

Directors Report

To the shareholders of

KOTAK MAHINDRA INC

The Directors have pleasure in presenting their annual Report together with the audited accounts of your Company for the year ended March 31st 2020.

OPERATIONS

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

FINANCIAL RESULTS AND DIVIDENDS

The Company's loss for the financial year ended March 31st 2020 amounted to INR 23,087,723 (Previous Year Loss INR 24,397,267). The Directors do not recommend any dividend for the year under review.

BUSINESS MODEL:

The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equities executed on the Indian exchanges by its India affiliate, Kotak Securities ("KS"), under Rule 15a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same Rule. Additionally, it engages in private placements for funds in the U.S. that are available only to 3c7 investors.

BUSINESS UPDATE:

The Company continued to expand its relationships with its existing institutional investors under all business lines. The total revenue for the year was INR 23.7 crore, compared to INR 24.3 crore last year. Total expenses decreased marginally from INR 26.7 crore to INR 25.9 crore in current year mainly on account of decrease in staff costs. As a result, the Company made a loss of INR 2.3 crore compared to a loss of INR 2.4 crore for the previous year.

The Company has also decided to rationalize business lines which are not yielding results as expected. Efforts put in by the Company to augment its clientele is expected to yield results during the year 2020-2021.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as an averment of their responsibility that:

- a. The Company has, in the preparation of the annual accounts for the year ended March 31st 2020, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- b. The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31st 2020, and of the profit/loss of the Company for the financial year ended March 31st 2020;
- c. 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 the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors have prepared the annual accounts on a going concern basis.

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Date: 7th May, 2020

Independent Auditor's report

To

The Members of

KOTAK MAHINDRA INC

The financial statements of KOTAK MAHINDRA INC (the "Company") as at 31st March, 2020, being a company registered in the United States of America, are audited by Citrin Cooperman & Company, LLP, Certified Public Accountants, New Jersey and we have been furnished with their audit report dated 19th April, 2020.

We are presented with the accounts in Indian Rupees prepared on the basis of aforesaid accounts to comply with requirements of section 129 of Companies Act, 2013 ("the Act"). We give our report hereunder:

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have verified the accompanying financial statements duly converted in Indian Rupees from audited accounts in USD of KOTAK MAHINDRA INC ("the Company"), which comprise the Balance Sheet as at 31st March 2020, 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.

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, 2020, and its losses and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

KEY AUDIT MATTERS

We state that there are no key audit matters to communicate in our report.

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 to 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 and other relevant provisions of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our verification.

As stated hereinabove we have relied upon the audit conducted by Citrin Cooperman & Company, LLP, Certified Public Accountants, New Jersey and based thereon we state that:

We conducted our verification 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 the 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 gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In view of the facts specified in Para 1 and 2 herein above, the requirements of Companies (Auditor's Report) Order, 2016, report under section 143(3) of the Act, report on directors disqualification in terms of subsection (2) of section 164 of the Companies Act, 2013 are not applicable.

For **V. C. Shah & Co.**
Chartered Accountants
Firm Registration No. 109818W

Place: Mumbai
Date: 07th May, 2020
UDIN: 20042649AAAVSE7276

A. N. Shah
Partner
M. No. 042649

Balance Sheet

as at 31st March 2020

Particulars	Note No.	As at	As at
		31 st March, 2020	31 st March, 2019
		₹	₹
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	698,645	698,645
(b) Reserves and surplus	3.2	51,742,625	69,760,540
2 Non-current liabilities			
(a) Long-term borrowings		226,995,000	
(b) Long-term provisions	3.3	7,672,188	7,970,537
3 Current liabilities			
(a) Trade payables			
1. Total outstanding dues of micro and small enterprises		-	-
2. Total outstanding dues of creditors other than micro enterprises and small enterprises		7,329,305	5,339,903
(b) Short-term provisions	3.4	12,957,565	15,143,315
TOTAL		307,395,328	98,912,941
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.5	2,760,168	3,125,820
(b) Non-current investments	3.6	11,350	10,373
(c) Long-term loans and advances	3.7	3,520,883	3,217,956
2 Current assets			
(a) Current investments	3.8	-	12,271,476
(b) Trade receivables	3.9	19,839,103	13,741,024
(c) Cash and Cash Equivalents	3.10	276,700,447	60,415,534
(d) Short-term loans and advances	3.11	4,563,377	6,130,757
TOTAL		307,395,328	98,912,941
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date
For V . C. Shah & Co.
Chartered Accountants
Firm Registration No.: 109818W

