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**Kotak Mahindra Pension Fund Limited**

ANNUAL REPORT 2014-15

**#KonaKonaKotak**

# DIRECTORS' REPORT

To the Members of

## Kotak Mahindra Pension Fund Limited

The Directors present their Sixth Annual Report together with the audited accounts of your Company for the year ended March 31, 2015. The Management Discussion and Analysis has also been incorporated into this report.

Kotak Mahindra Pension Fund Limited (KMPFL), a subsidiary of Kotak Mahindra Asset management Co. Ltd (KMAMC) was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA), on April 30, 2009 which was initially for a period of three years for managing the funds under National Pension System Trust (NPS).

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. PFRDA on July 23, 2014 approved appointment of KMAMC as a Sponsor of Pension Fund for managing the pension assets under NPS for private sector.

As per the terms of the appointment, your Company acts as an investment manager to the funds of NPS as received in the Trustee Bank (Axis Bank) and as per the pension fund subscription information provided by the Central record keeping agency (National Securities Depository Limited). The assets are under the custody of the NPS Trustee appointed custodian viz., Stock Holding Corporation of India Limited.

Your Company manages seven schemes, and the combined assets under management (AUM) on March 31, 2015 were ` 107.47 Crores (` 54.81 Crores as of March 31, 2014) which indicates that AUM has witnessed a growth of 96%. The overall pension fund industry (including the private and public sector) AUM has grown from ` 48,104.57 Crores as on March 31, 2014 to ` 80,855.18 Crores as on March 31, 2015 (a growth of 68.08%) and the private sector industry AUM has grown from ` 281.68 Crores as on March 31, 2014 to ` 606.51 Crores as on March 31, 2015(a growth of 115.32%).

The scheme wise assets under management are as under:

| Scheme   | (` In Crores)               |                             |
|--|-----------------------------|-----------------------------|
|  | AUM as on<br>March 31, 2015 | AUM as on<br>March 31, 2014 |
| NPS Trust A/c Kotak Pension Fund Scheme E  | 27.03                       | 13.71                       |
| NPS Trust A/c Kotak Pension Fund Scheme C  | 20.76                       | 10.46                       |
| NPS Trust A/c Kotak Pension Fund Scheme G  | 27.34                       | 12.65                       |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II                                    | 2.65                        | 1.45                        |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II                                    | 1.76                        | 0.95                        |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II                                    | 1.88                        | 0.94                        |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | 26.05                       | 14.66                       |
|  | <b>107.47</b>               | <b>54.82</b>                |

## 1. FINANCIAL RESULTS

|  | (` In Lakhs) |           |
|--|--------------|-----------|
|  | 2014-2015    | 2013-2014 |
| Gross income                                 | 136.03       | 126.89    |
| Profit/(Loss) before Depreciation and Tax    | (20.17)      | (12.87)   |
| Depreciation                                 | 4.64         | 4.45      |
| Profit/(Loss) before Tax                     | (24.81)      | (17.33)   |
| Provision after Tax                          | -            | -         |
| Balance of Profit/(Loss) from previous years | (249.21)     | (231.88)  |
| Loss carried forward to the Balance Sheet    | (274.01)     | (249.21)  |

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

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, 2015 is ` 4.60 lacs (Previous year - ` 6.85 lacs). The drop in investment management fee is on account of the drop in the rates of investment management fees, though there has been an increase in the Assets under management. 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 31, July 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. 1st August 2014 as determined through the Request for proposal.

The snap shot of the performance of the schemes during the financial year is given below:

| Schemes  | Benchmark          | Last 1 year return (%) | Benchmark Return (1 year)(%) | Return since launch of the scheme(%) |
|--|--------------------|------------------------|------------------------------|--------------------------------------|
| NPS Trust A/c Kotak Pension Fund Scheme E  | CNX Nifty 50 index | 28.41                  | 28.33                        | 12.08                                |
| NPS Trust A/c Kotak Pension Fund Scheme C  | NA                 | 15.22                  | NA                           | 11.28                                |
| NPS Trust A/c Kotak Pension Fund Scheme G  | NA                 | 19.63                  | NA                           | 8.75                                 |
| NPS Trust A/c Kotak Pension Fund Scheme E Tier II                                    | CNX Nifty 50 index | 28.12                  | 28.33                        | 10.93                                |
| NPS Trust A/c Kotak Pension Fund Scheme C Tier II                                    | NA                 | 15.19                  | NA                           | 9.64                                 |
| NPS Trust A/c Kotak Pension Fund Scheme G Tier II                                    | NA                 | 19.90                  | NA                           | 8.51                                 |
| NPS Trust A/c – Kotak Mahindra Pension Fund Limited – NPS Lite Scheme – Govt Pattern | NA                 | 19.23                  | NA                           | 8.18                                 |

### 3. DIVIDEND

Your Directors do not recommend any dividend on equity shares for this financial year.

### 4. RISK MANAGEMENT & INTERNAL FINANCIAL CONTROLS:

Your Company acts as Pension Fund Manager for managing the funds under NPS.

Pension Fund schemes are governed by the Investment Management Agreement (IMA) including any amendment thereof and the PFRDA Act 2013, regulations, applicable provisions of the NPS, the Schemes, the guidelines/notifications issued by the Authority, Ministry of Finance, Government of India, from time to time, as per the Applicable Law

The IMA provides for constitution of Risk Management Committee and to draw up a Risk Policy to consider:

- Risk management functions
- Disaster recovery and business contingency plans
- Insurance cover against risks
- Ensuring a risk adjusted return to subscribers consistent with the protection, safety and liquidity of such funds.

Our risk Management Policy has been approved by the Board and is implemented by the Risk Management Committee, which keeps the Board informed periodically about its activities. The Board periodically updates the NPS Trust on the same.

The policy gives detailed guidelines in the areas of Fund management, Operations and other risks associated with the pension fund business. The said practices are audited by the internal auditors and the audit report is presented to the boards of KMPFL on a quarterly basis.

#### Liquidity Management Policy of the Company:

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 (Bank) and its group companies have adopted a Liquidity Risk Management Policy. The Board of Directors has adopted Liquidity Risk Management Policy which is line with the Kotak Bank Policy.

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The Company invests its surplus Funds in the Liquid/debt schemes of Kotak Mahindra Mutual Fund. The Company's surplus Funds were invested by the authorized personnel of the Company, as per mandate of the Board of Directors. All expenses (including revenue and capital) during the year were also authorized by personnel duly authorized by the Board of Directors.

**Whistle Blower Policy:**

Your Company has 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.

**5. SHARE CAPITAL**

The Authorized Share Capital of the Company is ` 30 Crores, comprising of 30,000,000 Equity Shares of ` 10 each. The issued & paid up share capital of the Company is ` 28 Crores comprising of 28,000,000 shares. During the year, there has been no change to the paid up capital of the Company.

**6. DIRECTORS & KEY MANAGERIAL PERSONNEL**

Your Company has Four Directors on the Board, two of whom are Independent.

➤ Directors retiring by rotation during the year

In accordance with the provisions of the Companies Act, 2013, Gaurang Shah will retire by rotation in the forthcoming Annual General Meeting (AGM) of the Company for the financial year 2014-15, and is eligible for re-appointment.

➤ Appointment of Directors during the year

NIL

➤ Appointment of Independent Directors

The Company appointed the existing independent directors viz. Mr. Balan Wasudeo and Mr. Tushar Mavani, as Independent Directors of the Company under the Companies Act, 2013 at the Annual General Meeting (AGM) of the Company held on July 11, 2014, to hold office for a term of five consecutive years commencing from the date of annual general meeting for the financial year 2014-2015 to the conclusion of annual general meeting for the financial year 2018-2019.

