



25 YEARS OF GROWTH >

TWENTY FIFTH ANNUAL REPORT 2009-2010

Kotak Mahindra Assets Management Company Limited



BOARD OF DIRECTORS: UDAY KOTAK, R. C. KHANNA, SUKANT KELKAR, C. JAYARAM, S. A. NARAYAN, BIPIN R. SHAH.

Directors' Report

To the Members of
Kotak Mahindra Asset Management Company Limited

The Directors present their Sixteenth Annual Report together with the audited accounts of your Company for the year ended March 31, 2010.

Financial Results

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

(Rs. In Lakhs)

	2009-2010	2008-2009
Gross income	17,548.26	8,528.80
Profit before Depreciation and Tax	10,108.37	1,788.15
Depreciation	203.18	200.11
Profit before Tax	9,905.19	1,588.04
Profit after Tax	6,551.45	1,033.23
Balance of Profit from previous years	1,381.96	368.42
Amount available for appropriation	7,933.41	1,401.65
Appropriations		
Dividend on Preference Shares	72.25	16.83
Dividend on Equity Shares	3960.00	—
Corporate Dividend Tax thereon	674.29	2.86
Transfer to General Reserves	656.00	—
Surplus carried forward to the Balance Sheet	2570.87	1,381.96

The gross income of your Company has increased by 106% along with an increase of 10% in the expenses of the Company. The increase in the revenue as compared to the last year has been on account of better realizations along with a substantial increase in the average assets under management. Resultantly the profits of the Company have increased by 530% to Rs. 65.51 crores.

Dividend

Your Directors recommend dividend on the preference shares at the coupon rate i.e. 8.5% the financial year. Your Directors also recommend a final dividend of Rs. 14 per equity share which together with interim dividend of Rs. 6 paid per equity share would make total dividend of Rs. 20 per equity share for the financial year.

Capital

The Authorized Share Capital of the Company is Rs. 35 crores, divided into 2,50,00,000 Equity Shares of Rs. 10 each and 1,00,00,000 Preference Shares of Rs. 10 each. The issued and paid up capital of the Company is Rs. 28.30 crores as per the break up given below:

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

Management Discussion and Analysis

Market related developments affecting the Schemes of the Mutual Fund

Post the aftermath of the credit and sub-prime crisis, FY 2009-10 was marked with recovery and investor sentiments that ranged from 'extreme pessimism' to 'cautious optimism'. Stimulus extended by several governments led to recovery of the global economy. As some definitive signs of recovery and stability emerged, global central bankers swiftly moved in to hike key interest rates to curb overheating of the economy and potential inflation. Risk appetite improved and emerging markets saw net positive inflows from Foreign Institutional Investors. In the Indian market the net FII inflow year to date (till Mar 31, 2010) has been to the tune of US \$ 4.3 Billion.

In addition to the above, positive election outcome and a pro-growth budget for the year 2009-10 further proved to be sentiment boosters. The equity market reflected these sentiments as the BSE SENSEX and S&P CNX Nifty gained 80.5% and 73.7% respectively in FY 2009-10.

Amid high volatility, the 10-year benchmark bond yields also reflected the improved economic scenario. After a series of rate cuts in 2008-09, the RBI resorted to hiking key rates in 2009-10 to contain inflationary expectations. Accordingly, the CRR was raised from 5% to 5.5%, SLR was reinstated at 25% and repo and reverse repo rates were hiked to 5% and 3.5% respectively. This resulted in the hardening of interest rates.

Starting the year at 7.01%, the 10 year benchmark bond closed at 7.83% on March 31, 2010 before making an interim high of 8.01%.

In FY 2009-10, the market regulator, Securities and Exchange Board of India (SEBI), initiated several reforms in the interest of investors which redefine the way the Mutual Fund industry would function.

Highlights of such measures is given below:

- To reduce the cost of investing in mutual funds for investors, SEBI banned entry loads for all schemes and capped the exit load that can be used to pay distributor commissions or marketing expenses to 1%. SEBI also brought parity on the incidence of exit loads amongst all classes of investors irrespective of their subscription amount.
- With an objective of empowering investors with transparency, SEBI made compulsory that distributors should disclose to investors all commission payable to them from different competing schemes of various mutual funds from amongst which the scheme is being recommended to the investor.
- To enhance the reach of mutual fund schemes, SEBI came out with a regulation to facilitate transactions in mutual fund schemes through the stock exchange infrastructure via registered stock brokers.
- In order to make the NFO process more efficient, SEBI reduced the NFO period to 15 days from 30 days and the period of allotment of units was reduced to five business days.
- Additionally several other measures have been initiated including, change in valuation of money market securities, advertisement codes and risk disclosures, active role of AMC's in ensuring better corporate governance of public listed companies etc.

Mutual Fund Industry developments and segment wise performance

The average assets under management with Kotak Mahindra Asset Management Company for the month of March 2010 was Rs. 34,787 crores, as compared to Rs. 18,369 crores for the month of March 2009 an increase of 89%, compared to an industry growth of 52%.

During the year under review, mainstream debt schemes of the fund performed well. Long duration funds outperformed short tenure funds.