For and on behalf of the Board of Directors

A.N. Shah
Partner
Membership No.: 042649

Gijo Joseph
Director

Daniel Christopher
Director

Mumbai
Date: 7th May, 2020

Mumbai
Date: 7th May, 2020

Statement of Profit and loss

for the year ended 31st March 2020

Particulars	Note No.	For the year ended	For the year ended
		31 st March 2020	31 st March 2019
		₹	₹
I. Revenues from operations			
(a) Revenue from research distribution		24,106,231	26,381,777
(b) Referral Fee Income		81,581,656	100,959,700
(c) Service fee income		129,228,445	104,556,745
II. Other income	3.12	1,823,758	11,234,130
III. Total Revenue		236,740,091	243,132,352
IV. Expenses:			
Employee Benefit Expenses	3.13	212,726,104	222,622,426
Finance cost		1,985,281	495,433
Depreciation and Amortisation expense	3.5	1,274,588	1,285,165
Other expenses	3.14	43,478,978	42,542,133
Total expenses		259,464,951	266,945,157
V. PROFIT/(LOSS) BEFORE TAX		(22,724,860)	(23,812,805)
VI. Tax expense:			
Current tax			
- Pertaining to profit/ (loss) for the current period		308,507	584,462
- Adjustment of tax relating to earlier periods		54,355	
		362,863	584,462
VII. PROFIT/(LOSS) FOR THE YEAR		(23,087,723)	(24,397,267)
VIII. Earnings/(loss) per equity share (in ₹):			
Basic and Diluted	3.22	(15.08)	(15.94)
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Date: 7th May, 2020

For and on behalf of the Board of Directors

Gijo Joseph

Director

Daniel Christopher

Director

Mumbai

Date: 7th May, 2020

Cash Flow Statement

for the year ended 31st March, 2020

	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
	₹	₹
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	(22,724,860)	(23,812,805)
Adjustments for:		
- Reinvestment of Dividend income	(228,636)	(859,203)
- Profit on sale of investments	0	(10,105,547)
- Interest Expense	1,985,281	495,433
- Exchange Adjustments	4,552,508	3,192,250
- Loss on sale of investments	2,190,670	
- Depreciation and Amortisation Expense	1,274,588	1,285,165
Operating Profit before Working Capital Changes	(12,950,449)	(29,804,708)
Adjustments for:		
(Increase) / Decrease in Trade Receivable	(6,098,079)	(733,633)
Increase / (Decrease) in Long-term provisions	(298,350)	3,517,016
(Increase) / Decrease in Long-term loans and advances	(302,927)	(185,199)
Increase / (Decrease) in Short term provisions	(2,185,751)	5,358,811
(Increase) / Decrease in Short-term loans and advances	1,567,379	7,464,690
Increase / (Decrease) in Trade payables	1,989,402	(874,141)
Cash Generated from Operations	(18,278,773)	(15,257,163)
Direct taxes (paid)/ refund	(362,863)	(584,462)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	(18,641,636)	(15,841,626)
Cash Flow from Investing Activities		
Purchase of fixed assets	(656,524)	(729,418)
Proceeds from Purchase/Sale of Investments	10,573,353	34,960,658
Fixed Deposits (Placed)/Redeemed during the year	(165,609,250)	(31,119,750)
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	(155,692,421)	3,111,490
Cash Flow from Financing Activities	0	0
Interest Expense	(1,985,281)	(495,433)
Proceeds from subordinated loan	226,995,000	0
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	225,009,719	(495,433)
Net Increase in Cash and Cash Equivalents (A + B)	50,675,663	(13,225,568)
Cash and Cash Equivalents at the beginning of the year	29,295,784	42,521,352
Cash and Cash Equivalents at the end of the year	79,971,447	29,295,784
	50,675,663	(13,225,568)

Notes:

