cancelable operating lease – not later than one year Rs.Nil (Previous Year Rs. Nil).

- I. Certain schemes of Kotak Mahindra Mutual Fund have invested in shares/units of overseas Mutual Funds, in accordance with the terms and conditions of the offer document. Rebate has been recognised based on the investment agreement with the overseas Investment Manager.
- J. At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007 and 21st August, 2007, to grant options to the Eligible Employees of the Bank and its subsidiaries companies. Pursuant to these resolutions, the following four Employees Stock Option Schemes had been formulated and adopted:
- 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

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

Consequent to the above, the Bank has granted stock options to the employees of the Company. In terms of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999, the option discount (being excess of the market price of the share over the exercise price of the option) is to be accounted for as employee compensation and shall be amortised on a straight line basis over the vesting period. The Company has reimbursed the Bank Rs 26,350,515 (Previous Year Rs. 11,435,599) on account of such costs and the same is forming part of Employee costs under Schedule 11.

Had the company recorded the compensation cost computed on the basis of Fair Valuation method instead of Intrinsic value method, employee compensation cost would have been higher by Rs. 17,173,343.26 (Previous Year 11,460,026.39) and the profit after tax would have been lower by the same amount. On account of the same the Basic and Diluted EPS of the company would have been lower by Rs. 0.87 (Previous Year 0.58) per share.

K. Deferred Income taxes:

Components of net deferred tax balances are as follows:

	31st March 2009 Rupees	31st March 2008 Rupees
Deferred Tax Liabilities		
Interest Accrued but not due on Debentures	—	(240,630)
	—	(240,630)
Deferred Tax Assets		
Provisions for Employee Benefits	6,611,966	6,141,735
Depreciation on Fixed Assets	5,692,941	4,216,200
Net Deferred Tax Asset	12,304,907	10,117,305

L. Segmental Reporting:

The segmental reporting disclosure as required by Accounting Standard (AS) – 17 on “Segment Reporting”, issued by the Institute of Chartered Accountants of India has not been made. The Company's operations predominantly relate to providing investment management services to the schemes floated by Kotak Mahindra Mutual Fund and to other subsidiaries of Kotak Mahindra Bank Ltd. The risks and rewards relating to both these services are similar and hence there is no reportable business / geographic segment.

M. Related Party Disclosures:

Parties where control exist:

Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
	Uday S. Kotak along with relatives and entities controlled by him holds 48.56% of the equity share capital of Kotak Mahindra Bank Limited as on March 31, 2009.

Other related parties:

Fellow Subsidiaries	Kotak Mahindra Trustee Company Limited Kotak Mahindra Prime Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited Kotak Mahindra Investments Limited Kotak Mahindra Old Mutual Life Insurance Limited Kotak Mahindra (International) Limited Kotak Mahindra (UK) Limited
Key Management Personnel	Mr. Uday S Kotak, Chairman Mr. Sandesh Kirkire, Chief Executive Officer Mr. Hariharan R, Manager

Others:

Enterprises over which Key Management Personnel/relatives have significant influence	Aero Agencies Ltd & Komaf Financials Services Ltd – Mr. Uday S Kotak .
Mutual Fund managed by the company	Kotak Mahindra Mutual Fund

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

The following transactions were carried out with related parties in the ordinary course of business :

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
Balance in Current Account	1,892,961.57	—			
	(59,843,016.35)	—			
Subscription of Preference Shares of Company					
Komaf Financial Services Ltd.				85,000,000.00	
Investments:				—	
Purchases/Subscriptions		—			402,944,824.42
		—			(596,786,224.72)
Sales					402,944,824.42
					(722,986,303.09)
Dividend					1,047,537.55
					(6,947,806.38)
Sale of Debenture (Subsidiaries)					
Kotak Mahindra Trustee Company Ltd.		108,324,935.00			
		—			
Sale of Equity Shares (Subsidiaries)		78,129,720.00			
Kotak Securites Ltd.		—			
Investment in Fixed Deposit	265,000,000.00				
	—				
Fixed Deposit Placed	475,400,000.00				
	—				
Fixed Deposit Matured	210,400,000.00				
	—				
Interest on Fixed Deposit	7,295,301.17				
	—				
Interest Receivable on Fixed Deposit	4,552,895.83				
	—				
Interest on Debentures					
Kotak Mahindra Investments Ltd.		1,238,904.60			
		(8,097,123.00)			
Interest Receivable on Debentures		—			
Kotak Mahindra Investments Ltd.		(16,880,068.00)			
Balance as on Year end					
Kotak Mahindra Prime Limited:Equity Shares		—			
		(59,715,000.00)			
Kotak Mahindra Investments Ltd.:Debentures		—			
		(95,000,000.00)			
Fixed Assets:					
Purchase of Fixed assets					
Kotak Securities Ltd.		550,000.00			
		(1,412,536.00)			

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

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
Other Receipts and Payments:					
Recovery of common establishment expenses - Kotak Mahindra Trustee Company Ltd.		9,846,474.00			
		(7,450,358.00)			
Recovery of common administrative expenses - Kotak Mahindra Trustee Company Ltd.		589,315.00			
		(282,564.00)			
Miscellaneous Income - Kotak Mahindra Trustee Company Ltd.		58,140.00			
		(77,418.00)			
Reimbursement of Common administrative cost -	11,830,714.00				
	(8,286,785.00)				
Other Expenses/Reimbursement of other expenses -	48,347,676.40				
	(29,697,131.94)				
Kotak Securities Ltd.		2,601,109.00			
		(183,047.00)			
Kotak Mahindra Capital Company Ltd.		419,512.00			
		(358,575.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		12,737.00			
		(657,363.00)			
Kotak Mahindra Prime Limited		—			
		(18,807.00)			
Management Fees Income	—	—			723,241,559
					(560,558,861)
Payments to Mutual Fund	—	—			43,650,284
					(68,155,473)
Receipts from Mutual Fund					9,980,160
					(20,456,489)
License Fees Paid -	20,762,805.79				
	(15,331,635.00)				
Kotak Securities Ltd.		246,906.00			
		(1,035,356.00)			
Kotak Mahindra Capital Company Ltd.		3,264,240.00			
		(1,368,030.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		97,741.00			
		(309,029.00)			
Kotak Mahindra Prime Limited		31,650.00			
		(16,285.00)			