➤ Directors who have resigned during the year

Mr. Shivaji Dam and Mr. Sandesh Kirkire, Directors of the Company, retired from the Board of Directors with effect from October 31, 2014 and October 1, 2014 respectively. Your Directors express deepest gratitude for the valuable contribution from Mr. Dam and Mr. Kirkire during their tenure.

➤ Key Managerial Personnel appointed during the year

In the meeting of the Board of Directors held on April 21, 2014, the Board of Directors had approved the following employees of the Company as Key Managerial Personnel of the Company under Section 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment of Remuneration of Managerial Personnel) Rules, 2014:

1. Mr. Vinod A. N. – Manager
2. Ms. Darshana Baliya – Company Secretary
3. Mr. Krishnan Ramchandran – Chief Financial Officer.

➤ Board Evaluation –

Pursuant to the provisions of the Companies Act, 2013, the Board has comprehensively carried out an annual performance evaluation of its own performance, of the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

➤ Appointment & Remuneration Policy for Directors & Key Managerial Personnel

The Company has a Nomination & Remuneration Committee for appointment of Directors & Key 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. For determination of remuneration, the Board has adopted a remuneration policy which is as per the Kotak Group Remuneration Policy.

The Independent Directors are only in receipt of sitting fees from the Company. Remuneration to all the employees is as per the terms of their employment.

➤ Number of Board Meetings

During the year Four Board Meetings 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.

## 7. CONSTITUTION OF COMMITTEES

Pursuant to the provisions of Companies Act, 2013, the Company has constituted various Committees to focus on specific areas and to make informed decisions within their authority.

➤ Audit Committee

The Audit Committee was constituted in terms of Section 177 of Companies Act, 2013. Five Audit Committee Meetings were held during the year.

The Audit Committee comprises of the following members:

1. Mr. Balan Wasudeo– Chairman (Independent Director)
2. Mr. Tushar Mavani – Member(Independent Director)
3. Mr. Jaimin Bhatt – Member

➤ Nomination & Remuneration Committee \*

The Nomination & Remuneration Committee was constituted in terms of Section 178 of Companies Act, 2013. The Nomination & Remuneration Committee comprises of the following members:

1. Mr. Balan Wasudeo– Chairman (Independent Director)
2. Mr. Tushar Mavani – Member (Independent Director)
3. Mr. Gaurang Shah - Member

\* This Committee was constituted subsequent to dissolving of Appointment Committee and Remuneration Committee.

The Committee had met once during year and all the members of the Committee were present during the meeting.

➤ Risk Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, your company has constituted a Risk Committee. The Committee was reconstituted on July 28, 2014 to include the Compliance Officer. The Committee comprises of the following members:

1. Mr. Tushar Mavani– Chairman (Independent Director)
2. Mr. Gaurang Shah - Member
3. Mr. Sandip Shrikhande – Chief Executive Officer
4. Mr. Vinod A.N – Fund Manager
5. Ms. Darshana Baliya – Compliance Officer

Four Risk Committee Meetings were held during the year to analyze and review the risk associated with managing the Pension Fund business and risk mitigants put in place.

➤ Investment Committee

Pursuant to the revised Investment Management Agreement signed with NPS Trust, your company has constituted an Investment Management Committee. The Investment Committee comprises of the following members:

1. Mr. Balan Wasudeo - Chairman (Independent Director)
2. Mr. Jaimin Bhatt - Member
3. Mr. Gaurang Shah - Member
4. Mr. Sandip Shrikhande - Chief Executive Officer
5. Mr. Vinod A.N. - Fund Manager

Four Investment Committee Meetings were held during the year. The scope of the Investment Management Committee is to ensure that all investments are carried out as per the provisions of PFRDA Guidelines/directions and to ensure that all investments are made consistent with the protection, safety and liquidity of such funds, in the interest of the subscribers

**8. DEPOSITS**

The Company does not accept fixed deposits from the public and shareholders.

**9. RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business.

All Related Party Transactions were approved by the Audit Committee.

**10. PARTICULARS OF LOAN GUARANTEES OR INVESTMENTS U/S 186**

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

**11. AUDITORS**

Gokhale & Sathe, Chartered Accountants have been appointed as Statutory Auditors of the Company for a term of three years to hold office from conclusion of Fifth Annual General meeting held on July 10, 2014 until the conclusion of Eighth Annual General Meeting of the Company subject to ratification of such appointment by the members in the Annual General Meeting.

A certificate vide letter dated March 31, 2015 from the Auditors has been received to the effect that their appointment would be according to the terms and conditions prescribed under section 139 and 141 of the Companies Act, 2013 and rules framed there under. The certificate also confirms that the firm satisfies all the eligibility criteria as prescribed by PFRDA (Appointment of Auditors) Guidance Note 2012.

**12. STATUTORY INFORMATION**

Your Company had no foreign exchange earnings or outgo.

**13. DIRECTORS RESPONSIBILITY STATEMENT**

Based on representations from the management, the Directors state, in pursuance to clause (c) of sub section (3) of Section 134 of the Companies Act, 2013, that:

- i. Your Company has, in the preparation of the annual accounts for the year ended 31st March 2015, 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 31st March 2015 and of Profit/Loss of your Company for the financial year ended 31st March 2015;

- 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.

### **13. ANNEXURES**

Following statement/report is set out as Annexure to the Directors' Report:

- 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).

### **14. ACKNOWLEDGEMENTS**

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Pension Fund Regulatory and Development Authority, NPS Trust and other Government and Regulatory agencies.

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

**Gaurang Shah**  
Director

**Balan Wasudeo**  
Director

Mumbai  
April 20, 2015

# ANNEXURE A TO THE DIRECTORS' REPORT

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on March 31, 2015**

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

## I. REGISTRATION AND OTHER DETAILS:

|    |   |   |
|----|---|---|
| 1. | CIN   | U67200MH2009PLC191144   |
| 2. | Registration Date   | March 23, 2009  |
| 3. | Name of the Company   | Kotak Mahindra Pension Fund Limited   |
| 4. | Category/Sub-Category of the Company                                      | Public Company limited by shares  |
| 5. | Address of the Registered office and contact Details                      | 27BKC, C 27, G Block,<br>Bandra Kurla Complex,<br>Bandra (E),<br>Mumbai – 400051<br>Tel No. : (022) 66056825<br>Fax No.: (022) 66384455 |
| 6. | Whether listed Company (Yes/No)   | No  |
| 7. | Name, Address and Contact details of Registrar and Transfer Agent, if any | Not Applicable  |

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

| Sr. No | Name and Description of Main Product/Services | NIC Code of the Product | % to total turnover of the Company |
|--------|---|-------------------------|------------------------------------|
| 1.     | Management of Pension Funds                   | 66302                   | 100%                               |

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

| Sr. No | Name and Address of the Company  | CIN/GLN               | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|--------|--|-----------------------|----------------------------------|------------------|--------------------|
| 1.     | Kotak Mahindra Bank Limited<br><b>Address:</b><br>27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051                     | L65110MH1985PLC038137 | Holding Company                  | 4.29             | 2(46)              |
| 2.     | Kotak Mahindra Asset Management Company Limited<br><b>Address:</b><br>27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 | U65991MH1994PLC080009 | Holding Company                  | 95.71            | 2(46)              |