- 1 The Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 "Cash Flow Statements" specified under Section 133 and other relevant provisions of the Companies Act, 2013.
- 2 Figures in brackets indicate cash outflow.
- 3 The previous year's figures have been re-grouped, wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement referred to in our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Date: 7th May, 2020

For and on behalf of the Board of Directors

Gijo Joseph

Director

Daniel Christopher

Director

Mumbai

Date: 7th May, 2020

Schedules

forming part of Balance Sheet and Profit and Loss Account

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra, Inc. (the "Company"), a majority owned subsidiary of Kotak Mahindra Bank Limited (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equities executed on the Indian exchanges by its India affiliate, Kotak Securities (KS) under Rule 15-a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same rule. Additionally, it engages in private placements for funds in the U.S. that are available only to 3c7 investors. These funds are managed by its affiliates Kotak Mahindra Asset Management (Singapore) Pte. Ltd. and Kotak Mahindra (International) Limited.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

- i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting standards notified under Section 133 and relevant provision of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for the change in accounting policies disclosed hereafter, if any.
- ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of the services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities."

2.2 Conversion to Indian Rupees

For the purpose of accounts, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities (except Share Capital) are translated at the closing rate as on the Balance Sheet date. The Share Capital is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year end is transferred to Translation Reserve Account and the said account is being treated as "Reserves and Surplus".

2.3 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 and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.4 Revenue Recognition

The Company receives referral fees for referring clients to fellow subsidiaries of the Company. The Company also receives fees for providing research to clients and records the income at the time the services are provided. The Company also receives service fee income from its affiliates, Kotak Securities Limited, Kotak Mahindra (UK) Limited. and Kotak Mahindra (International) Ltd. as compensation for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934 and from Kotak Mahindra Asset Management (Singapore) Pte. Ltd., for other services.

2.5 Fixed Assets

Property, Plant and Equipment

Property, plant and Equipment are stated at acquisition cost inclusive of incidental expenses, net of accumulated depreciation and accumulated impairment losses, if any. 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 equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

Schedules

forming part of Balance Sheet and Profit and Loss Account

Furniture and Fittings	7 years
Office Equipment	5 years
Computers	3 years

For leasehold improvements, depreciation is provided over the lesser of the economic use of the improvement or the term of the lease.

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

2.6 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 stated at cost less other than temporary diminution. Current investments are valued at cost or market value / fair value which ever is lower.

2.7 Leases

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent consists of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

2.9 Taxes

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustments payable / refund received in respect of previous years.

Deferred Tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising mainly on account of carry forward of losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised. Deferred tax assets on account of other 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.

2.10 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

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.

2.11 Provisions and Contingencies

Provision is recognised 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, in respect of which a 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 unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

Schedules

forming part of Balance Sheet and Profit and Loss Account

Subsequent

Events The Company has evaluated events occurring after the date of the statement of financial condition for potential recognition or disclosure in its financial statements. The Company did not identify any material subsequent events requiring adjustment to or disclosure in its financial statements, except as described below. In calendar 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. Currently, the spread of this virus has not caused any significant business disruption for the Company while its employees work remotely. Given the uncertainty of the situation, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time.

2.12 Employee Share based payments

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 straightline basis over the vesting period with a 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 statement of profit and loss in ‘Employee Cost’.

Schedules

forming part of Balance Sheet and Profit and Loss Account

3 NOTES TO THE ACCOUNTS

3.1 (a) Share capital

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Authorised shares		
2,000,000 (31 st March 2018: 2,000,000) equity shares of USD 0.01 each	\$20,000	\$20,000
Issued, Subscribed and fully Paid up		
1,530,621 (31 st March 2018: 1,530,621) Equity Shares of USD 0.01 each	698,645	698,645
Total	698,645	698,645

(b) Equity shares

Reconciliation of equity share capital	As at	As at	As at	As at
	31 st March 2020	31 st March 2020	31 st March 2019	31 st March 2019
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	1,530,621	698,645	1,530,621	698,645
Issued during the period	-	-	-	-
Share capital outstanding at the end of the year	1,530,621	698,645	1,530,621	698,645

(c) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of USD 0.01 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in USD. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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.