Kotak Mutual Fund was awarded 'Best Debt fund house-2009' by Outlook Money NDTV Profit awards 2009. Kotak Bond Fund was awarded the Best Bond Fund over ten years by Lipper.

Overall the equity schemes of the fund performed well as the equity markets were buoyant. Due to relatively cheaper valuations, mid cap schemes significantly outperformed large cap and other thematic schemes.

New Schemes launched during 2009-2010

Out of the 12 new schemes launched during the year most were in the nature of Fixed Maturity Plans (FMP), except for Kotak Select Focus Fund and Kotak Nifty ETF, which were open ended equity scheme and exchange traded fund respectively. The total amount of subscriptions received by all the new schemes launched was Rs. 2,655 crores; the amount of subscriptions received in Kotak Select Focus fund and Kotak Nifty ETF were Rs. 312 crores and Rs. 111 crores respectively.

Subsidiary

Kotak Mahindra Pension Fund Limited (KMPFL), subsidiary of your Company has been selected by the Pension Fund Regulatory and Development Authority for the pension fund management business of the unorganized sector. KMPFL commenced its business on April 29, 2009. KMPFL manages 6 (Six) schemes, and the combined assets under management on March 31, 2010 was Rs. 52 lakhs. The pension business is currently at a nascent stage of operations and considering this fact along with the low rates of management fees, the revenue generated for the year ended March 31, 2010 is Rs. 16. KMPFL has made a net loss of Rs. 62 lakhs for the financial year.

Directors

During the year, seven meetings of the Board of Directors were convened.

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

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

Audit Committee

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

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, Baroda, statutory auditors of your Company retire on the conclusion of the Sixteenth Annual General Meeting.

The Board recommends the appointment of M/s. S.V. Ghatalia & Associates, Mumbai as Statutory Auditors of the Company.

Statutory Information

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

During the year under review your Company did not accept any deposits. Your Company's foreign exchange income during the year under review were Rs. 39,469,925 (Previous year Rs. 49,257,279), while the outgo was Rs.131,233 (Previous year Rs. 2,749,485). The other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since your Company is not a manufacturing Company.

Employees/Human Resources

At the start of the year, your Company had 311 employees on board. While your Company had some attrition, and some fresh intake, the overall headcount has reached 304 persons by the end of the year.

Directors' Responsibility Statement

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

- i. Your Company has, in the preparation of the annual accounts for the year ended 31st March 2010, 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 2010 and of Profit and Loss of your Company for the financial year ended 31st March 2010;
- 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.

Acknowledgements

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

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

For and on behalf of the Board of Directors

Uday Kotak
Chairman

Place : Mumbai
Dated : 28th April, 2010

Auditors' Report**TO THE MEMBERS OF KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED**

1. We have audited the attached Balance Sheet of **Kotak Mahindra Asset Management Company Limited** ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**

Chartered Accountants
(Registration No. 117364W)

R. Salivati

Partner
(Membership No. 34004)

Place : Mumbai
Dated : 28th April, 2010

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (ii), (vi), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system. There is no purchase of inventory and sale of goods.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vi) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (ix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117364W)

R. Salivati
Partner
(Membership No. 34004)

Place : Mumbai
Dated : 28th April, 2010

Balance Sheet as at 31st March, 2010

	Schedule	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Sources of Funds			
Shareholders' Funds			
Share capital	1	283,000,000	283,000,000
Reserves and Surplus	2	368,486,402	183,996,063
Total		651,486,402	466,996,063
Application of Funds			
Fixed Assets			
Gross Block	3	134,275,257	120,845,870
Less: Accumulated Depreciation		86,091,120	75,030,916
Net Block		48,184,137	45,814,954
Investments	4	108,000,000	—
Deferred Tax Asset		14,870,104	12,304,907
Current Assets, Loans and Advances			
Sundry debtors	5	100,222,460	94,389,133
Cash and bank balances	6	918,843,150	268,026,109
Loans and advances	7	36,106,489	154,780,649
		1,055,172,099	517,195,891
Less: Current Liabilities and Provisions			
(a) Liabilities	8	217,635,050	86,280,990
(b) Provisions		357,104,889	22,038,699
		574,739,939	108,319,689
Net Current Assets		480,432,160	408,876,202
Total		651,486,402	466,996,063
Significant Accounting Policies and Notes to the Accounts	13		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2010

For and on behalf of the Board of Directors

Uday S. Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Profit and Loss Account for the year ended 31st March, 2010