**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i) Category-wise Share Holding**

| 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  | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 100               | -                        |
| e) Banks/FI   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| f) Any Other  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub total (A) (1)</b>  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>2) Foreign</b>   |   |            |            |                   |   |            |            |                   |                          |
| a) NRIs - Individuals   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| b) Other – Individuals  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| c) Bodies Corp.   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| d) Banks / FI   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| e) Any Other....  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Sub total (A) (2)</b>  | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |
| <b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>               | -   | 28,000,000 | 28,000,000 | 100               | -   | 28,000,000 | 28,000,000 | 100               | -                        |
| <b>B. Public Shareholding as per classification given by Depository</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>   | -   | -          | -          | -                 | -   | -          | -          | -                 | -                        |

| 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>2. Non-Institutions</b>  |   |                   |                   |                   |   |                   |                   |                   |                          |
| a) Bodies Corp.   |   |                   |                   |                   |   |                   |                   |                   |                          |
| i) Indian   | -   | -                 | -                 | -                 | -   | -                 | -                 | -                 | -                        |
| ii) Overseas  | -   | -                 | -                 | -                 | -   | -                 | -                 | -                 | -                        |
| 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>  | -   | <b>28,000,000</b> | <b>28,000,000</b> | <b>100</b>        | -   | <b>28,000,000</b> | <b>28,000,000</b> | <b>100</b>        | -                        |

(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 shareholding 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 | % of Shares Pledged / encumbered to total shares |  |
| 1      | Kotak Mahindra Bank Limited   | 12,00,000                                 | 4.29                             | -  | 12,00,000                           | 4.29                             | -  | -  |
| 2      | Kotak Mahindra Asset Management Company Limited (Subsidiary of Kotak Mahindra Bank Limited) | 2,68,00,000                               | 95.71                            | -  | 2,68,00,000                         | 95.71                            | -  | -  |

**(iii) Change in Promoters' Shareholding**

| SI No. |   | 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 |
|        | 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 | -   | -                                | -                                       | -                                |
|        | At the end of the year  | -   | -                                | -                                       | -                                |

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

| SI No. | Name of the Share Holder  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|---|---|----------------------------------|---|----------------------------------|
|        |   | No. of share                              | % of total shares of the company | No. of shares                           | % of total shares of the company |
|        | At the beginning of the year  | -   | -                                | -                                       | -                                |
|        | 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 (or on the date of separation, if separated during the year)   | -   | -                                | -                                       | -                                |

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

| For Each of the Directors and KMP  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--|---|----------------------------------|---|----------------------------------|
|  | No. of share                              | % of total shares of the company | No. of shares                           | % of total shares of the company |
| At the beginning of the year   | -   | -                                | -                                       | -                                |
| 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   | -   | -                                | -                                       | -                                |

## V. INDEBTEDNESS

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

(` in Lacs)

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

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL –

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

(` in Lacs)

| Sl. No. | Particulars of Remuneration  | Name of MD/WTD/ Manager      | Total Amount |
|---------|--|------------------------------|--------------|
|         |  | Mr. Vinod A. N.<br>(Manager) |              |
| 1       | Gross salary*<br>(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961<br>(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @<br>(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | 28.69<br>0.90<br>-           |              |
| 2       | Stock Option   | -                            | -            |
| 3       | Sweat Equity   | -                            | -            |
| 4       | Commission<br>- as % of profit<br>- others, specify...   | -                            | -            |
| 5       | Others, please specify   | -                            | -            |
|         | <b>Total (A)</b>   | <b>29.59</b>                 | -            |
|         | Ceiling as per the Act #   | -                            | -            |

# The ceiling limit with respect to remuneration of Manager of Kotak Mahindra Pension Fund Limited is governed by Section 196, 197, 198 read with Schedule V of the Companies Act, 2013 and the Rules made thereunder.

**B. Remuneration to other directors:**

| Sl. No. | Particulars of Remuneration                  | Name of Directors |                   | Total Amount |
|---------|--|-------------------|-------------------|--------------|
|         |  | Mr. Balan Wasudeo | Mr. Tushar Mavani |              |
| 1       | <b>Independent Directors</b>                 |                   |                   |              |
|         | Fee for attending board / committee meetings | 1.60              | 1.60              | 3.20         |
|         | Commission                                   | -                 | -                 | -            |
|         | Others, please specify                       | -                 | -                 | -            |
|         | <b>Total (1)</b>                             | 1.60              | 1.60              | 3.20         |
| 2       | <b>Other Non-Executive Directors</b>         |                   |                   |              |
|         | Fee for attending board / committee meetings | -                 | -                 | -            |
|         | Commission                                   | -                 | -                 | -            |
|         | Others - Remuneration                        | -                 | -                 | -            |
|         | <b>Total (2)</b>                             | -                 | -                 | -            |
|         | <b>Total (B)=(1+2)</b>                       | 1.60              | 1.60              | 3.20         |
|         | <b>Total Managerial Remuneration</b>         |                   |                   | 3.20         |
|         | Overall Ceiling as per the Act ##            |                   |                   |              |

## Ceiling limit with respect to payment of sitting fees to directors is governed by sub-section 5 of Section 197 of Companies Act, 2013 read with the Rules made thereunder.

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

(` in Lacs)

| Sl. No. | Particulars of Remuneration   | Key Managerial Personnel    |          | Total Amount |
|---------|---|-----------------------------|----------|--------------|
|         |   | Company Secretary           | CFO      |              |
| 1       | Gross salary  |                             |          |              |
|         | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 22.77                       | -        | 22.77        |
|         | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.68                        | -        | 0.68         |
|         | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961              |                             |          |              |
| 2       | Stock Option @  | Cost included in 1(b) above | -        | -            |
| 3       | Sweat Equity  | -                           | -        | -            |
| 4       | Commission  | -                           | -        | -            |
|         | - as % of profit<br>- others, specify...  |                             |          |              |
| 5       | Others, please specify  | -                           | -        | -            |
|         | <b>Total</b>  | <b>23.45</b>                | <b>-</b> | <b>23.45</b> |

Note: @ The perquisite value towards stock options includes stock options amounting to ` 67,843 for the Company Secretary.

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

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

# Independent Auditors' Report

**TO**

**THE MEMBERS OF KOTAK MAHINDRA PENSION FUND LIMITED**

## **Report on the financial statements**

We have audited the accompanying financial statements of **KOTAK MAHINDRA PENSION FUND LIMITED** ("the company"), which comprise the balance sheet as at 31 March 2015, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **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 the 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 the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial 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 there under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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 true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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 aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2015, and its Loss and its cash flows for the year ended on that date.

## **Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of Section 143 (11) of the Companies Act 2013, we give in the annexure a statement on the matters specified in paragraph 3 & 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 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, 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 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our 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 20 to the financial statements.
    - ii. The company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which required to be transferred to the Investor Education and Protection Fund by the company.

**For Gokhale & Sathe**

Chartered Accountants  
Firm Reg. No.: 103264W

**Atul A Kale**

Partner  
Membership No109947

Place: Mumbai

Date:



## Annexure to the Auditor's Report

In the Annexure, as required by the Companies (Auditor's Report) Order, 2015 issued by the Central Government in terms of Section 143 (11) of the Companies Act 2013, on the basis of checks, as we considered appropriate, we report on the matters specified in paragraph 3 and 4 of the said order to the extent applicable to the company,

- i)
  - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets for the year under audit in the soft (computerized) form.
  - b) We have been informed that the physical verification of fixed assets was carried out by the management during the year, which in our opinion is reasonable having regard to the nature of the assets. We have been informed that no material discrepancy was noted on such verification.
- ii) Considering the nature of the business and services rendered by the company, provisions of clause 3 (ii) of the CARO relating to inventory are not applicable.
- iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. Therefore provisions of clause 3 (iii) of the CARO are not applicable.
- iv) On the basis of selective checks carried out during the course of our audit, in our opinion and according to the information and explanation given to us, there exist an adequate internal control system commensurate with the size of the company and nature of its business, with regard to fixed assets and services rendered. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- v) The company has not accepted any deposits from public and accordingly the provisions of section 73 to 76 of the Act, and Rules framed there under and any directive issued by the Reserve Bank of India are not applicable to the company.
- vi) Section 148 (1) of the Companies Act for Maintenance of cost records, specified by the Central Government, is not applicable to the company.
- vii)
  - a) The company is regular in depositing with appropriate authorities undisputed statutory dues including the Provident Fund, Employees state insurance, income tax, sales tax, wealth tax, service tax, duty of excise, value added tax, cess and any other statutory dues applicable to it.
  - b) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess which have not been deposited on account of any dispute except the following

| Name of the Statute | Financial Year | Amount   | Forum where dispute is pending |
|---------------------|----------------|----------|--------------------------------|
| Income Tax Act      | 2010-11        | 86,880/- | Dy. Commissioner of Income Tax |