(d) Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/associates are as below:

Number of equity share	As at	As at
	31 st March 2020	31 st March 2019
Kotak Mahindra Bank Limited, the holding company	780,620	780,620
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	750,000
Kotak Mahindra (International) Limited, fellow subsidiary	1	1

(e) Details of shareholders holding more than 5% shares in the company

Equity shares of USD 0.01 fully paid up

Reconciliation of equity share capital	As at 31 st March 2020		As at 31 st March 2019	
	number	% holding	number	% holding
Kotak Mahindra Bank Limited, holding company	780,620	51.00%	780,620	51.00%
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	750,000	48.99%	750,000	48.99%

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.2 Reserves and Surplus

Reserves and Surplus	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
a. Securities Premium Reserve		
Opening Balance	34,033,725	34,033,725
Closing Balance	34,033,725	34,033,725
b. Translation Reserve		
Opening Balance	106,371,702	100,660,542
Additions/(deductions) during the period	5,069,808	5,711,160
Closing Balance	111,441,510	106,371,702
c. Surplus in the statement of profit and loss		
Opening balance	(70,644,887)	(46,247,620)
Net Loss For the current year	(23,087,723)	(24,397,267)
Less: Appropriations		
Dividend on equity shares for the year	-	-
Closing Balance	(93,732,610)	(70,644,887)
Total	51,742,625	69,760,540

3.3 Long Term Provisions

Long Term Provisions	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.26)	7,672,188	7,970,537
Total	7,672,188	7,970,537

3.4 Short-term Provisions

Short-term Provisions	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Provision for employee benefits		
Provision for Stock Appreciation Rights (refer note 3.26)	12,957,565	15,143,315
Total	12,957,565	15,143,315

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.5 Property, Plant and Equipment

Particulars	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 st April, 2019	Additions	Deduction/ Adjustments*	Balance as at 31 st March, 2020	Balance as at 1 st April, 2019	Depreciation charge for the year	Deduction/ Adjustments*	Balance as at 31 st March, 2020	Balance as at 31 st March, 2020	Balance as at 31 st March, 2019
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Property, Plant and Equipment										
Furniture and Fixtures	2,256,473	-	(212,416)	2,468,890	1,080,542	387,983	(127,983)	1,596,508	872,382	1,175,931
Office equipment	1,600,919	-	(131,758)	1,732,677	749,074	348,770	(75,179)	1,173,023	559,654	851,845
Leasehold Improvements	503,618	-	(47,409)	551,027	266,789	80,891	(30,591)	378,271	172,756	236,829
Computer & Software	1,930,809	656,524	(116,238)	2,703,571	1,069,595	456,944	(21,655)	1,548,194	1,155,377	861,214
Total	6,291,819	656,524	-507,821	7,456,164	3,166,000	1,274,588	-255,408	4,695,996	2,760,168	3,125,820
Previous year	5,303,209	729,417	(259,193)	6,291,819	1,839,263	1,285,165	(41,572)	3,166,000	3,125,820	3,463,947

* Deduction / adjustments includes effect of Translation Reserve of Rs.628,560 (Previous Year (Rs.316,481)) under Gross Block and Rs.376,148 (Previous Year (Rs.98,860)) under Accumulated Depreciation

3.6 Non Current Investments

Non Current Investments	Face Value	As at 31 st March, 2020		As at 31 st March, 2019	
		Quantity	₹	Quantity	₹
Other Non-current Investments					
National Association of Security Dealers	\$0.50	300	11,350	300	10,373
Total Non Current Investments			11,350		10,373
Aggregate amount of quoted investments			11,350		10,373
Market Value of quoted investments			2,155,318		1,815,111

3.7 Long-term loans and advances

Long-term loans and advances	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Unsecured, considered good		
Deposits	3,520,883	3,217,956
Total	3,520,883	3,217,956

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.8 Current Investments

Non Current Investments	Face Value	As at 31 st March, 2020		As at 31 st March, 2019	
		Quantity	₹	Quantity	₹
Unquoted					
Alps Kotak India Growth Fund	\$10.00	-	-	15,739	12,271,476
Total Current Investments			-		12,271,476
Aggregate amount of quoted investments			-		12,271,476
Market Value of quoted investments			-		14,486,993

3.9 Trade Receivables

Trade Receivables	As at	
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good, unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	889,952	259,331
Others	18,949,151	13,481,693
Others	19,839,103	13,741,024