Schedule	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
Income		
Management fees (Gross) (TDS Rs. 186,099,576, Previous Year Rs. 20,591,690)	1,624,634,491	723,241,559
Portfolio Advisory Services (Gross) (TDS Rs. 6,101,923, Previous Year Rs. 1,602,758)	65,191,901	64,191,707
Income from Investments 9	12,579,400	2,286,442
Other income 10	52,420,368	63,160,256
Total	1,754,826,160	852,879,964
Expenditure		
Employee costs 11	406,408,376	281,258,265
Administrative and Other expenses 12	337,581,168	392,807,042
Depreciation	20,317,756	20,010,543
Total	764,307,300	694,075,850
Profit before tax	990,518,860	158,804,114
Provision for taxation:		
Current Tax (including Wealth Tax provision Rs. 150,000 Previous Year Rs. 110,000)	-335,860,000	(53,110,000)
Deferred Tax	2,565,196	2,187,602
Income Tax Prior Years	-2,079,220	41,264
Fringe Benefit Tax	—	(4,600,000)
Profit after tax	655,144,836	103,322,980
Profit/(Loss) brought forward from previous year	138,196,063	36,841,565
Profit Available for Appropriation	793,340,899	140,164,545
Appropriations		
Proposed Dividend on Preference Shares	7,225,000	1,682,534
Proposed Dividend on Equity Shares	277,200,000	—
Interim Dividend	118,800,000	—
Corporate Dividend Tax There on	67,429,497	285,947
Transfer to General Reserve	65,600,000	—
Profit carried to Balance Sheet	257,086,402	138,196,063
Basic and Diluted earnings per share of Face value of Rs. 10 each (in Rs.) (Refer Note II (G) of Schedule 13)	33.09	5.22
Significant Accounting Policies and Notes to the Accounts 13		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2010

For and on behalf of the Board of Directors

Uday S. Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Cash Flow Statement for the year ended 31st March, 2010

	2009-2010 Rupees	2008-2009 Rupees
(A) Cash Flow from Operating Activities		
Net Profit before taxation and extraordinary items	990,518,860	158,804,114
Add/(Less) Adjustments for:		
Depreciation	20,317,756	20,010,543
Profit on sale of Shares	—	(17,100,719)
Provision for gratuity and Leave Encashment	5,407,708	1,383,438
Interest on Income tax refund	(5,922,402)	(1,327,401)
Interest/Dividend	(12,579,400)	(2,286,442)
(Profit)/Loss on sale of assets	(493,313)	651,362
Operating Profit Before Working Capital Changes	997,249,209	160,134,895
(Increase)/Decrease in loans and advances	42,848,884	7,958,780
(Increase)/Decrease in Sundry Debtors	(5,833,327)	(77,577,948)
Increase/(Decrease) in Current liabilities	131,354,060	(87,518,151)
	168,369,617	(157,137,319)
Cash Generated From Operations	1,165,618,826	2,997,576
Payment of Taxes (Net of refund)	(256,229,015)	(41,989,436)
Fringe Benefit Tax	—	(4,330,601)
Net Cash Flow from Operating Activities (A)	909,389,811	(43,322,461)
(B) Cash Flow from Investing Activities		
Purchase of Fixed assets (owned)	(23,852,799)	(26,285,984)
Sale of Fixed assets (owned)	1,659,172	1,689,289
Sale of Investments	4,118,336,965	574,760,543
Purchase of Investments	(4,226,336,965)	(402,944,824)
Interest received	—	14,638,935
Dividend received	12,579,400	1,047,538
Net Cash Flow from Investment Activities (B)	(117,614,227)	162,905,497

Cash Flow Statement for the year ended 31st March, 2010 (Contd.)

	2009-2010 Rupees	2008-2009 Rupees
(C) Cash Flow from Financing Activities		
Increase/(Decrease) in share capital	—	85,000,000
Dividend paid	(120,482,534)	—
Dividend Tax paid	(20,476,007)	—
Net Cash Flow from Financing Activities (C)	(140,958,541)	85,000,000
Net Increase/(Decrease) In Cash & Cash Equivalents (A + B + C)	650,817,043	204,583,037
Cash & Cash Equivalents at the beginning of the year	268,026,107	63,443,070
Cash & Cash Equivalents at the end of the year	918,843,150	268,026,107
Note:		
1. Cash and cash equivalent include :		
Cash on hand	—	—
Bank Balances in Fixed Deposit and Interest Accrued	10,900,000	265,000,000
Bank Balances in Current Account	907,943,150	3,026,109
Total cash and cash equivalents	918,843,150	268,026,109

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

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

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2010

For and on behalf of the Board of Directors

Uday S. Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

Schedules forming part of the Balance Sheet

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Schedule 1 : Share Capital		
Authorised		
2,50,00,000 equity shares of Rs. 10/- each	250,000,000	250,000,000
1,00,00,000 Preference shares of Rs. 10/- each	100,000,000	100,000,000
Issued, subscribed and paid-up		
19,800,000 (Previous Year 19,800,000) equity shares of Rs. 10/- each, fully paid up	198,000,000	198,000,000
All the above shares are held by Kotak Mahindra Bank Ltd., the holding company and its nominees.		
8,500,000 (Previous Year 8,500,000) 8.5% Compulsory Convertible Preference shares of Rs. 10/- each, fully paid up. Conversion date 5th January, 2019	85,000,000	85,000,000
Total	283,000,000	283,000,000
Schedule 2 : Reserves and Surplus		
Capital Redemption Reserve		
Opening Balance	42,000,000	42,000,000
Transfer from Profit & Loss Account	—	—
Closing Balance	42,000,000	42,000,000
General Reserve		
Opening Balance	3,800,000	3,800,000
Transfer from Profit & Loss Account	65,600,000	—
Closing Balance	69,400,000	3,800,000
Balance in Profit and Loss Account	257,086,402	138,196,063
	368,486,402	183,996,063

