

Directors Report

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors present their report and the audited financial statements of Kotak Mahindra (International) Limited (the "Company") for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The Company acts as an investment manager to various funds which predominantly invest into equity and debt capital markets in India (including private equity strategies). It also carries on business in other financial services including dealing in securities on an execution-only basis, advisory services, distribution of various collective investment schemes and products of third parties, issuance of Participatory Notes ("P Notes") [as per regulations prescribed for Offshore Derivative Instruments ("ODI") by the Securities and Exchange Board of India ("SEBI")]. The Company also undertakes investments in shares, bonds and other securities for its own account.

MARKET AND BUSINESS UPDATE:

Being largely focused on India investments, the Company's activities are impacted by the performance of the Indian capital markets. This in turn is dependent on the economic growth in India along-with developments at the macro and micro level and those of other major global economies.

Most of the financial year 2019-2020 was dominated by trade negotiations between US and China, weaker economic growth in emerging markets and moderating global interest rates in recent months.

The Indian economy also witnessed some moderation in growth. The Government of India pursued various reform measures to counter the slow down by announcing corporate tax rate cuts, strategic disinvestments in public sector organizations, along with specific packages and focus on infrastructure and real estate sector.

The outbreak of COVID 19 in China during early January and its spread across the world in a span of three months had a severe impact on the capital markets across the world and India was not an exception. As on the date of this financial statement, the entire country in India is under a lock down until 17th May 2020 as announced by the Government to contain the spread of the virus which has had a serious knock down impact on the Indian economy.

The Government has announced various stimulus packages to support the economy but the performance of the capital markets will be determined by the speed at which the spread of the coronavirus is contained and also how soon thereafter, the businesses in India would revive out of this pandemic. The markets would be keenly following the policy actions of the Government of India at these times. Being a major importer of crude oil, the fall in oil prices will have positive impact on Government finances.

Actions by the Government to attract global investors via various routes available would be closely watched too, as a part of its "Make in India" program.

The situation also remains fluid across all the other parts of the world from where the Company sources business.

FUTURE OUTLOOK:

Looking ahead, a huge positive development is India's recognition of Mauritius domiciled appropriately regulated entities, as Category 1 eligible, in parallel with similar FPIs from FATF member jurisdictions. Accordingly, the Company expects to expand its business activities in an unconstrained manner across all its core business verticals of investment management, investment advisory and dealing in securities. On proprietary activity, it will continue to build a low risk investment portfolio and ensure appropriate utilisation of its capital resources.

RESULTS AND DIVIDEND

The Company's profit for the financial year ended 31 March 2020 amounted to ₹ 238,066,415 (2019: ₹ 595,851,111).

The Company declared and paid a dividend of ₹ NIL (2019: ₹ NIL) during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 March 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. The financial statements set out are presented in Indian Rupees prepared based on the aforesaid financial statements to comply with requirements of section 129 of the Companies Act, 2013 in India.

The Board of Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and has no reason to believe that the business will not be a going concern in the year ahead.

AUDITORS

The erstwhile auditors, KPMG vacated office on 29 January 2020 and Ernst & Young was appointed as statutory auditors of the Company on 11 February 2020 and they have indicated their willingness to continue in office.

Independent Auditor's Report

To

The Members of

KOTAK MAHINDRA (INTERNATIONAL) LIMITED.

The financial statements of KOTAK MAHINDRA (INTERNATIONAL) LIMITED (the "Company") as at 31st March, 2020, being a company registered in the UK, are audited by Ernst & Young LLP, Public Accountants & Chartered Accountants, Mauritius and we have been furnished with their audit report dated 07th May, 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 (INTERNATIONAL) LIMITED** ("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 profit 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 Ernst & Young LLP, Public Accountants and Chartered Accountants, Mauritius 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