3.10 Cash and Cash Equivalents

Cash and Cash Equivalents	As at	
	31 st March 2020	31 st March 2019
	₹	₹
Balances with banks:		
On Current accounts	79,971,447	29,295,784
Other Bank Balances		
Deposits with original maturity of more than 3 months	196,729,000	31,119,750
Others	276,700,447	60,415,534

3.11 Short-term Loans and Advances

Short-term Loans and Advances	As at	
	31 st March 2020	31 st March 2019
	₹	₹
Others		
(Unsecured, considered good)		
Prepaid expenses	4,563,377	6,130,757
	4,563,377	6,130,757
Total	276,700,447	60,415,534

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.12 Other Income

	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Other Income	₹	₹
Interest income on fixed deposits	1,595,106	269,379
Dividend Income	228,636	859,203
Profit on sale of investments	-	10,105,547
Other Income	16	-
Total	1,823,758	11,234,130

3.13 Employee Benefit Expenses

	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Employee Benefit Expenses	₹	₹
Salaries, bonus and allowances	154,000,894	161,356,066
Expenses on Stock Appreciation Rights	23,128,558	25,754,014
Employer Contribution	3,560,554	3,291,352
Staff welfare expenses	32,036,098	32,220,994
Total	212,726,104	222,622,426

3.14 Other expenses

	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Other expenses	₹	₹
Rent, rates & taxes	8,749,822	8,820,485
Communication expenses	5,889,871	6,777,205
Advertising, Business Promotion and Entertainment	2,073,405	1,789,232
Repairs and maintenance	1,814,776	2,075,099
Travel expenses	11,023,460	11,940,677
Insurance	1,288,346	1,134,036
Professional and legal fees	3,768,722	3,450,425
Auditor's remuneration		
- Statutory audit fees and other matters	2,176,341	2,097,639
Miscellaneous expenses	1,687,731	1,573,801
Licensing Charges	2,815,833	2,883,536
Loss on sale of Investments	2,190,670	
Total	43,478,978	42,542,133

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.15 The Company is the subsidiary of Kotak Mahindra Bank Limited (KMBL). The accounts have been prepared and audited to attach with the accounts of KMBL, the holding company to comply with the provisions of the Indian Companies Act, 2013.

3.16 The transactions are in local currency (US Dollars), which have been converted into Indian Currency (Indian Rupees) for reporting and the rate applied is as per para 2.2 of the significant accounting policies

3.17 Revenue from Contracts with customers -service income

The Company receives service fee income from its affiliates, Kotak Securities Limited, Kotak Mahindra (International) Ltd, Kotak Mahindra (UK) Ltd. as compensation for providing chaperoning services to US clients under rule 15a-6 of the Securities Exchange Act of 1934 and from Kotak Mahindra Asset Management (Singapore) Pte. Ltd for other services. The Company through its affiliates buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the affiliate charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the affiliate fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. The commissions earned by the affiliates are shared with the Company in similar ways under the four service contracts. Effective April 1, 2019, the Company earns a share of the revenue earned by Kotak Securities based on the roles and responsibilities of Kotak Securities and the Company as set out in the agreement, in furthering the business of Kotak Securities in the U.S.A. (by increasing number of institutional investors). Further, under its service contract with Kotak Mahindra (International) Limited, the Company gets a share of the commission earned by the affiliate. Under the service contract with Kotak Mahindra (UK) Ltd, the Company gets a share of the revenue on each trade charged by Kotak Mahindra (UK) Ltd. Under the service contract with Kotak Mahindra Asset Management (Singapore) Pte. Ltd., the Company gets a share of the revenue earned by Kotak Mahindra Asset Management (Singapore) Pte. Ltd.

3.18 Revenue from Contracts with customers -referral fee income

“The Company receives referral fee shares from its affiliates such as Kotak Mahindra (International) Ltd, and Kotak Mahindra (UK) Ltd. and certain third-party investment managers for referring clients. The Company through its affiliates earns referral fee from affiliated private funds and certain managed accounts for which it serves as the investment manager; such fees are based on a percentage applied to the customer’s assets under management. The Company received 50% of the monthly fees which is recognized when the services are performed and the performance obligation is satisfied.”