- c) In our opinion and according to the information and explanation given to us, during the year, no amount was pending to be transferred to investor education and protection fund.
- viii) The company has accumulated losses which are less than fifty percent of its net worth as at 31st March 2015 and it has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- ix) In our opinion and according to the information and explanation given to us, the company has not taken any loan from a financial institution or bank or debenture holders. Therefore provisions of clause 3 (ix) of the CARO are not applicable.
- x) In our opinion and according to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions. Therefore provisions of clause 3 (x) of the CARO are not applicable.
- xi) The company has not obtained any term loans and therefore provisions of clause 3 (xi) of the CARO are not applicable.
- xii) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Gokhale & Sathe**

Chartered Accountants  
Firm Reg. No.: 103264W

**Atul A Kale**

Partner  
Membership No109947

Place: Mumbai  
Date:

# Balance Sheet

as at 31st March, 2015

(Amount in `)

|  | Notes | As at<br>31st March, 2015 | As at<br>31st March, 2014 |
|--|-------|---------------------------|---------------------------|
| <b>I. EQUITY AND LIABILITIES</b>           |       |                           |                           |
| <b>1. Shareholders' Funds:</b>             |       |                           |                           |
| (a) Share Capital                          | 3     | 28,00,00,000              | 28,00,00,000              |
| (b) Reserves and Surplus                   | 4     | (2,74,01,567)             | (2,49,20,589)             |
| <b>2. Non-current liabilities</b>          |       |                           |                           |
| (a) Long term Provisions                   | 5     | 11,43,113                 | 9,18,542                  |
| <b>3. Current liabilities</b>              |       |                           |                           |
| (a) Trade Payables                         | 6     | 5,44,738                  | 25,42,763                 |
| (b) Other current Liabilities              | 7     | 2,67,769                  | 3,36,716                  |
| (c) Short term Provisions                  | 8     | 9,45,094                  | 7,92,424                  |
| <b>Total</b>                               |       | <b>25,54,99,147</b>       | <b>25,96,69,857</b>       |
| <b>II. ASSETS</b>                          |       |                           |                           |
| <b>1. Non-current assets</b>               |       |                           |                           |
| (a) Tangible Fixed Assets                  | 9     | 8,19,395                  | 12,20,663                 |
| (b) Non Current Investments                | 10    | 25,20,61,908              | 25,41,73,544              |
| (c) Long term Loans & Advances             | 11    | 1,47,801                  | 98,717                    |
| <b>2. Current assets</b>                   |       |                           |                           |
| (a) Trade Receivables                      | 12    | 43,134                    | 1,99,430                  |
| (b) Cash & Bank Balances                   | 13    | 22,35,872                 | 38,55,437                 |
| (c) Short Term Loans & Advances            | 14    | 1,75,236                  | 1,02,674                  |
| (d) Other Current Assets                   | 15    | 15,801                    | 19,392                    |
| <b>Total</b>                               |       | <b>25,54,99,147</b>       | <b>25,96,69,857</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 attached

For and on behalf of the Board of Directors

**For Gokhale & Sathe**  
**Chartered Accountants**

Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**

Partner

Chief Financial Officer

Company Secretary

Mem No.109947

Mumbai, 20th April, 2015

# Statement of Profit and loss

for the year ended 31st March, 2015

|   | Notes | Year Ended<br>31st March, 2015 | (Amount in `)<br>Year Ended<br>31st March, 2014 |
|---|-------|--------------------------------|---|
| Revenue from Operations                                       | 16    | 4,59,918                       | 6,85,378  |
| Other Income  | 17    | 1,31,43,644                    | 1,20,03,992                                     |
| <b>Total Revenue</b>  |       | <b>1,36,03,562</b>             | <b>1,26,89,370</b>                              |
| Employee benefits expense                                     | 18    | 73,08,009                      | 59,38,697                                       |
| Depreciation  | 9     | 4,64,017                       | 4,45,583  |
| Other Expenses  | 19    | 83,12,514                      | 80,38,114                                       |
| <b>Total Expense</b>  |       | <b>1,60,84,540</b>             | <b>1,44,22,394</b>                              |
| <b>Loss before tax</b>  |       | <b>(24,80,978)</b>             | <b>(17,33,024)</b>                              |
| <b>Tax Expense</b>  |       |                                |   |
| Current tax   |       | -                              | -   |
| Deferred tax  |       | -                              | -   |
| <b>Net Loss for the year</b>                                  |       | <b>(24,80,978)</b>             | <b>(17,33,024)</b>                              |
| <b>Earnings per equity share [nominal value of share ` 10</b> | 26    |                                |   |
| <b>Basic &amp; Diluted</b>                                    |       | <b>(0.09)</b>                  | <b>(0.06)</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 attached**

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

**For Gokhale & Sathe**  
Chartered Accountants  
Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**  
Partner  
Mem No.109947  
Mumbai, 20th April, 2015

Chief Financial Officer

Company Secretary

# Cash Flow Statement

for the year ended 31st March, 2015

(Amount in `)

|  | Year Ended<br>31st March, 2015 | Year Ended<br>31st March, 2014 |
|--|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                |                                |
| <b>Loss Before Tax</b>   | (24,80,978)                    | (17,33,024)                    |
| Adjustments for:   |                                |                                |
| Depreciation   | 4,64,016                       | 4,45,583                       |
| Dividend income  | (2,49,926)                     | (1,53,022)                     |
| Excess provision no longer required written back   | (20,65,176)                    | (5,66,122)                     |
| Interest on Fixed Deposits   | (1,32,441)                     | (93,419)                       |
| Net (gain)/ loss on sale of Non-current investments  | (1,06,95,438)                  | (1,11,91,429)                  |
| <b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>   | (1,51,59,943)                  | (1,32,91,433)                  |
| <b>Movements in working capital :</b>  |                                |                                |
| Increase/ (decrease) in trade payables   | 67,151                         | 2,47,737                       |
| Increase / (decrease) in long/short-term provisions  | 3,77,241                       | 50,668                         |
| Increase/ (decrease) in other current liabilities  | (68,947)                       | 1,29,311                       |
| Decrease / (increase) in trade receivables   | 1,56,297                       | (1,86,580)                     |
| Decrease / (increase) in short-term loans and advances                                       | (72,562)                       | (29,107)                       |
| Decrease / (increase) in other current assets  | 3,591                          | (5,152)                        |
| <b>CASH USED IN OPERATIONS</b>   | <b>(1,46,97,174)</b>           | <b>(1,30,84,556)</b>           |
| <b>Direct Taxes Paid</b>   | <b>(49,084)</b>                | <b>(77,943)</b>                |
| <b>NET CASH USED IN OPERATING ACTIVITIES (A)</b>   | <b>(1,47,46,258)</b>           | <b>(1,31,62,499)</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                |                                |
| Purchase of fixed assets   | (62,749)                       | (69,083)                       |
| Current investments  |                                |                                |
| Purchase   | (5,34,99,854)                  | (1,41,53,021)                  |
| Proceeds from sale   | 1,57,39,927                    | 1,41,53,021                    |
| Non-current investments  |                                |                                |
| Purchase   |                                | (3,00,00,000)                  |
| Proceeds from sale   | 5,05,67,000                    | 4,57,25,000                    |
| Proceeds from maturity of bank deposits (having original maturity of more than three months) | 10,73,760                      | 10,00,000                      |
| Investments in bank deposits (having original maturity of more than three months)            | (21,74,970)                    | (10,83,482)                    |
| Interest received  | 1,23,448                       | 92,825                         |
| Dividends received   | 2,49,926                       | 1,53,022                       |