A. N. Shah
Partner
M. No. 042649

Place: Mumbai
Date: 09th May, 2020
UDIN: 20042649AAAVTJ7198

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	16,15,97,644	16,15,97,644
(b) Reserves and surplus	3.2	6,90,16,55,702	6,06,87,01,620
2 Non-current liabilities			
(a) Long-term provisions	3.3	77,50,053	1,05,00,160
(b) Deferred tax liability	3.26	1,41,765	75,902
3 Current liabilities			
(a) Short-term borrowings			
Trade payables	3.4	1,97,22,68,265	2,99,10,70,055
(i) total outstanding dues of micro enterprises and small enterprises; and		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		58,98,81,987	1,14,99,54,777
(b) Other current liabilities	3.5	9,34,25,364	5,79,57,059
(c) Short-term provisions	3.6	1,60,73,995	2,17,67,380
TOTAL		9,74,27,94,776	10,46,16,24,597
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment	3.7	1,38,193	49,981
(b) Non-current investments	3.8	85,65,43,624	67,15,20,390
(d) Long-term loans and advances	3.9	25,20,77,105	2,74,74,789
2 Current assets			
(a) Current investments	3.8	5,29,93,32,645	6,84,60,01,528
(b) Trade receivables	3.10	62,77,67,887	23,61,60,020
(c) Cash and cash equivalents	3.11	2,13,78,44,792	2,53,57,48,257
(d) Short-term loans and advances	3.12	87,23,730	47,11,560
(e) Other current assets	3.13	56,03,66,801	13,99,58,072
TOTAL		9,74,27,94,776	10,46,16,24,597
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

Dated: 09 May, 2020

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Nathadkhan Mamode Izam

Director

Dated: 08 May, 2020

Profit and Loss Account

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) Income from Services (net)		398,721,761	583,471,781
(b) Income from Investments (net)		156,258,656	345,570,477
II. Other Interest Income	3.14	64,976,121	51,328,961
III. TOTAL REVENUE		619,956,538	980,371,220
IV. EXPENSES:			
Employee Benefit Expenses	3.15	93,929,643	131,620,203
Finance Costs	3.16	162,932,704	117,508,805
Depreciation and Amortisation expense	3.7	65,148	142,418
Other Expenses	3.17	107,952,289	95,154,552
Total expenses		364,879,785	344,425,980
V. PROFIT / (LOSS) BEFORE TAX		255,076,754	635,945,241
VI. TAX EXPENSE			
Current tax			
- Pertaining to profit/(loss) for the current period		16,953,004	40,080,319
- Adjustment of tax relating to earlier periods		2,339	(18,040)
Deferred Tax		54,996	31,851
		17,010,338	40,094,131
VII. PROFIT / (LOSS) FOR THE PERIOD		238,066,415	595,851,110
VIII. Earnings/(loss) per equity share (in ₹) :			
Basic and Diluted	3.24	58.33	145.98
Significant accounting policies and notes to the financial statements	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

Dated: 09 May, 2020

For and on Behalf of the Board of Directors

Neeraj Malhotra

Director & CEO

Nathadkhan Mamode Izam

Director

Dated: 08 May, 2020

Cash Flow Statement

for the year ended 31st march, 2020

Particulars	For the Year ended	For the Year ended
	31 st March, 2020	31 st March, 2019
	₹	₹
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	25,50,76,754	63,59,45,241
Adjustments for:		
Depreciation and Amortisation Expense	65,148	1,42,418
Dividend Income	(29,55,17,475)	(15,73,229)
Interest Income	(36,53,35,123)	(34,60,33,700)
Interest and other Financial Charges	16,29,32,704	11,75,08,805
Exchange Adjustments	59,48,77,667	31,43,91,269
Amortisation of premium/ accretion of discount on bonds and convertible bonds	6,96,46,086	6,87,16,194
Realised loss/ (gain) on disposal of available-for-sale investments	(5,19,61,485)	(5,12,67,712)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	36,97,84,276	73,78,29,286
Adjustments for:		
(Increase) / Decrease in Loans and advances - Long term	(22,46,02,315)	(13,05,504)
(Increase) / Decrease in Loans and advances - Short term	(40,12,169)	5,66,204
(Increase) / Decrease in Trade receivables	(39,16,07,866)	(13,99,54,012)
(Increase) / Decrease in current assets	(41,63,31,840)	2,10,93,869
Increase / (Decrease) in Trade payables	(56,00,72,790)	90,14,97,817
Increase / (Decrease) in Other current liabilities	3,54,68,305	1,11,05,567
Increase / (Decrease) in long term provision	(27,50,107)	32,43,665
Increase / (Decrease) in Short term provision	(26,64,351)	53,63,154
CASH GENERATED FROM OPERATIONS	(1,19,67,88,859)	1,53,94,40,045
Income taxes paid	(1,99,73,509)	(3,44,23,068)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(1,21,67,62,367)	1,50,50,16,977
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(5,00,77,53,630)	(4,94,08,91,719)
Sale of investments	6,35,17,14,678	5,03,24,49,523
Deposits (placed) / redeemed with Banks	26,39,03,350	(35,45,59,871)
Purchase of fixed assets	(1,43,363)	-
Dividend Received	29,55,17,475	15,73,229
Interest Received	36,12,58,236	35,51,34,838
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	2,26,44,96,746	9,37,06,000
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in share capital		
Short term loan accepted	(1,01,88,01,790)	(1,02,00,25,804)
Interest and other Financial Charges Paid	(16,29,32,704)	(11,75,08,805)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	(1,18,17,34,493)	(1,13,75,34,610)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(13,40,00,115)	46,11,88,367
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	53,79,56,027	7,67,67,660
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40,39,55,912	53,79,56,027
	(13,40,00,115)	46,11,88,367