3.19 Revenue from Contracts with customers - Revenue from Research Distribution/Advisory Income

The Company receives fees from providing research to clients. Revenue is recognized once an arrangement exists and access to research has been provided.

“The Company receives advisory income from providing cross border advisory services to clients. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company. The Company receives a fixed annual payment for services provided.”

All revenue recognized in the statement of operations is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue by product and customer for the year ended March 31, 2020 and the amount due/payable from/to customers and affiliates at March 31, 2020:”

Service Income	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Kotak Securities Limited	₹ 79,396,687	₹ 12,602,460	₹ 44,541,551	₹ 7,595,570
Kotak Mahindra Asset Management (Singapore) Pte, Ltd.	₹ 32,975,569	₹ 1,026,547	₹ 18,911,979	₹ 632,768
Kotak Mahindra (International) Ltd.	₹ 11,671,310	₹ 3,523,568	₹ 39,894,054	₹ 734,219
Kotak Mahindra (UK) Ltd.	₹ 224,154	₹ 0	₹ 1,209,161	₹ 74,964
Total	₹ 124,267,720	₹ 17,152,575	₹ 104,556,745	₹ 9,037,521

Schedules

forming part of Balance Sheet and Profit and Loss Account

Referral Fees	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Kotak Mahindra (International) Ltd.	₹ 20,076,904	₹ 1,257,552	₹ 24,453,813	₹ 2,495,066
Kotak Mahindra (UK) Ltd.	₹ 35,679,022	₹ 220,412	₹ 49,526,167	₹ 687,114
Unaffiliated	₹ 25,825,818	₹ 0	₹ 22,085,272	₹ 1,037,325
Total	₹ 81,581,745	₹ 1,477,964	₹ 96,065,252	₹ 4,219,505

Referral Fees	Revenue	Amount payable	Revenue (previous year)	Amount payable (previous year)
Kotak Mahindra (UK) Ltd.	₹ 0	₹ 1,108,417	₹ 0	₹ 0

Revenue from Research Distribution	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Unaffiliated	₹ 24,106,218	₹ 170,246	₹ 26,381,707	₹ 0
Total	₹ 24,106,218	₹ 170,246	₹ 26,381,707	₹ 0

Advisory Income	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Unaffiliated	₹ 4,960,725	₹ 0	₹ 4,894,491	₹ 0
Total	₹ 4,894,491	₹ 0	₹ 4,894,491	₹ 0

The amount due from Kotak Mahindra (International) Ltd. is net of interest of approximately 453,990 Rs on subordinated loan payable to it. For the year ended March 31, 2020, the Company received service fee income from Kotak Securities Limited of approximately 34% of total revenues.

3.20 Liabilities subordinated to claims of general creditors

Liabilities subordinated to the claims of general creditors have been approved by FINRA for inclusion in computing the Company's net capital pursuant to the SEC Uniform Net Capital Rule. Of the Rs. 226,995,000 subordinated loan, Rs. 75,665,000 matures on June 16th, 2022 and with an interest rate of 2.79%. The remaining Rs. 151,330,000 matures on February 14, 2023 with an interest rate of 2.30%. The interest expense was Rs. 1,985,281 for the year ended March 31, 2020. Subordinated debt can be withdrawn by the lender at the stated maturity dates or the Company can pay all or portion of the principal amount at any time subsequent to one year from the effective date of the agreement. Any subordinated debt can be repaid only if, after giving effect to such repayment, the Company meets the SEC's capital regulations governing withdrawal of subordinated debt.

3.21 Income Taxes

As at 31st March, 2020, the Company had net operating loss carry forwards of approximately `325,359,500 and `506,955,500 for federal and state income tax purposes, respectively. No deferred tax assets as at 31st March, 2020 has been recognised on account of carry forward of losses as there is no virtual certainty supported by convincing evidence that there will be sufficient future taxable income against which such deferred tax assets can be realised.

3.22 Earnings per equity share

Particulars	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (₹) (A)	(23,087,723)	(24,397,267)
Weighted average number of equity shares used in computation of basic earnings per share (B)	1,530,621	1,530,621
Nominal value of Equity shares	\$0.01	\$0.01
Basic and diluted earnings / (loss) per share (₹) (A/B)	(15.08)	(15.94)

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.23 The Company has leased its New York City office facility under an operating lease which expires in October 2022.