Schedule 3 : Fixed Assets

Description	Rupees											
	Gross Block				Depreciation				Net Block			
	As on 01-04-2009	Adjustments	Additions	Deductions	As on 31-03-2010	As on 01-04-2009	Adjustments	For the year	Deductions	As on 31-03-2010	As on 31-03-2010	As on 31-03-2009
A. Intangible Assets												
Software	13,202,833	1,831,771	6,881,226		21,915,830	9,735,369	(4,562,800)	2,255,913		7,428,482	14,487,348	3,467,464
B. Tangible Assets												
Leasehold Improvement	28,727,113		2,376,770	1,970,940	29,132,943	14,324,650		4,239,657	1,970,890	16,593,417	12,539,526	14,402,463
Computers	41,033,994	(1,831,715)	4,494,999	2,387,574	41,309,703	31,550,980	4,562,800	6,342,611	2,361,242	40,095,149	1,214,554	9,483,013
Office Equipments	13,859,318		1,236,172	2,949,662	12,145,828	8,854,427	58,026	1,743,289	2,598,516	8,057,227	4,088,601	5,004,890
Furniture & Fixtures	6,003,358		133,589	442,986	5,693,961	2,703,531	(58,028)	804,794	431,237	3,019,059	2,674,902	3,299,828
Vehicles	18,019,254	(56)	8,730,043	2,672,248	24,076,993	7,861,959	2	4,931,492	1,895,666	10,897,786	13,179,207	10,157,295
Total	120,845,870	—	23,852,799	10,423,410	134,275,258	75,030,916	—	20,317,756	9,257,551	86,091,120	48,184,138	
Previous year	103,889,916		26,285,984	9,330,030	120,845,870	62,009,752		20,010,543	6,989,379	75,030,916		45,814,954

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Schedule 4 : Investments (Non-trade, unquoted, fully paid):		
Long Term Investments (at cost)		
In Equity Shares of Subsidiary Companies		
10,800,000 (Previous year Nil) Equity shares of face value of Rs. 10/- each, of Kotak Mahindra Pension Fund Ltd.*	108,000,000	—
Total	108,000,000	—
Note: In addition to the above, following investments were purchased as well as sold during the year:		
Particulars		
Investment in Units of Mutual Fund		
167,981,943 (Previous Year – 7,113,443) units of Kotak Mahindra Liquid Scheme – Institutional Premium Plan, Daily Dividend	2,054,296,316	86,983,898
Nil (Previous Year – 18,403,675) units of Kotak Flexi Debt Scheme – Daily Dividend Option	—	184,597,287
(Previous Year – 13,074,261) units of Kotak Flexi Debt Scheme – Institutional – Daily Dividend Option	—	131,363,640
214,255,994 (Previous Year – NIL) units of Kotak Mahindra Floater Long term – Daily Dividend Option of Rs. 10/- each	2,172,040,649	—
Schedule 5 : Sundry Debtors (Unsecured, considered good)		
Debts outstanding for less than six months	100,222,460	94,389,133
	100,222,460	94,389,133
Schedule 6 : Cash and Bank Balances		
Balances with scheduled banks in current accounts	907,943,150	3,026,109
Balances with scheduled banks in Fixed Deposits	10,900,000	265,000,000
Total	918,843,150	268,026,109

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Schedule 7 : Loans and Advances (Unsecured, considered good)		
Loans to employees	1,164,414	775,547
Advance payment of taxes and Tax deducted at source (net of provision for taxation of Rs. 427,967,065, Previous Year Rs. 90,947,845)	10,499,507	86,324,782
Advances recoverable in cash or in kind or for value to be received	17,570,935	33,412,053
Other Deposits	6,871,633	34,268,267
Total	36,106,489	154,780,649
Note:-		
Due from Companies under the same management		
Kotak Mahindra Old Mutual Life Insurance Limited		
Outstanding	—	—
Maximum Outstanding	15,111,100	26,740
Kotak Securities Limited		
Outstanding	94,850	85,200
Maximum Outstanding	2,183,020	813,903
Kotak Mahindra Trustee Company Limited		
Outstanding	—	—
Maximum Outstanding	786,391	4,705,413
Schedule 8 : Current Liabilities and Provisions		
Current liabilities		
Sundry creditors		
(a) total outstanding dues of micro enterprises and small enterprises; and	—	—
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	209,005,325	79,079,842
	209,005,325	79,079,842
Other liabilities	8,629,725	7,201,148
	217,635,050	86,280,990
Provisions		
Gratuity	12,304,397	9,645,941
Accumulated Leave Balances	12,555,999	9,806,747
Provision for Tax (net of advance tax of Rs. 65,721,614, Previous Year Rs. 65,534,141)	316,859	504,332
Wealth Tax	263,197	113,197
Proposed Dividend on Equity share	277,200,000	
Proposed Dividend on Preference share	7,225,000	1,682,534
Tax on Preference Share Dividend	47,239,437	285,947
	357,104,889	22,038,699
Total	574,739,939	108,319,689