Notes:

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

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

Neeraj Malhotra

Director & CEO

Nathadkhan Mamode Izam

Director

Mumbai
Dated: 09 May, 2020

Dated: 08 May, 2020

Schedules

Forming part of Balance Sheet and Profit and Loss Account

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra (International) Limited ("KMIL" or the "Company") which was incorporated on 29th March, 1994 in Mauritius as a private company with limited liability holds a Category 1 Global Business Licence and is regulated by the Financial Services Commission. The Company has by special resolution converted itself into a public company on 12th June, 2007.

The Company acts as an investment manager to various funds which invests predominantly into equity and debt capital markets in India (including private equity strategies). It also carries on business in other financial services including dealing in securities on an execution-only basis, advisory services, distribution of various collective investment schemes and products of third parties, issuance of Participatory Notes ("P Notes") [as per regulations prescribed for Offshore Derivative Instruments ("ODI") by the Securities and Exchange Board of India ("SEBI")]. The Company also undertakes investments in shares, bonds and other securities for its own account.

The Company operates a Representative office (the "Representative office") in Abu Dhabi, United Arab Emirates. The Company has an associate and fellow subsidiary in the United Kingdom, Kotak Mahindra (UK) Limited ("KMUK") and also an associate and fellow subsidiary in United Arab Emirates, Kotak Mahindra Financial Services Limited ("KMFSL"). These financial statements include the financial position, performance and cash flows of its Representative office.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2 SUMMARY OF 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 other relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis and under the historical cost convention except for derivative financial instruments which have been measured at fair value. 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 and investment in subsidiaries and associates) are translated at the closing rate as on the Balance Sheet date. The Share Capital and investment in subsidiaries and associates are 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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Commission, fees and other revenues are invoiced and recognised on an accrual basis to the extent there is a reasonable certainty of its ultimate realization/corrections and the revenue can be reliably measured.

Interest income is recognised in statement of profit and loss, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not the future credit losses.

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. For quoted securities this is usually the ex-dividend date. For unquoted equity securities, this is usually the date when the shareholders have approved the payment of a dividend.

2.5 Expenses

Expenses are accounted for in the profit and loss on the accrual basis.

2.6 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:

Office Equipment	3 years
Computer	3 years

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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.7 Investments

Investments in Associate/ fellow subsidiaries are stated at cost.

The Company has classified its investments in equity securities and debt securities as current investment. Investments are initially recognised at cost, including transaction costs. The equity securities are subsequently carried at cost or market value whichever is less. The market values are based on the quoted prices. When quoted prices are unavailable, the price of the most recent transaction is used. The debt securities are subsequently measured at amortized cost using the effective interest method or market value, whichever is less.

All derivative financial instruments are classified as held for trading. Derivative financial instruments are measured at fair value as at each Balance Sheet date.

Futures contracts are collateralised by cash and changes in the futures contracts values are settled with the exchange on a daily basis. The fair values of open positions in futures contracts are calculated as the difference between the contract prices and the settlement prices established each day by the exchange on which the contracts are traded

All investment transactions are recognised using trade date accounting.

In case of unlisted open-ended investments funds, the net asset value per share as reported by the administrator of such funds is considered market value.

2.8 Employee Benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Provision for employees' end of service benefits represents the liability that would arise if the employment of all eligible staff of the Representative office were terminated as of the reporting date and is calculated in accordance with the UAE Federal Labour Law.

2.9 Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

2.10 Taxes

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

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Deferred tax is recognized, subject to the consideration of prudence, 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 losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of its realisation, supported by convincing evidence.