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

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
Aero Agencies Limited Cost of travel tickets purchased (Net of Discount)				2,597,902.00	
				(5,785,472.00)	
Remuneration to Key Management Personnel					—
Sandesh Kirkire			12,902,770.00		
			(12,561,320.00)		
Hariharan R			2,166,951.00		
			(2,984,845.00)		
Fee based expense					
Kotak Securities Ltd.		—			
		(150,685.00)			
License Fees Received	—				
	(813,852.00)				
Advisory Fees					
Kotak Mahindra (UK) Limited		12,500,000.00			
		(18,000,000.00)			
Kotak Securities Ltd.		12,500,000.00			
		(18,000,000.00)			
Kotak Mahindra Old Mutual Life Insurance Limited		37,800,000.00			
		(40,800,000.00)			
Miscellaneous Receipts	741,027.00				
	(31,134.00)				
Kotak Mahindra Old Mutual Life Insurance Limited		26,740.00			
		(132,671.00)			
Kotak Securities Ltd.		889,532.00			
		(573,707.00)			
Kotak Mahindra Trustee Company Ltd.		—			
		—			
Kotak Mahindra (UK) Limited		1,474,059.02			
		—			
Miscellaneous Payments -	6,406,255.97				
	(1,081,116.00)				
Kotak Mahindra Old Mutual Life Insurance Limited		233,407.00			
		(1,237,807.00)			
Kotak Securities Ltd.		1,477,423.22			
		(2,012,428.74)			
Kotak Mahindra Capital Company Ltd.		116,986.00			
		—			

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)

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
Outstandings – Receivables					89,318,539.23
					—
Kotak Securites Ltd.		85,200.00			
		—			
Outstandings - Payables	1,572,306.00				
	(1,967,098.00)				
Kotak Securities Ltd.		1,778,970.00			
Kotak Mahindra Capital Company Ltd.					
		(225,240.00)			
Kotak Mahindra Prime Limited		—			
		—			
Kotak Mahindra Old Mutual Life Insurance Limited		108,912.00			
		—			
Aero Agencies Limited		—		—	
				—	

Note: Previous year figures are in brackets

- N.** The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006.
- O.** The company in its Board Meeting held on 5th January 09 has passed a resolution to start pension fund management business in joint venture with Kotak Mahindra Bank Ltd. The subsidiary has been incorporated on 23rd March 09 for this purpose and the company is expected to subscribe to the share capital in the next financial year.
- P.** Comparative financial information (i.e. the amounts and other disclosures for the preceding year presented above), is included as an integral part of the current year's financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/ reclassified wherever necessary to conform to current year's presentation.
- Q.** Figures have been rounded off to the nearest rupee.

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2009

Uday Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Balance Sheet Abstract and Company's General Business Profile as per Part IV, Schedule VI of the Companies Act, 1956

I. Registration Details

Registration Number

1	1	-	8	0	0	0	9
---	---	---	---	---	---	---	---

 State Code

	1	1
--	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	9
---	---	---	---

Date Month Year

II. Capital Raised During The Year (amount In Rs. thousands)

Public Issue

			N	I	L
--	--	--	---	---	---

 Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

			N	I	L
--	--	--	---	---	---

 Private Placement

				8	5	0	0	0
--	--	--	--	---	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Sources of Funds

Total Liabilities

		4	6	6	9	9	6
--	--	---	---	---	---	---	---

Paid up Capital

		2	8	3	0	0	0
--	--	---	---	---	---	---	---

Secured Loans

					N	I	L
--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

			4	5	8	1	5
--	--	--	---	---	---	---	---

Deferred Tax Asset

			1	2	3	0	5
--	--	--	---	---	---	---	---

Miscellaneous Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Total Assets

			4	6	6	9	9	6
--	--	--	---	---	---	---	---	---

Reserves and Surplus

			1	8	3	9	9	6
--	--	--	---	---	---	---	---	---

Unsecured Loans

						N	I	L
--	--	--	--	--	--	---	---	---

Investments

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets

			4	0	8	8	7	6
--	--	--	---	---	---	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. '000)

Turnover

		8	5	2	8	8	0
--	--	---	---	---	---	---	---

+ - Profit/Loss Before Tax
+

		1	5	8	8	0	4
--	--	---	---	---	---	---	---

Earning Per Share in Rs

			5	.	2	2
--	--	--	---	---	---	---

Total Expenditure

			6	9	4	0	7	6
--	--	--	---	---	---	---	---	---

+ - Profit/Loss After Tax
+

		1	0	3	3	2	3
--	--	---	---	---	---	---	---

Dividend Rate (%)

						0	0
--	--	--	--	--	--	---	---

V. Generic Names of Three Principal Products/Services of The Company (As Per Monetary Terms)

Item Code No.

N	A
---	---

(Itc Code)

Product Description

A	S	S	E	T		M	A	N	A	G	E	M	E	N	T				
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	--	--	--	--

For and on behalf of the Board of Directors

Uday Kotak
Chairman

R. C. Khanna
Director

Hariharan R.
Manager

V. R. Narasimhan
Company Secretary

Mumbai,
Dated: 28th April, 2009