Schedules forming part of the Profit and Loss Account

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
Schedule 9 : Income from Investments		
Interest on Long term Investments (Gross)	(0)	1,238,904
(TDS Rs. Nil, Previous Year Rs. Nil)		
Dividend from Current Investments	12,579,400	1,047,538
Total	12,579,400	2,286,442
Schedule 10 : Other Income		
Interest on Deposits (Gross)	19,272,070	7,295,301
(TDS Rs. 2,736,937, Previous Year Rs. 1,502,835)		
Interest on loans to staff	90,875	79,699
Interest on income-tax refunds	5,922,402	1,327,401
Profit on Sale of Long Term Investment (net)	—	17,100,719
Rebate Received From Overseas Investment Manager	26,959,706	36,732,478
Miscellaneous Income	175,315	624,658
Total	52,420,368	63,160,256
Schedule 11 : Employee Costs		
Salaries and allowances (Refer Note II (J) of Schedule 13)	397,354,041	274,846,890
Contribution to provident and other funds	13,948,385	14,056,058
Staff welfare	2,352,069	2,201,791
	413,654,495	291,104,739
Less: Recovery of common establishment expenses	7,246,119	9,846,474
Total	406,408,376	281,258,265
Schedule 12 : Administrative and Other Expenses		
Rent, Society Property Expenses	61,931,903	75,584,199
Rates and taxes	1,211,959	2,049,377
Insurance	3,431,069	2,560,332
Legal and professional fees	8,466,498	12,623,872
Reimbursement of common administrative cost	9,478,242	11,830,714
Travel and conveyance	19,607,516	19,972,961
Communication expenses	14,185,067	17,683,333
Business promotion and distribution costs	160,950,512	183,932,464
Printing and stationery	3,729,848	7,924,498
Membership subscription	13,398,214	12,444,715
Electricity	7,902,387	7,259,122
Computer and software related expenses	5,779,897	5,724,573

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

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
Schedule 12 : Administrative and Other Expenses (Contd.)		
Directors' sitting fees	495,000	585,000
Repairs and maintenance	4,068,715	3,438,768
Recruitment expenses	87,875	491,241
Filing fees	3,154,650	4,897,011
Auditors' Remuneration and expenses	—	—
Audit Fees	1,000,000	700,000
In any other manner – Certification	15,000	—
Out of pocket expenses	4,145	540
Service tax on above services	104,972	72,100
Service tax input credit	(104,972)	(72,100)
	1,019,145	700,540
Loss/(Profit) on sale of fixed assets (net)	(493,313)	651,362
Office upkeep expenses	9,677,528	7,959,521
Miscellaneous expenses	11,193,499	15,274,454
	339,276,212	393,588,057
Less: Recovery of common administrative expenses	1,695,044	781,015
Total	337,581,168	392,807,042

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

Schedule 13 : Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies:

A. Basis of Accounting:

The Financial Statements have been prepared on historical cost basis of accounting. The company adopts the accrual system of accounting and the financial statements conform with the Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006, the generally accepted accounting principles prevailing in India and the relevant provisions of the Companies Act, 1956.

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

Actual results could differ from these estimates and assumptions.

B. Revenue Recognition:

Revenue is recognized when there is reasonable certainty of its ultimate realization/collection.

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

C. Fixed Assets and Depreciation:

Fixed assets are stated at cost inclusive of incidental expenses less accumulated depreciation/amortisation.

The Company adopts the Straight Line Method of depreciation so as to write off 100% of the cost of the assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956 based on the Management's estimate of the useful lives of all the assets. Estimated useful lives over which assets are depreciated are as follows:

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

Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

D. 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 or fair value whichever is lower. Cost is calculated by applying weighted average cost method. 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 fair value.

E. Employee Benefits:

Defined contribution scheme

- The contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.
- The company contributes a sum equivalent to 15% subject to a maximum of Rs. 1 lakh per annum per employee, of eligible employees' eligible salary to a Superannuation Fund administered by trustees and managed by a Life Insurance Company. The company recognises such contributions as an expense in the year they are incurred.

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

Defined Benefit Plan

- (c) The company accounts for the liability for future gratuity benefits based on an 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.
- (d) Actuarial gains/losses are immediately recognised in the profit and loss account and are not deferred.

Other Long-term Employee Benefit

- (e) The company accrues the liability for compensated absences based on the 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.

Other Employee Benefits

- (f) 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.

F. **Taxes on Income:**

The Income Tax expense comprises Current tax and 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 comprises of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax 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. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets/liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change. 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 realized.

G. **Operating Lease:**

Leases, where the lessor retains substantially all the risks and benefits of ownership over the lease term, are classified as Operating Leases. Operating Lease rentals are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

H. **Borrowing Costs:**

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

I. **Foreign Currency Transactions:**

- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions.
- Monetary assets and liabilities contracted in foreign currencies are restated at the rate of exchange ruling at the Balance Sheet date.
- Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Profit and Loss Account.

J. **Scheme Expenses:**

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

K. **Treatment of Contingent Liabilities:**

Provision is recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provisions are not discounted to its 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.

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

II. Notes to the Accounts:

A.

	31-03-2010 Rupees	31-03-2009 Rupees
Contingent Liability for Income Tax Demand	4,222,375	1,548,717
Contingent Liability for Service Tax Demand	1,641,184	Nil

B. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 2,278,489 (Previous year Rs. 7,016,911).