2.11 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

2.12 Provisions

A provision is recognised when there is a present obligation as a result of a 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. Provision is not discounted to its present value and is measured based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the current best estimate. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

2.13 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.

2.14 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 under 'Employee benefit expenses'.

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3 NOTES TO ACCOUNTS

3.1 (a) Share capital

Share Capital	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Authorised shares		
4,081,650 (31 st March 2019: 4,081,650) equity shares of USD 1 each	\$40,81,650	\$40,81,650
Issued, Subscribed and fully Paid up		
4,081,650 (31 st March 2019: 4,081,650) equity shares of USD 1 each	16,15,97,644	16,15,97,644
TOTAL	16,15,97,644	16,15,97,644

(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	40,81,650	16,15,97,644	40,81,650	16,15,97,644
Issued during the period	-	-	-	-
Number of shares at the end	40,81,650	16,15,97,644	40,81,650	16,15,97,644

(c) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of USD 1 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 shares	As at	
	31 st March 2020	
Kotak Mahindra Bank Limited, the holding company	20,81,650	20,81,650
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	20,00,000	20,00,000

Schedules

Forming part of Balance Sheet and Profit and Loss Account

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

Equity shares of USD 1 fully paid up

	As at 31 st March 2020		As at 31 st March 2019	
	Number of shares	% holding	Number of shares	% holding
Kotak Mahindra Bank Limited, holding company	20,81,650	51	20,81,650	51
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	20,00,000	49	20,00,000	49

3.2 Reserves and Surplus

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
a. Translation Reserve		
Opening Balance	1,22,98,72,508	91,54,68,691
Additions/(deductions) during the period	59,48,87,664.77	31,44,03,817
Closing Balance	1,82,47,60,173	1,22,98,72,508
b. Surplus in the statement of profit and loss		
Opening balance	4,83,88,29,114	4,24,29,78,002
(+) Net Profit/(Net Loss) for the year	23,80,66,415	59,58,51,111
Closing Balance	5,07,68,95,529	4,83,88,29,114
TOTAL	6,90,16,55,702	6,06,87,01,621

3.3 Long-term provisions

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Provisions for employee benefits		
Provision for Stock-appreciation Rights (refer note 3.25)	34,28,704	57,64,876
Provision for gratuity	43,21,349	47,35,285
TOTAL	77,50,053	1,05,00,160

3.4 Short-term borrowings

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Secured borrowings		
Banks (against floating charge on the assets)	1,97,22,68,265	2,99,10,70,055
TOTAL	1,97,22,68,265	2,99,10,70,055

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3.5 Other current liabilities

Particulars	As at	As at
	31 st March 2020	31 st March 2020
	₹	₹
MTM provisions - Derivatives	9,34,25,364	5,40,64,336
Income received in advance	-	38,92,723
TOTAL	9,34,25,364	5,79,57,059

3.6 Short-term provisions

Particulars	As at	As at
	31 st March 2020	31 st March 2020
	₹	₹
Provision for employee benefits		
Provision for LTA	86,025	-
Provision for Stock-appreciation Rights (refer note 3.25)	89,35,311	1,16,85,687
Other provisions		
Provision for income tax (net of advance tax ₹ 8,428,778 (Previous year ₹ 6,446,422))	70,52,658	1,00,81,693
TOTAL	1,60,73,995	2,17,67,380

3.7 Property, Plant and Equipment

	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 st April, 2019	Additions	Deduction / Adjustment*	Balance as at 31 st March, 2020	Balance as at 1 st April, 2019	Depreciation charge for the year	Deduction / Adjustment*	Balance as at 31 st March, 2020	Balance as at 31 st March, 2020	Balance as at 31 st March, 2019
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets										
Office Equipment	36,14,442	-	3,40,250	39,54,692	35,77,754	23,415	3,38,384	39,39,552	15,140	36,688
Computers	19,67,044	1,43,363	1,94,876	23,05,282	19,53,751	41,734	1,86,744	21,82,229	1,23,053	13,293
Total	55,81,486	1,43,363	5,35,126	62,59,974	55,31,505	65,148	5,25,128	61,21,781	1,38,193	49,981
Previous Year	52,60,285	-	3,21,201	55,81,486	50,80,433	1,42,418	3,08,653	55,31,505	49,981	1,79,851

* Deductions/ adjustments include effect of Translation Reserve of ₹ 535,126 (2019: ₹ 321,201) under Gross Block and ₹ 525,128 (2018: ₹ 308,653) under Accumulated Depreciation