# Cash Flow Statement

for the year ended 31st March, 2015

(Amount in `)

|   | Year Ended<br>31st March, 2015 | Year Ended<br>31st March, 2014 |
|---|--------------------------------|--------------------------------|
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B)</b>       | <b>1,20,16,488</b>             | <b>1,58,18,281</b>             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B)</b>      | <b>(27,29,770)</b>             | <b>26,55,782</b>               |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b> | 27,71,955                      | 1,16,172                       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>       | <b>42,186</b>                  | <b>27,71,955</b>               |
| <b>Components of cash and cash equivalents</b>                |                                |                                |
| With banks- on current account                                | 42,186                         | 27,71,955                      |
| - on deposit account  | -                              | -                              |
| Total cash and cash equivalents (Refer Note -13)              | 42,186                         | 27,71,955                      |
| Summary of significant accounting policies (note 2.1)         |                                |                                |

The above Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014

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

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

**As per our report of even date attached**

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

**For Gokhale & Sathe**  
**Chartered Accountants**  
 Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**  
 Partner  
 Mem No.109947  
 Mumbai, 20th April, 2015

Chief Financial Officer

Company Secretary

# Notes to Financial Statements for the year ended 31st March, 2015

## 1. CORPORATE INFORMATION

Kotak Mahindra Pension Fund Limited is a Company incorporated on 23rd March, 2009. The main business of the Company is managing the investments of the National Pension System as formed by the Government of India through the Pension Fund Regulatory & Development Authority (PFRDA). The investments are held by the Board of Trustees of the National Pension System Trust, established by the PFRDA under the Indian Trusts Act, 1882.

## 2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. USE OF ESTIMATES

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements, the reported income and expenses during the reporting period. The 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.

#### B. REVENUE RECOGNITION

- Investment Management Fee is recognised at specific rates agreed with the relevant schemes, applied on the daily net assets managed.
- 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.

#### C. INVESTMENTS

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary, is provided for. Current investments are valued at cost (calculated by applying weighted average cost method) or market value whichever is lower. Brokerage, stamping and additional charges paid are included in the cost of investments.

In case of investments in units of mutual funds, the net asset value of units is considered as the market value/fair value.

#### D. EMPLOYEE BENEFITS

##### Defined contribution scheme

- a. The contributions as required by the statute to Government Provident Fund are charged to the Statement of Profit and Loss when due.

##### Defined Benefit Plan

- b. The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is wholly unfunded. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.
- c. Actuarial gains/losses are immediately recognised in the Statement of Profit and Loss.

##### Other Long-term Employee Benefits

- d. The Company accrues the liability for compensated absences based on an actuarial valuation as at the Balance Sheet date conducted by an independent actuary. The net present value of the Company's obligation is determined based on the projected unit credit method as at the Balance Sheet date.

## Notes to Financial Statements for the year ended 31st March, 2015

### Other Employee Benefits

- e. The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include performance incentives.

### **E. TAXES ON INCOME**

The Income Tax expense comprises Current tax, Deferred 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, 1961. Deferred tax adjustments comprise 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 assets on account of timing differences are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carried forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that the same can be realised against future taxable profits. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been 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 Statement of Profit and Loss in the period of the change. 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.

### **F. 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.

### **G. TANGIBLE AND INTANGIBLE ASSETS, DEPRECIATION AND AMORTISATION**

Fixed assets are stated at cost less accumulated depreciation. 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 Method 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. The estimates of useful lives of the assets, 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 / amortised are as follows:

| <b>Asset</b>     | <b>Useful life in Years</b> |
|------------------|-----------------------------|
| Motor vehicles   | 4                           |
| Office Equipment | 5                           |
| Computers        | 3                           |

### **H. IMPAIRMENT**

- 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.

### **I. 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

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## Notes to Financial Statements for the year ended 31st March, 2015

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

### J. PROVISIONS AND 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 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 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.

### K. CASH-SETTLED SCHEME:

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

### L. CASH AND CASH EQUIVALENTS

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



## Notes to Financial Statements for the year ended 31st March, 2015

|  | As at<br>31st March, 2015 | As at<br>31st March, 2015 | As at<br>31st March, 2014 | As at<br>31st March, 2014 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | Number of Shares          | Amount ( ` )              | Number of Shares          | Amount ( ` )              |
| <b>3. Share Capital</b>  |                           |                           |                           |                           |
| <b>Authorised :</b>  |                           |                           |                           |                           |
| Equity shares of ` 10 each.  | 3,00,00,000               | 30,00,00,000              | 3,00,00,000               | 30,00,00,000              |
| <b>Issued,Subscribed and Paid Up:</b>  |                           |                           |                           |                           |
| Equity shares of ` 10 each fully paid up.  | 2,80,00,000               | 28,00,00,000              | 28,00,00,000              | 28,00,00,000              |
| <b>Total issued, subscribed and fully paid-up share capital</b>  | 2,80,00,000               | 28,00,00,000              | 28,00,00,000              | 28,00,00,000              |
| <b>(a) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period</b> |                           |                           |                           |                           |
| At the beginning of the year   | 2,80,00,000               | 28,00,00,000              | 2,80,00,000               | 28,00,00,000              |
| Issued during the year   | -                         | -                         | -                         | -                         |
| Outstanding at the end of the year   | 2,80,00,000               | 28,00,00,000              | 2,80,00,000               | 28,00,00,000              |
| <b>(b) Shares held by holding and ultimate holding company</b>   |                           |                           |                           |                           |
| Kotak Mahindra Asset Management Co. Ltd.,the holding company   | 2,67,99,940               | 26,79,99,400              | 2,67,99,940               | 26,79,99,400              |
| Kotak Mahindra Bank Limited,the Ultimate Holding Company   | 12,00,000                 | 1,20,00,000               | 12,00,000                 | 1,20,00,000               |
| <b>(c) Details of shareholders holding more than 5% shares in the company</b>                                      |                           |                           |                           |                           |
|  | Number of Shares          | % holding                 | Number of Shares          | % holding                 |
| Kotak Mahindra Asset Management Co. Ltd.,the holding company   | 2,67,99,940               | 95.71%                    | 2,67,99,940               | 95.71%                    |

### (d) Terms / Rights attached to Equity Shares

The Company has only one class of equity shares having par value of ` 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts.