C. Managerial remuneration under Section 198 of the Companies Act 1956 to the Manager for the year:

	31-03-2010 Rupees	31-03-2009 Rupees
Salaries & Allowances	1,777,299	1,857,770
Contribution to provident and other funds *	217,600	210,400
Perquisites in cash or in kind	142,006	15,996
Employees Stock Option Scheme	59,108	82,785
Total	2,196,013	2,166,951

Note:* The above excludes provision for gratuity benefits and accumulated compensated absences, which are based on actuarial valuation done on an overall basis for the Company.

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

Expenditure in Foreign Currency:

- Travelling Rs. 131,233 (Previous year Rs. 161,787)
- Establishment Expenses Rs. Nil (Previous Year Rs. 1,355,800)
- Professional Charges Rs. Nil (Previous Year Rs. 1,231,898)

Earnings in Foreign Currency:

- Portfolio Advisory Fees Rs. 12,500,000 (Previous year Rs. 12,500,000)
 - Rebate received Rs. 26,959,706 (Previous year Rs. 36,732,478)
- Exchange Gain – Rs. 10,219 (Previous year Exchange Gain – Rs. 24,801).

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

Amounts receivable in foreign currency

	Rs.	\$
	7,227,948	160,337
Previous Year	(5,070,595)	(100,468)

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)
F. Employee Benefits:

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

	As of 31st March, 2010 Rupees	As of 31st March, 2009 Rupees
Change in Unfunded benefit obligations		
Present value of unfunded benefit obligations, at the beginning of the year	9,645,941	7,700,717
Service cost	2,536,753	2,507,796
Interest cost	817,213	764,961
Actuarial (gain)/loss on obligations	700,469	(558,196)
Liabilities assumed	(255,440)	—
Benefits paid	(1,140,539)	(769,337)
Present value of unfunded benefit obligations as at year end	12,304,397	9,645,941

Reconciliation of present value of the obligation and the fair value of the plan assets	As of 31st March, 2010 Rupees	As of 31st March, 2009 Rupees
Fair value of plan assets as at the beginning of the year		
Present value of benefit obligations as at year end	12,304,397	9,645,941
Net asset/(liability) as at year end	12,304,397	9,645,941
Cost recognised for the period		
Current service cost	2,536,753	2,507,796
Interest cost	817,213	764,961
Expected return on plan assets	—	—
Actuarial (gain)/loss	700,469	(558,196)
Net gratuity cost	4,054,435	27,14,561

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

	Period Ended				
	31st March, 2006	31st March, 2007	31st March, 2008	31st March, 2009	31st March, 2010
Defined Benefit Obligation	4,794,660	4,877,877	7,700,717	9,645,941	12,304,397
Plan Assets	—	—	—	—	—
Surplus/(Deficit)	(4,794,660)	(4,877,877)	(7,700,717)	(9,645,941)	(12,304,397)
Experience Adjustment on Plan Liabilities	—	2,371,214	728,910	(477,320)	567,276
Experience Adjustment on Plan Assets	—	—	—	—	—

Actuarial assumptions used

Discount rate	8.01% p.a.	7.18% p.a
Expected rate of return on Plan Assets	0%	0%
Salary escalation rate	15% p.a. for first 2 years, 10% p.a. for next 2 years & 6% p.a. thereafter	0% p.a. for first 2 years, 10% p.a. for next 2 years & 6% p.a. thereafter

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

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

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

	31-3-2010	31-3-2009
(a) Nominal Value of an Equity Share (Rs.)	10	10
(b) Net profit available to Equity Shareholders (Rs.)	655,144,835	103,322,980
(c) Weighted average number of shares outstanding	19,800,000	19,800,000
(d) Basic and Diluted EPS (Rs.) = (b)/(c)(annualised)	33.09	5.22

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

H. Operating Leases:

The company has taken office and residential premises under operating lease or leave and license agreements. These are generally cancelable in nature and range between 11 months to 55 months. These leave and license agreements are generally renewable or cancelable at the option of the Company. The lease payments (net of recoveries) recognised in the profit and loss account is Rs. 34,794,502 (Previous Year Rs. 50,062,187). The future minimum lease payments under non-cancelable operating lease – not later than one year Rs. Nil (Previous Year Rs. Nil).

I. Certain schemes of Kotak Mahindra Mutual Fund have invested in shares/units of overseas Mutual Funds, in accordance with the terms and conditions of the offer document. Rebate has been recognised based on the investment agreement with the overseas Investment Manager.

J. At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007 and 21st August, 2007, to grant options to the Eligible Employees of the Bank and its subsidiaries companies. Pursuant to these resolutions, the following four Employees Stock Option Schemes had been formulated and adopted:

- (a) Kotak Mahindra Equity Option Scheme 2001-02
- (b) Kotak Mahindra Equity Option Scheme 2002-03
- (c) Kotak Mahindra Equity Option Scheme 2005
- (d) Kotak Mahindra Equity Option Scheme 2007

Consequent to the above, the Bank has granted stock options to the employees of the Company. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" notified under the Companies (Accounting Standard) Rules, 2006, 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 Rs. 13,579,426 (Previous Year Rs. 26,350,515) on account of such costs and the same is forming part of Employee costs under Schedule 11.