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3.8 Investments

Script Name	Quantity		Amount as at	
	31 st March, 2020	31 st March, 2020	31 st March, 2019	31 st March, 2019
	₹	₹	₹	₹
Non-trade Investments (Fully paid, cost)				
Investment in equity instruments (unquoted)				
Associate				
Kotak Mahindra (UK) Limited	4,70,000	2,62,87,575	4,70,000	2,62,87,575
Kotak Mahindra Financial Services Limited	4,50,000	2,58,98,375	4,50,000	2,58,98,375
Fellow Subsidiary				
Kotak Mahindra, Inc	1	45	1	45
TOTAL		5,21,85,995		5,21,85,995
Equity and other similar funds (unquoted) and deb funds (unquoted)				
Kotak India Venture Fund I	386	29,207	386	26,694
Seaf India Investment and Growth Fund	69,030	5,22,315	69,030	4,77,377
Kotak India Real Estate Fund I	999	75,589	999	69,086
Kotak India Private Equity Fund Ltd	1,000	75,665	1,000	69,155
Kotak India Private Equity Fund Ltd III - Class B	1,000	75,665	1,000	69,155
Core Infrastructure India Fund Pte. Ltd	61,82,400	46,77,91,296	54,34,000	37,57,88,270
Core Infrastructure India Pte. Fund Ltd- Class B	1,000	75,665	1,000	69,155
Supercraft3D PTE Limited	9,25,000	6,99,90,125		
Kotak India Fixed Income Fund	3,01,158	27,86,23,054	3,04,860	24,32,42,880
TOTAL		81,72,58,582		61,98,11,772
Less: Provision for diminution		1,29,01,034		4,77,377
Equity and other similar funds (unquoted) and debt funds (unquoted)		80,43,57,548		61,93,34,395
Total Non-current Investments		85,65,43,543		67,15,20,390
Aggregate value of unquoted investments		85,65,43,543		67,15,20,390
Current Investments				
Bonds and Convertible Bonds (Quoted)				
Foreign Currency Bonds				
MUTHIN 6.125 10/31/22	72,00,000	53,67,60,468	-	-
MGFLIN 5.9 01/13/23	22,00,000	16,84,26,149	-	-
EBIUH FLOAT 01/26/20	-	-	1,00,00,000	69,19,56,818
DIALIN 6 1/8 02/03/22	50,000	38,87,438	50,000	36,01,682
ICICI 4.8% 05/22/19	-	-	16,95,000	11,75,84,946
EXIMBK 2 3/4 04/01/20	1,30,000	98,36,450	1,30,000	89,90,200
ICICI 3.5% 03/18/20	-	-	12,04,000	8,30,78,343
ONGCIN 4.625% 07/15/24	1,03,000	79,14,821	1,03,000	72,57,061