The distribution will be in proportion to the number of equity shares held by the shareholders.

| 4. Reserves and Surplus                                  | As at<br>31st March, 2015 | As at<br>31st March, 2014 |
|--|---------------------------|---------------------------|
|  | Amount ( ` )              | Amount ( ` )              |
| <b>Surplus/(Deficit) in Statement of Profit and Loss</b> |                           |                           |
| Balance as at the beginning of the year                  | (2,49,20,589)             | (2,31,87,565)             |
| Add:Loss for the year                                    | (24,80,978)               | (17,33,024)               |
| <b>Balance as at the end of the year</b>                 | <b>(2,74,01,567)</b>      | <b>(2,49,20,589)</b>      |

## Notes to Financial Statements for the year ended 31st March, 2015

| <b>5. Long Term Provisions</b>           | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|--|-----------------------------------|-----------------------------------|
|  | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| Provision for employee benefits          |                                   |                                   |
| Provision for Gratuity (Refer Note - 21) | 7,43,777                          | 5,84,348                          |
| Provision for Compensated Absences       | 3,99,336                          | 3,34,194                          |
|  | <b>11,43,113</b>                  | <b>9,18,542</b>                   |

  

| <b>6. Trade payables</b>                              | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|---|-----------------------------------|-----------------------------------|
|   | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| Dues to micro and small enterprises (Refer Note - 28) | -                                 | -                                 |
| Others  | 5,44,738                          | 25,42,763                         |
|   | <b>5,44,738</b>                   | <b>25,42,763</b>                  |

  

| <b>7. Other Current liabilities</b> | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|-------------------------------------|-----------------------------------|-----------------------------------|
|                                     | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| Statutory dues payable              | 2,67,769                          | 3,36,716                          |
|                                     | <b>2,67,769</b>                   | <b>3,36,716</b>                   |

  

| <b>8. Short Term Provisions</b>          | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|--|-----------------------------------|-----------------------------------|
|  | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| <b>Provision for employee benefits</b>   |                                   |                                   |
| Provision for Leave Travel Allowance     | 50,000                            | 38,167                            |
| Provision for Gratuity (Refer Note - 21) | 46,494                            | 45,787                            |
| Provision for Compensated Absences       | 48,600                            | 43,470                            |
| Provision for Annual Incentive           | 8,00,000                          | 6,65,000                          |
|  | <b>9,45,094</b>                   | <b>7,92,424</b>                   |

## Notes to Financial Statements for the year ended 31st March, 2015

### Note 9 : FIXED ASSETS

(Amount in `)

| DESCRIPTION       | GROSS BLOCK                |               |            |                             | DEPRECIATION               |                 |            |                             | NET BLOCK                 |
|-------------------|----------------------------|---------------|------------|-----------------------------|----------------------------|-----------------|------------|-----------------------------|---------------------------|
|                   | As on<br>1st April<br>2014 | Additions     | Deductions | As on<br>31st March<br>2015 | As on<br>1st April<br>2014 | For the year    | Deductions | As on<br>31st March<br>2015 | As at<br>31 March<br>2015 |
| Tangible Assets   |                            |               |            |                             |                            |                 |            |                             |                           |
| Vehicles          | 16,69,630                  | -             | -          | 16,69,630                   | 5,56,925                   | 4,17,408        | -          | 9,74,332                    | 6,95,298                  |
| Computers         | 54,833                     | 62,749        | -          | 1,17,582                    | 13,569                     | 29,621          | -          | 43,190                      | 74,392                    |
| Office Equipments | 84,940                     | -             | -          | 84,940                      | 18,247                     | 16,988          | -          | 35,235                      | 49,706                    |
| <b>Total</b>      | <b>18,09,403</b>           | <b>62,749</b> | <b>-</b>   | <b>18,72,152</b>            | <b>5,88,741</b>            | <b>4,64,017</b> | <b>-</b>   | <b>10,52,757</b>            | <b>8,19,395</b>           |

| DESCRIPTION       | GROSS BLOCK                |               |            |                             | DEPRECIATION               |                 |            |                             | NET BLOCK                   |
|-------------------|----------------------------|---------------|------------|-----------------------------|----------------------------|-----------------|------------|-----------------------------|-----------------------------|
|                   | As on<br>1st April<br>2013 | Additions     | Deductions | As on<br>31st March<br>2014 | As on<br>1st April<br>2013 | For the year    | Deductions | As on<br>31st March<br>2014 | As on<br>31st March<br>2014 |
| Tangible Assets   |                            |               |            |                             |                            |                 |            |                             |                             |
| Vehicles          | 16,69,630                  | -             | -          | 16,69,630                   | 1,39,517                   | 4,17,408        | -          | 5,56,925                    | 11,12,705                   |
| Computers         | -                          | 54,833        | -          | 54,833                      | -                          | 13,569          | -          | 13,569                      | 41,264                      |
| Office Equipments | 70,690                     | 14,250        | -          | 84,940                      | 3,641                      | 14,606          | -          | 18,247                      | 66,694                      |
| <b>Total</b>      | <b>17,40,320</b>           | <b>69,083</b> | <b>-</b>   | <b>18,09,403</b>            | <b>1,43,158</b>            | <b>4,45,583</b> | <b>-</b>   | <b>5,88,740</b>             | <b>12,20,663</b>            |

## Notes to Financial Statements for the year ended 31st March, 2015

| <b>10. Non Current Investments</b>  | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|---|-----------------------------------|-----------------------------------|
|   | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| <b>Non-trade investments (valued at cost unless stated otherwise)</b>   |                                   |                                   |
| Unquoted Mutual Fund  |                                   |                                   |
| 7,78,961.3057 (31 March 2014: 1,400,012.082) Units of ` 10 each fully paid-up of Kotak Floater Long Term - Growth             | 1,09,95,037                       | 1,97,61,170                       |
| 31,126.8326 (31 March 2014: 15,104.3925) Units of ` 1000 each fully paid-up of Kotak Floater Short Term - Direct Pan - Growth | 6,77,59,927                       | 3,00,00,000                       |
| 94,341.3435 (31 March 2014: 111,273.8911) Units of ` 1000 each fully paid-up of Kotak Floater Short Term - Growth             | 17,33,06,944                      | 20,44,12,374                      |
|   | <b>25,20,61,908</b>               | <b>25,41,73,544</b>               |
| Aggregate amount of unquoted investments (Market value of ` 307,047,228.98 (31 March 2014: ` 294,257,204.25))                 | 25,20,61,908                      | 25,41,73,544                      |
|   |                                   |                                   |
| <b>11. Long Term Loans &amp; Advances</b>   |                                   |                                   |
|   | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|   | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| <b>Other Loans and Advances</b>   |                                   |                                   |
| Advance Tax (Tax deducted at source)  | 1,47,801                          | 98,717                            |
|   | <b>1,47,801</b>                   | <b>98,717</b>                     |
|   |                                   |                                   |
| <b>12. Trade Receivables</b>  |                                   |                                   |
|   | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|   | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| <b>Unsecured, considered good unless stated otherwise</b>   |                                   |                                   |
| Outstanding for a period exceeding 6 months from the date they are due for payment  | -                                 | -                                 |
| Other Receivables   | 43,134                            | 1,99,430                          |
|   | <b>43,134</b>                     | <b>1,99,430</b>                   |
|   |                                   |                                   |
| <b>13. Cash and Bank Balances</b>   |                                   |                                   |
|   | <b>As at<br/>31st March, 2015</b> | <b>As at<br/>31st March, 2014</b> |
|   | <b>Amount ( ` )</b>               | <b>Amount ( ` )</b>               |
| <b>Cash and cash equivalents</b>  |                                   |                                   |
| <b>Balances with banks:</b>   |                                   |                                   |
| - On current accounts   | 42,186                            | 27,71,955                         |
| - Deposits  | 10,18,716                         | -                                 |
| <b>Other Bank Balances</b>  |                                   |                                   |
| - Deposits with residual maturity of less than twelve months  | 11,74,970                         | 10,83,482                         |
|   | <b>22,35,872</b>                  | <b>38,55,437</b>                  |
| Kept as margin money with bank against bank guarantee   | 10,00,000                         |                                   |

## Notes to Financial Statements for the year ended 31st March, 2015

| <b>14. Short Term Loans &amp; Advances</b> | <b>As at<br/>31st March, 2015<br/>Amount ( ` )</b> | <b>As at<br/>31st March, 2014<br/>Amount ( ` )</b> |
|--|--|--|
| Other Loans and Advances                   |  |  |
| Prepaid Expenses                           | 1,75,236   | 1,02,674   |
|  | <b>1,75,236</b>                                    | <b>1,02,674</b>                                    |