Had the company recorded the compensation cost computed on the basis of Fair Valuation method instead of Intrinsic value method, employee compensation cost would have been higher by Rs. 23,031,829 (Previous Year Rs. 17,173,343.26) and the profit after tax would have been lower by the same amount. On account of the same the Basic and Diluted EPS of the company would have been lower by Rs. 1.16 (Previous Year Rs. 0.87) per share.

K. Deferred Income taxes:

Components of net deferred tax balances are as follows:

	31st March 2010 Rupees	31st March 2009 Rupees
Deferred Tax Assets		
Provisions for Employee Benefits	8,457,975	6,611,966
Depreciation on Fixed Assets	6,412,131	5,692,941
Net Deferred Tax Asset	14,870,106	12,304,907

Schedules forming part of the Balance Sheet and the Profit and Loss Account (Contd.)
L. Segmental Reporting:

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

M. Related Party Disclosures:

Parties where control exist:

Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
	Uday S. Kotak along with relatives and entities controlled by him holds 48.21% of the equity share capital of Kotak Mahindra Bank Limited as on March 31, 2010.
Subsidiary Company	Kotak Mahindra Pension Fund Limited.

Other related parties:

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

Others:

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

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

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/relatives/Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance in Current Account	906,442,248 (1,892,962)	— —				
Subscription of Preference Shares of Company						
Kotak Securities Ltd.		85,000,000		—		
Komaf Financial Services Ltd.		—		(85,000,000)		
Investments:						
Subscription of Shares						108,000,000 —
Purchases/Subscriptions		— —			4,238,916,365 (402,944,824)	
Sales					4,226,336,964 (402,944,824)	
Dividend					12,579,400 (1,047,538)	
Sale of Debenture (Subsidiaries)						
Kotak Mahindra Trustee Company Ltd.		— (108,324,935)				
Sale of Equity Shares (Subsidiaries)						
Kotak Securites Ltd.		— (78,129,720)				
Investment in Fixed Deposit	10,900,000 (265,000,000)					
Fixed Deposit Placed	595,900,000 (475,400,000)					
Fixed Deposit Matured	850,000,000 (210,400,000)					
Interest on Fixed Deposit	19,272,070 (7,295,301)					
Interest Receivable on Fixed Deposit	699,737 (4,552,896)					
Interest on Debentures						
Kotak Mahindra Investments Ltd.		— (1,238,905)				

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/relatives/Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Balance as on Year end						
Kotak Mahindra Prime Limited: Equity Shares		—				
Investments		—				108,000,000
		—				—
Fixed Assets:						
Purchase of Fixed assets						
Kotak Securities Ltd.		101,400 (550,000)				
Sale of Fixed assets						
Kotak Mahindra Old Mutual Life Insurance Limited		257,703 —				
Kotak Securities Ltd.		94,850 —				
Other Receipts and Payments:						
Recovery of common establishment expenses -						
Kotak Mahindra Trustee Company Ltd.		7,246,119 (9,846,474)				
Recovery of common administrative expenses -	575,100 —					275,000 —
Kotak Mahindra Trustee Company Ltd.		844,944 (589,315)				
Kotak Investment Advisors Ltd.		124,731 —				
Miscellaneous Income -						
Kotak Mahindra Trustee Company Ltd.		69,080 (58,140)				
Reimbursement of Common administrative cost -	9,478,242 (11,830,714)					

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/relatives/Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Other Expenses/Reimbursement of other expenses -	22,871,813 (48,347,676)					
Kotak Securities Ltd.		1,677,827 (2,601,109)				
Kotak Mahindra Capital Company Ltd.		816,467 (419,512)				
Kotak Mahindra Old Mutual Life Insurance Limited		321,129 (12,737)				
Kotak Mahindra Prime Limited		22,893 —				
Management Fees Income					1,624,634,491 (723,241,559)	
Payments to Mutual Fund					17,274,264 (43,650,284)	
Receipts from Mutual Fund					12,783,651 (9,980,160)	
License Fees Paid -	22,798,798 (20,762,806)					
Kotak Securities Ltd.		— (246,906)				
Kotak Mahindra Capital Company Ltd.		3,419,680 (3,264,240)				
Kotak Mahindra Old Mutual Life Insurance Limited		— (97,741)				
Kotak Mahindra Prime Limited		126,600 (31,650)				
Aero Agencies Limited Cost of travel tickets purchased (Net of Discount)				2,574,833 (2,597,902)		
Remuneration to Key Management Personnel						
Sandesh Kirkire			11,263,666 (12,902,770)			

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/relatives/Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Hariharan R.			2,196,013 (2,166,951)			
License Fees Received	264,000 —					
Advisory Fees						
Kotak Mahindra (UK) Limited		12,499,995 (12,500,000)				
Kotak Securities Ltd.		12,499,995 (12,500,000)				
Kotak Mahindra Old Mutual Life Insurance Limited		39,000,000 (37,800,000)				
Miscellaneous Receipts	261,806 (741,027)					2,226,980
Kotak Mahindra Old Mutual Life Insurance Limited		18,229 (26,740)				
Kotak Securities Ltd.		1,126,650 (889,532)				
Kotak Mahindra (UK) Limited		757,141 (1,474,059)				
Miscellaneous Payments -	6,884,124 (6,406,256)					
Dividend Paid	118,800,000 —					
Dividend Paid – Komaf Financial Services Ltd.				1,682,534 —		
Dividend Paid – Kotak Securities Ltd.		7,225,000 —				
Kotak Mahindra Old Mutual Life Insurance Limited		602,508 (233,407)				