	FY 2020	FY 2019
i) Lease payments for the year	8,749,822	8,820,485
ii) Aggregate future minimum annual rental payments for the years subsequent to 31 st March, 2020 are approximately as follows:		

	Year ending 31 st March 2020	Year ending 31 st March 2019
	₹	₹
Not later than one year	7,515,853	7,122,965
Later than one year but not later than five years	12,335,410	19,370,316
Later than five years	-	-
Total	19,851,262	26,493,281

The Company's lease provides for a period of free rent. In accordance with AS-19 "Leases", the aggregate of the total minimum lease payments under the lease is being amortized on the straight-line basis over the lease term. The difference between rent expense calculated on the straight-line basis and amounts paid in accordance with the terms of the leases (deferred rent) amounted to ₹ 1,498,772 at 31st March, 2020.

3.24 Contingencies, other commitments and concentration of credit risk

Contingencies

The Company is subject to various regulatory examinations that arise in the ordinary course of business. In the opinion of management, results of these examinations will not materially affect the Company's financial position or results of operations.

Legal Matters

The Company was named as a co-defendant in multiple class action lawsuits and various individual actions related to an initial public offering ("IPO") in 2015 wherein the Company was one of the several underwriters. The complaints allege, among other things, that the offering material failed to disclose liquidity and debt issues being experienced by the sponsor of the IPO, thereby rendering its business model as not viable. Management of the Company joined with the underwriters group to vigorously defend its position. Additionally, the issuer of the IPO had granted each of the co-defendants indemnification from virtually all legal fees and any settlements that may result from these matters. In August 2019, the issuer of the IPO reached a confidential settlement with the claimants who had opted out of the class action suit and had filed their own action against the issuer. Furthermore, on September 19, 2019, the issuer of the IPO reached agreement with the class plaintiffs on a revised settlement amount and the court preliminarily approved the modifications to the settlement on October 25, 2019. On February 25, 2020, the court entered an order approving the as-modified settlement on a final basis and dismissing the action and all claims asserted therein.

Concentration of Credit Risk From time to time, the Company maintains its cash and cash equivalents in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of 18,916,250 RS. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents."

3.25 Stock Option Scheme

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

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

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

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

Schedules

forming part of Balance Sheet and Profit and Loss Account

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.

Had the Company recorded the compensation cost computed on the basis of fair value method instead of Intrinsic value method, employee compensation cost would have been higher by ₹ 42,832 (Previous lower by ₹ 98,655) with an increase in after tax loss by ₹ 42,832 (Previous year after tax loss would have been lower by ₹ 98,655).

3.26 Stock appreciation rights (SARs)

At the General Meeting of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolution on 29th June, 2015 to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 has been formulated and adopted. Subsequently, the SARs have been granted under this scheme and the existing SARs will continue. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1.20 to 3.67 years.

Detail of activity under SAR is summarized below:

	No. of SARs	
	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Outstanding at the beginning of the year	100,330	58,171
Granted during the year	82,330	68,820
Additions/Reduction due to transfer of employees	-	645
Exercised during the year	39,910	27,306
Expired / Forfeited during the year	414	-
Outstanding at the end of the year	142,336	100,330

Effect of share based payment to employees on the profit and loss account and on its financial position

Year ended March 31,	2020	2019
Total Employee Compensation Cost pertaining to share-based payment plans	23,128,558	25,754,014
Closing balance of liability for cash-settled options	20,629,753	23,113,853

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 ₹4,842,693 (Previous year higher by 2,903,077) with a Increase in after tax loss by ₹4,842,693 (Previous year after tax loss would have been higher by 2,903,077).

Schedules

forming part of Balance Sheet and Profit and Loss Account

3.27 Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph (k)(2)(i), and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers.

3.28 Previous years figures have been regrouped, reclassified wherever necessary to confirm with figures of the current year.

In terms of our report of even date

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Date: 7th May, 2020

For and on behalf of the Board of Directors

Gijo Joseph

Director

Daniel Christopher

Director

Mumbai

Date: 7th May, 2020