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Script Name	Quantity		Amount as at	
	31 st March, 2020	31 st March, 2020	31 st March, 2019	31 st March, 2019
	₹	₹	₹	₹
PERTIJ 5 5/8 05/20/43	4,000	2,82,703	4,000	2,58,031
AXSBIN 2.875% 06/01/21	70,000	52,73,960	70,000	48,03,217
ICICI BANK 5.3/4% 11/16/20	1,41,000	1,08,44,513	1,41,000	1,01,62,849
AXSBIN 3.25% 05/21/20	4,00,000	2,96,87,564	-	-
IDBI 4.25 11/30/20	27,40,000	20,75,56,624	-	-
IIBIN 3.875 04/15/22 EMTN	1,00,00,000	75,28,47,637	-	-
CBKIN 3.25% 08/10/22	60,00,000	45,90,35,230	-	-
UNBKIN 4.5% 10/28/19	-	-	61,92,000	43,20,00,706
SNDBIN 3.875% 12/04/19	-	-	99,90,000	69,27,88,569
BOIIN 3 1/8 05/06/20	1,60,000	1,21,00,601	1,60,000	1,10,11,514
UPLLIN 3.25% 10/13/21	70,000	52,58,609	70,000	47,84,623
ICICI 7% 11/23/20	1,00,000	77,30,440	1,00,000	72,91,858
TTMTIN 4.625% 04/30/20	49,92,000	37,77,65,891	45,92,000	31,83,18,507
SRILAN 6.2% 05/11/27	25,000	19,33,172	25,000	17,71,065
ADSEZ 3.50% 07/29/20	-	-	50,00,000	34,81,46,398
JSTLIN 4.75% 11/12/19	-	-	98,20,000	68,24,85,811
TATAIN 4.85% 01/31/20	-	-	1,00,00,000	69,59,04,169
AXSBIN 3% 08/08/22	57,71,000	43,85,76,909	3,000	2,06,339
TATAIN 5.45% 01/24/28	1,000	73,775	1,000	67,258
TTMTIN 5.75% 05/07/21	-	-	39,80,000	27,80,04,326
VEDANTA RESOURCES 8.25% 06/07/21	-	-	40,00,000	29,33,79,018
MSSIN 4.875% 12/16/21	47,00,000	35,68,35,956	47,00,000	32,67,55,632
BPCLIN 4.375 01/24/22 EMTN	57,00,000	43,14,79,255	57,00,000	39,44,56,836
SBIIN 4 01/24/22	10,00,000	7,55,13,361	10,00,000	6,89,45,978
BOIIN 6.25% 02/16/21	10,00,000	7,71,71,595	10,00,000	7,20,52,248
SHTFIN 5.7% 02/27/22	50,00,000	37,86,68,700	50,00,000	34,62,50,944
BPCLIN 4.625% 10/25/22	30,00,000	23,88,41,266	-	-
BOBIN 3.5% 04/04/22	1,40,00,000	1,05,68,67,974	1,40,00,000	96,48,97,585
Total Foreign Currency Bonds		5,65,11,71,060		6,86,72,12,529
TOTAL		5,65,11,71,060		6,86,72,12,529
Less: Provision for diminution		35,18,38,335		2,12,11,001
Total Bonds and Convertible Debentures		5,29,93,32,725		6,84,60,01,528
Total Current Investments		5,29,93,32,725		6,84,60,01,528
Aggregate value of quoted investments		5,29,93,32,725		6,84,60,01,528
Aggregate market value of quoted investments		5,30,30,22,076		6,86,61,96,222
Aggregate value of unquoted investments		-		-
Total investments		6,15,58,76,269		7,51,75,21,917

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3.9 Long Term Loans and Advances

	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
a. Security Deposits	23,82,605	22,15,222
Unsecured, considered good	23,82,605	22,15,222
b. Loans and advances to related parties	24,96,94,500	2,52,53,677
Unsecured, considered good	24,96,94,500	2,52,53,677
c. Advance Tax		
Income tax paid in advance (net of provision for tax ₹ 85,526,268 (Previous year ₹ 82,847,535))	-	5,890
TOTAL	25,20,77,105	2,74,74,789

3.10 Trade Receivables

	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Unsecured, considered good, unless otherwise stated		
Trade receivables exceeding six months from the date they are due for payment	1,42,16,416	7,78,648
Others	61,35,51,471	23,53,81,372
Considered doubtful	1,42,16,416	15,35,241
Less: Provision for doubtful debts	(1,42,16,416)	(15,35,241)
TOTAL	62,77,67,887	23,61,60,020

3.11 Cash and cash equivalents

	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Balances with banks:		
On current accounts	40,39,55,912	53,79,56,027
Other Bank Balances:		
Deposits with residual maturity of less than 12 months	1,73,38,88,880	1,99,77,92,230
TOTAL	2,13,78,44,792	2,53,57,48,257

3.12 Short-term loans and advances

Particulars	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Prepaid expenses		
Unsecured, considered good	87,23,730	47,11,560
TOTAL	87,23,730	47,11,560

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3.13 Other current assets

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Unsecured, considered good		
Interest accrued on loan	-	8,29,860
Interest accrued on Bonds	7,91,67,870	7,50,42,572
Interest accrued on Deposits	90,92,083	83,10,633
Margin money for Derivatives	47,21,06,849	5,45,59,399
MTM on Derivatives	-	12,15,607
TOTAL	56,03,66,802	13,99,58,072

3.14 Other income

Particulars	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Interest Income on Fixed Deposit	6,13,84,159	4,98,24,893
Interest income on Loans	28,35,691	8,39,056
Other income	7,56,270	6,65,013
TOTAL	6,49,76,121	5,13,28,961