  

| <b>15. Other current assets</b>    | <b>As at<br/>31st March, 2015<br/>Amount ( ` )</b> | <b>As at<br/>31st March, 2014<br/>Amount ( ` )</b> |
|------------------------------------|--|--|
| Interest accrued on fixed deposits | 15,801   | 6,808  |
| Others                             |  | 12,584   |
|                                    | <b>15,801</b>                                      | <b>19,392</b>                                      |

  

| <b>16. Revenue from operations</b> | <b>Year Ended<br/>31st March, 2015<br/>Amount ( ` )</b> | <b>Year Ended<br/>31st March, 2014<br/>Amount ( ` )</b> |
|------------------------------------|---|---|
| <b>Fees from Fund Management</b>   | 4,59,918  | 6,85,378  |
|                                    | <b>4,59,918</b>   | <b>6,85,378</b>   |

  

| <b>17. Other Income</b>                          | <b>Year Ended<br/>31st March, 2015<br/>Amount ( ` )</b> | <b>Year Ended<br/>31st March, 2014<br/>Amount ( ` )</b> |
|--|---|---|
| Dividend from Current Investments                | 2,49,926  | 1,53,022  |
| Interest Income on Bank Deposits                 | 1,32,441  | 93,419  |
| Profit on sale of Non current investments        | 1,06,95,438   | 1,11,91,429   |
| Interest on Income Tax Refund                    | 663   | -   |
| Excess provision no longer required written back | 20,65,176   | 5,66,122  |
|  | <b>1,31,43,644</b>                                      | <b>1,20,03,992</b>                                      |

  

| <b>18. Employee Benefits Expense</b>            | <b>Year Ended<br/>31st March, 2015<br/>Amount ( ` )</b> | <b>Year Ended<br/>31st March, 2014<br/>Amount ( ` )</b> |
|---|---|---|
| Salaries and Wages                              | 67,85,413   | 55,37,485   |
| Contribution to Provident Funds (Refer Note 21) | 3,35,622  | 3,07,476  |
| Gratuity (Refer Note 21)                        | 1,60,136  | 58,904  |
| Reimbursement of ESOP cost                      | 2,250   | 6,366   |
| Staff Welfare Expenses                          | 24,588  | 28,466  |
|   | <b>73,08,009</b>  | <b>59,38,697</b>  |

## Notes to Financial Statements for the year ended 31st March, 2015

| 19. Other Expenses                           | Year Ended<br>31st March, 2015 | Year Ended<br>31st March, 2014 |
|--|--------------------------------|--------------------------------|
|  | Amount ( ` )                   | Amount ( ` )                   |
| Rent   | 32,53,200                      | 14,58,000                      |
| Rates and taxes                              | 5,04,556                       | 2,43,000                       |
| Travel Expenses                              | 3,35,519                       | 3,70,503                       |
| Directors' sitting fees                      | 3,20,000                       | 2,85,000                       |
| Payment to Auditors                          |                                |                                |
| As auditor:                                  |                                |                                |
| Audit Fee (Inclusive of Service Tax)         | 1,68,540                       | 1,68,540                       |
| Out of Pocket Expenses                       | -                              | -                              |
| Legal and Professional Fees                  | 4,46,192                       | 5,25,831                       |
| Membership & Subscription                    | 9,49,604                       | 16,66,037                      |
| IT Expenses                                  | 6,249                          | 5,61,800                       |
| Filing Fees                                  | 2,430                          | -                              |
| Reimbursement of common administrative costs | 16,85,400                      | 16,51,412                      |
| Pension Fund Expenses                        | 1,78,917                       | 3,10,495                       |
| Business Promotion Expenses                  | 4,855                          | 4,92,631                       |
| Miscellaneous Expenses                       | 4,57,052                       | 3,04,865                       |
|  | <b>83,12,514</b>               | <b>80,38,114</b>               |

| Particulars                                 | As at<br>31st March, 2015 | As at<br>31st March, 2014 |
|---|---------------------------|---------------------------|
|   | Amount ( ` )              | Amount ( ` )              |
| 20. Contingent Liabilities not provided for |                           |                           |
| Disputed income tax demand                  | 86,880                    | 86,880                    |
|   | <b>86,880</b>             | <b>86,880</b>             |

### 21. Employee Benefit Scheme

#### a.) Defined contribution plan

The Company has contributed ` 335,622 (31st March 2014: ` 307,476) towards provident fund which is defined contribution scheme.

#### b.) Defined Benefit Plan

The Company accounts for the liability for future gratuity benefits based on an independent actuarial valuation. The gratuity obligation is wholly unfunded. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.

Actuarial gains/losses are immediately recognised in the statement of profit and loss and are not deferred.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss:

## Notes to Financial Statements for the year ended 31st March, 2015

### Net employee benefit expense recognized in the employee cost

| Particulars  | Year Ended       | Year Ended       |
|--|------------------|------------------|
|  | 31st March, 2015 | 31st March, 2014 |
|  | Amount (₹)       | Amount (₹)       |
| Interest cost on benefit obligation                | 81,339           | 85,782           |
| Expected return on plan assets                     | 64,313           | 52,597           |
| Net actuarial (gain) / loss recognized in the year | -                | -                |
| Past Service Cost                                  | 14,484           | (79,475)         |
| <b>Net benefit expense</b>                         | -                | -                |
| Actual return on plan assets                       | <b>1,60,136</b>  | <b>58,904</b>    |
|  | NA               | NA               |

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

| Particulars                              | As at            | As at            |
|--|------------------|------------------|
|  | 31st March, 2015 | 31st March, 2014 |
|  | Amount (₹)       | Amount (₹)       |
| Opening defined benefit obligation       | 6,30,135         | 5,71,231         |
| Current service cost                     | 81,339           | 85,782           |
| Interest cost                            | 64,313           | 52,597           |
| <b>Benefits paid</b>                     | -                | -                |
| Actuarial (gains) / losses on obligation | 14,484           | (79,475)         |
| Past Service Cost                        | -                | -                |
| Liabilities Assumed on Acquisition       | -                | -                |
| Closing defined benefit obligation       | <b>7,90,271</b>  | <b>6,30,135</b>  |

### Experience adjustments amounts for the current and previous periods are as follows:

| Particulars                                | Amount (₹)                |                           |                           |                           |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | As at<br>31st March, 2015 | As at<br>31st March, 2014 | As at<br>31st March, 2013 | As at<br>31st March, 2012 | As at<br>31st March, 2011 |
| Defined benefit obligation                 | 7,90,271                  | 6,30,135                  | 5,71,231                  | 4,10,121                  | 3,43,132                  |
| Plan assets                                | -                         | -                         | -                         | -                         | -                         |
| Deficit                                    | (7,90,271)                | (6,30,135)                | (5,71,231)                | (4,10,121)                | (3,43,132)                |
| Experience adjustments on plan liabilities | (88,938)                  | (8,546)                   | (30,875)                  | 5,779                     | (1,05,186)                |

### The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

| Particulars                       | As at            | As at            |
|-----------------------------------|------------------|------------------|
|                                   | 31st March, 2015 | 31st March, 2014 |
| Discount rate                     | 7.98%            | 9.34%            |
| Expected rate of return on assets | 0.00%            | 0.00%            |
| Salary Escalation Rate            | 8.50%            | 8.50%            |

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.

The above information is as certified by the Actuary and has been relied upon by the Auditors.