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises over which Director/relatives/Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund Subsidiary
Kotak Securities Ltd.		22,382 (1,477,423)				
Kotak Mahindra Capital Company Ltd.		— (116,986)				
Outstandings – Receivables	73,040 —				92,934,955 (89,318,539)	272,992 —
Kotak Securities Ltd.		94,850 (85,200)				
Kotak Mahindra (UK) Ltd.		1,809,026 —				
Outstandings – Payables	1,635,820 (1,572,306)					
Kotak Securities Ltd.		— (1,778,970)				
Kotak Mahindra Old Mutual Life Insurance Limited		— (108,912)				

Note: Previous year figures are in brackets

- N.** The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006.
- O.** Comparative financial information (ie the amounts and other disclosures for the preceding year presented above), is included as an integral part of the current year's financial statements, and is to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous year have been regrouped/reclassified wherever necessary to conform to current year's presentation.
- P.** Figures have been rounded off to the nearest rupee.

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

R. Salivati
Partner

Mumbai,
Dated: 28th April, 2010

Uday S. Kotak
Chairman

Hariharan R.
Manager

R. C. Khanna
Director

V. R. Narasimhan
Company Secretary

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

Registration Number

1	1	-	8	0	0	0	9
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 State Code

	1	1
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Balance Sheet Date

3	1
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0	3
---	---

2	0	1	0
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Date Month Year

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

Public Issue	Rights Issue												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
			N	I	L								
			N	I	L								
Bonus Issue	Private Placement												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
			N	I	L								
			N	I	L								

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

Sources of Funds	Total Assets																		
Total Liabilities	Total Assets																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>6</td><td>5</td><td>1</td><td>4</td><td>8</td><td>6</td></tr></table>			6	5	1	4	8	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>6</td><td>5</td><td>1</td><td>4</td><td>8</td><td>6</td></tr></table>			6	5	1	4	8	6		
		6	5	1	4	8	6												
		6	5	1	4	8	6												
Paid up Capital	Reserves and Surplus																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>8</td><td>3</td><td>0</td><td>0</td><td>0</td></tr></table>			2	8	3	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>3</td><td>6</td><td>8</td><td>4</td><td>8</td><td>6</td></tr></table>			3	6	8	4	8	6		
		2	8	3	0	0	0												
		3	6	8	4	8	6												
Secured Loans	Unsecured Loans																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											
Application of Funds																			
Net Fixed Assets	Investments																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>8</td><td>1</td><td>8</td><td>4</td></tr></table>			4	8	1	8	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>0</td><td>8</td><td>0</td><td>0</td><td>0</td></tr></table>			1	0	8	0	0	0			
		4	8	1	8	4													
		1	0	8	0	0	0												
Deferred Tax Asset	Net Current Assets																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>4</td><td>8</td><td>7</td><td>0</td></tr></table>			1	4	8	7	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>8</td><td>0</td><td>4</td><td>3</td><td>2</td></tr></table>			4	8	0	4	3	2			
		1	4	8	7	0													
		4	8	0	4	3	2												
Miscellaneous Expenditure	Accumulated Losses																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
						N	I	L											

IV. Performance of Company (Amount in Rs. thousands)

Turnover	Total Expenditure																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>7</td><td>5</td><td>4</td><td>8</td><td>2</td><td>6</td></tr></table>			1	7	5	4	8	2	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>6</td><td>4</td><td>3</td><td>0</td><td>7</td></tr></table>			7	6	4	3	0	7			
		1	7	5	4	8	2	6													
		7	6	4	3	0	7														
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>+</td><td></td><td>9</td><td>9</td><td>0</td><td>5</td><td>1</td><td>9</td></tr></table>			+		9	9	0	5	1	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>+</td><td></td><td>6</td><td>5</td><td>5</td><td>1</td><td>4</td><td>5</td></tr></table>			+		6	5	5	1	4	5
		+		9	9	0	5	1	9												
		+		6	5	5	1	4	5												
(Please tick appropriate box + for profit, - for loss)																					
Earning Per Share in Rs.	Dividend Rate (%)																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>3</td><td>3</td><td>.</td><td>0</td><td>9</td></tr></table>				3	3	.	0	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>0</td><td>0</td></tr></table>			2	0	0							
			3	3	.	0	9														
		2	0	0																	

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

Item Code No.

N	.	A	.
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(Itc Code)

Product Description

A	S	S	E	T		M	A	N	A	G	E	M	E	N	T				
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For and on behalf of the Board of Directors

Uday S. Kotak
Chairman

R. C. Khanna
Director

Hariharan R.
Manager

V. R. Narasimhan
Company Secretary

Mumbai,
Dated: 28th April, 2010



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www.kotak.com