3.15 Employee benefit expense

	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Salaries, bonus and allowances	7,33,24,516	10,62,90,771
Gratuity	13,25,768	14,05,323
Expenses on Stock appreciation rights	1,61,43,623	1,87,02,894
Deferred Incentive	0	29,84,767
Staff welfare expenses	31,35,736	22,36,449
TOTAL	9,39,29,643	13,16,20,203

3.16 Finance charges

	As at	As at
	31 st March 2020	31 st March 2019
	₹	₹
Interest on borrowings	14,93,63,876	10,69,56,110
Interest on overdraft	1,10,80,418	79,90,712
Bank charges	24,88,409	25,61,984
TOTAL	16,29,32,704	11,75,08,805

Schedules

Forming part of Balance Sheet and Profit and Loss Account

3.17 Other expenses

	As at 31 st March 2020	As at 31 st March 2019
	₹	₹
Auditor's remuneration	38,58,332	34,54,861
- Statutory fees	37,19,786.18	33,04,457
- Reimbursement of expenses	1,38,546	1,50,404
Communication expenses	49,87,586	49,95,696
Net custodial Charges	75,44,507	55,52,284
Legal & professional charges	2,46,87,977	2,92,42,973
Miscellaneous expenses	1,68,81,311	1,30,64,436
Rent	22,40,384	23,40,166
Travel expenses	37,86,591	32,66,463
Business Sourcing Expenses	3,13,73,451	2,97,10,773
Other expenses	8,50,410	8,39,056
Bad debts written off	-	11,35,592
Provision on other receivables	1,17,41,741	15,52,253
TOTAL	10,79,52,289	9,51,54,552

3.18 The Company is a 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.

3.19 Contingent Liability

Guarantee secured against margin deposit in Dubai amounted to ₹ 1,586,468 (previous year ₹ 1,449,973)

3.20 Capital Commitment

The Company has made a total commitment of ₹ 756,650,000 (Previous year ₹ 691,550,000) of which ₹ 557,893,178 (Previous year ₹ 458,133,895) was called upon by Core Infrastructure India Fund Pte. Ltd. till 31st March 2020. The Company will be called upon at a later date to pay ₹ 198,756,822 (Previous year ₹ 233,416,105) to meet its total commitment in Core Infrastructure India Fund Pte. Ltd.

3.21 Short-term borrowings

The loans from JP Morgan International Bank Ltd., with terms of up to 30 days bear an interest rate of 1.38 % to 3.13 % (2019: 2.41 % to 3.12 %) per annum. The short term loans are secured against bonds held with JP Morgan International Bank Limited, having a fair value of ₹ 4,729,703,155 (2019: ₹ 3,954,808,340).

3.22 "The Company monitors proposed and issued tax laws, regulations and cases to determine the impact on uncertain tax positions.

The foregoing is based on the taxation laws and practices currently in force in Mauritius and India and may be subject to change.

Taxes in Mauritius:

The Company, being tax resident in Mauritius, is liable to income tax in Mauritius on its chargeable income at the rate of 15%. As the Company has received its Category 1 Global Business Licence ("GBL1") before 16th October 2017, it is grandfathered as per the provisions of the Financial Services Act 2007 issued by Financial Services Commission and would benefit from deemed tax credit regime up to 30th June 2021. As from 1st July 2021, the Company's GBL1 licence shall deemed to be a Global Business Licence ("GBL")."

"Until 30th June 2021, the Company's foreign sourced income is eligible for a foreign tax credit which is computed as the higher of tax actual foreign tax suffered or 80% of the Mauritian tax ("Deemed tax credit") on its respective foreign sourced income resulting in an effective tax rate on net income of up to 3%. In computing its total actual foreign tax credit, the Company is allowed to either pool all of its foreign sourced income or calculate the amount of foreign tax credit on a source by source basis.

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Post 30th June 2021 and under the new tax regime, the Company will be able to claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption will be taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the actual foreign tax charged on the income in the foreign jurisdiction.

Gains or profits derived from sale of units, securities or a debt obligation by the Company are exempt from tax. Dividends and redemption proceeds paid by the Company to its shareholders do not attract withholding tax."

Taxes in India:

As a tax resident of Mauritius, the Company also expects to obtain benefits under the double taxation treaty between India and Mauritius ("DTAA"). In 2016, the governments of India and Mauritius revised the existing DTAA wherein certain changes were made to the existing tax benefits. The revised DTAA provides for capital gains arising on disposal of shares acquired by a Mauritius company on or after 1 April 2017 to be taxed in India. However, investments in shares acquired up to 31 March 2017 remains exempted from capital gains tax in India irrespective of the date of disposal. In addition, shares acquired as from 1 April 2017 and disposed of by 31 March 2019 were taxed at a concessionary rate equivalent to 50% of the domestic tax rate prevailing in India provided the Company meets the prescribed Limitation of Benefits ("LOB") clause, which included a minimum expenditure level in Mauritius.