## Notes to Financial Statements for the year ended 31st March, 2015

### 22. EMPLOYEE STOCK OPTION SCHEME (ESOS)

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 5th July, 2007 and 21st August, 2007 to grant options to the Eligible Employees of the Bank and its subsidiary companies. Pursuant to these resolutions, Kotak Mahindra Equity Option Scheme 2007 had been formulated and adopted:

Consequent to the above, the Bank has granted stock options to employees of the Company in accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank ₹ 2,250 (Previous year ₹ 6,833) during the year on account of such costs and the same is forming part of Employee costs and included under the head "Reimbursement of ESOP cost" under the note no-18 i.e. "Employee benefits expense".

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

During the previous year, the management had approved (SARs) to be granted to eligible employees as and when deemed fit based on underlying shares of the Holding company. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees.

Detail of activity under SARs is summarized below:

| Particulars                              | 2015   | 2014 |
|--|--------|------|
| Outstanding at the beginning of the year | -      | -    |
| Granted during the year                  | 390.00 | -    |
| Exercised during the year                | 390.00 | -    |
| Expired during the year                  | -      | -    |
| Forfeited during the year                | -      | -    |
| Outstanding at the end of the year       | -      | -    |

The number of SARs have been adjusted for split of the underlying equity shares from ₹ 10 paid up to ₹ 5 paid up per share.

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

| Year ended 31st March,   | 2015 | 2014 |
|--|------|------|
| Total Employee Compensation Cost pertaining to share-based payment plans | -    | -    |
| Closing balance of liability for cash-settled options                    | Nil  | Nil  |

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 NIL (Previous year ₹ 2,774) and the loss before tax would have been higher by same amount. Consequently the basic and diluted EPS would have been lower by ₹ Nil (Previous year ₹ NIL).

### 24. Segmental Reporting

The Company's operations predominantly relate to providing investment management services to the Pension Fund Schemes of the National Pension System Trust and hence, there are no separate reportable business / geographic segments.

### 25. Related party disclosures

#### Names of related parties and related party relationship

#### Related parties where control exists

|                          |  |
|--------------------------|--|
| Holding company          | Kotak Mahindra Asset Management Company Limited  |
| Ultimate holding company | Kotak Mahindra Bank Limited                      |
| Fellow subsidiary        | Kotak Mahindra Old Mutual Life Insurance Limited |
| Key Management personnel | Vinod A.N  |

#### Notes:

- The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS) - 18 'Related Party Disclosures' and the same have been relied upon by the auditors.
- The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year, except where control exist, in which case the relationships have been mentioned irrespective of transactions with the relatives.



## Notes to Financial Statements for the year ended 31st March, 2015

### Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

| Nature of Transactions                              | Key management personnel | Ultimate Holding Company | Holding Company | Amount (₹)                |
|---|--------------------------|--------------------------|-----------------|---------------------------|
|   |                          |                          |                 | Fellow Subsidiary Company |
| <b>Balances Outstanding</b>                         |                          |                          |                 |                           |
| Bank Balance  | -                        | 39,314                   | -               | -                         |
|   | (-)                      | (24,84,165)              | (-)             | (-)                       |
| Fixed Deposit                                       | -                        | 21,93,686                | -               | -                         |
|   | (-)                      | (10,83,482)              | (-)             | (-)                       |
| Interest accrued on FD                              | -                        | 15,801                   | -               | -                         |
|   | (-)                      | (6,808)                  | (-)             | (-)                       |
| Trade payable                                       | -                        | 44,060                   | -               | -                         |
|   | (-)                      | (21,229)                 | (-)             | (-)                       |
| Other receivable                                    | -                        | -                        | -               | -                         |
|   | (2,470)                  | (-)                      | (-)             | (-)                       |
| Non Current Investment - Investments in Mutual Fund | -                        | -                        | -               | -                         |
|   | (-)                      | (-)                      | (-)             | (-)                       |
| <b>Transactions during the year</b>                 |                          |                          |                 |                           |
| Bank Charges  | -                        | 58,158                   | -               | -                         |
|   | (-)                      | (9,867)                  | (-)             | (-)                       |
| Interest on Fixed Deposit                           | -                        | 1,32,441                 | -               | -                         |
|   | (-)                      | (93,419)                 | (-)             | (-)                       |
| Fixed Deposit Placed                                | -                        | 21,93,686                | -               | -                         |
|   | (-)                      | (10,83,482)              | (-)             | (-)                       |
| Fixed Deposit Matured                               | -                        | 10,83,482                | -               | -                         |
|   | (-)                      | (10,00,000)              | (-)             | (-)                       |
| Issue of shares                                     | -                        | -                        | -               | -                         |
|   | (-)                      | (-)                      | (-)             | (-)                       |
| <b>Remuneration to key managerial personnel</b>     |                          |                          |                 |                           |
| Vinod A.N , Manager                                 | 33,23,532                | -                        | -               | -                         |
|   | (24,84,648)              | (-)                      | (-)             | (-)                       |
| <b>Reimbursement of Expenses</b>                    |                          |                          |                 |                           |
| Rent  | -                        | 32,53,200                | -               | -                         |
|   | (-)                      | (14,58,000)              | (-)             | (-)                       |
| Reimbursement of common administrative costs        | -                        | -                        | -               | 15,00,000                 |
|   | (-)                      | (1,06,462)               | (-)             | (15,44,950)               |
| Reimbursement of opex cost                          | -                        | 3,82,112                 | -               | -                         |
|   | (-)                      | (1,44,683)               | (-)             | (-)                       |
| Reimbursement of ESOP cost                          | -                        | 2,250                    | -               | -                         |
|   | (-)                      | (6,366)                  | (-)             | (-)                       |

Figures in brackets relate to the previous year.

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

## Notes to Financial Statements for the year ended 31st March, 2015

|  | 31st March 2015 | 31st March 2014 |
|--|-----------------|-----------------|
| <b>26. Earnings per share (EPS)</b>  |                 |                 |
| The following reflects the profit and share data used in the basic and diluted EPS computations: |                 |                 |
| Net loss for the year  | (24,80,978)     | (17,33,024)     |
| Weighted average number of equity shares   | 2,80,00,000     | 2,80,00,000     |
| <b>Basic &amp; Diluted</b>   | (0.09)          | (0.06)          |

### 27. Deferred Income Taxes

In accordance with the Accounting Standard (AS) -22 "Accounting for taxes on Income", the deferred tax assets (net) on account of timing difference up to 31 March 2015 of ₹ 15,449,227 (previous year ₹ 14,717,421) have been determined. However, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised, deferred tax assets (net) have not been recognised. Major components of deferred tax assets arising as at the year end are as under:

| Particulars                        | 31st March 2015    | 31st March 2014    |
|------------------------------------|--------------------|--------------------|
|                                    | Amount (₹)         | Amount (₹)         |
| Depreciation                       | 1,41,065           | 56,479             |
| Unabsorbed business losses         | 1,46,56,324        | 1,42,24,090        |
| Unabsorbed depreciation            | 2,23,294           | 1,25,442           |
| Provision for gratuity             | 2,73,513           | 1,94,712           |
| Provision for Compensated Absences | 1,55,031           | 1,16,698           |
| Preliminary expenses               | -                  | -                  |
| <b>Total Deferred tax asset</b>    | <b>1,54,49,227</b> | <b>1,47,17,421</b> |

28. Based on information available with the Company, there are no amounts payable to Micro and Small 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.
29. The Company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments recognised in the statement of profit and loss is ₹ 32,53,200 (Previous Year ₹ 1,458,000).
30. Previous Year's figures have been regrouped/reclassified wherever necessary, to correspond with the current year's classification/disclosures.

#### Signature to Note 1 to 30

As per our report of even date attached

For and on behalf of the Board of Directors

**For Gokhale & Sathe**  
Chartered Accountants

Firm Reg No.103264W

Manager

Director

Director

**Atul Kale**

Partner

Chief Financial Officer

Company Secretary

Mem No.109947

Mumbai, 20th April, 2015