Disposal of investments made by the Company in Indian financial instruments other than shares (i.e. instruments such as limited partnerships, options, futures, warrants, debentures, units and other debt instruments) are not impacted by the change and will continue to be exempted from capital gains tax in India. As per the revised DTAA, interest arising in India to Mauritian residents will be subject to withholding tax in India at the rate of 7.5% in respect of debt claims or loans made after 31 March 2017 subject to fulfilment of certain conditions.

Based on the changes on the local tax laws made applicable with effect from financial year 2018-2019, the Company has to now pay long-term capital gains ("LTCG") on transfer of listed equity shares in an Indian company or a unit of equity-oriented mutual fund or a unit of a business trust ("specified securities"). Such LTCG exceeding INR 100,000, from notified purchases, is taxable at 10% (plus surcharge and cess). The cost of acquisition of specified security which is acquired before 1 February 2018, is the higher of (1) actual cost of acquisition and (2) lower of (a) the fair market value as at 31 January 2018 and (b) full value of the consideration received on the transfer of the security."

3.23 Derivatives

Currency forwards

During the year, the Company has entered into various non-deliverable currency forwards in order to hedge its investments in Indian Rupee. The details of outstanding contracts as at 31 March 2020 and the corresponding fair values are shown below:

Non deliverable forwards

Currency Pair	Fair value USD	Notional Contract Value USD
USD-INR		
31 st March, 2020	318,388	Long: 6,000,000
	(14,322)	Short: 2,000,000
31 st March, 2019	(755,289)	4,000,000

The details of outstanding Interest rate swap and the corresponding unrealised gain / (loss) are shown below:

Reporting period	Unrealised Gain/ (Loss) USD	Notional Contract Value USD
USD-INR		
31 st March, 2020	(689,282)	(26,000,000)
31 st March, 2019	(26,496)	(52,000,000)

Schedules

Forming part of Balance Sheet and Profit and Loss Account

The details of outstanding Total Return swap and the corresponding unrealised gain / (loss) are shown below:

Reporting period	Unrealised Gain/ (Loss) USD	Notional Contract Value USD
USD-INR		
31 st March, 2020	(849,508)	25,128,219
31 st March, 2019	17,578	25,128,219

Summary and total outstanding derivative financial instruments outstanding as at March 31, 2020

	As on 31 st March, 2020		As on 31 st March, 2019	
	Fair Value	Notional	Fair Value	Notional
	USD	USD	USD	USD
Foreign Currency Forward Contracts	318,388	Long: 6,000,000	(755,289)	4,000,000
Foreign Currency Forward Contracts	(14,322)	Short: 2,000,000	-	-
Total Return Swap	(849,508)	25,128,219	17,578	25,128,219
Interest Rate Swap	(689,282)	(26,000,000)	(26,496)	(52,000,000)
Total	(1,234,724)	3,128,219	(764,207)	(22,871,781)

3.24 Earnings per equity share

Particulars	As on	As on
	31 st March, 2020	31 st March, 2019
	₹	₹
Earnings / (loss) used in the computation of basic and diluted earnings per share (A)	238,066,415	595,851,110
Weighted average number of equity shares used in computation of basic earnings per share (B)	4,081,650	4,081,650
Nominal value of Equity shares	\$1	\$1
Basic and diluted earnings / (loss) per share (₹) A/B	58.33	145.98

3.25 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 years to 3.67 years.

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Detail of activity under SAR is summarized below:

Particulars	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	62,113	50,804
Granted during the year	35,860	31,280
Additions/Reduction due to transfer of employees	-	150
Exercised during the year	27,548	20,121
Expired/Forfeited during the year	-	-
Outstanding at the end of the year	70,425	62,113

Effect of cash-settled options 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 cash-settled options	16,143,623	18,702,894
Closing balance of liability for cash-settled options	12,364,015	17,450,563

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 ₹ 1,833,189 (Previous year ₹ 1,061,707) and the profit after tax would have been lower by ₹ 1,770,166 (Previous year ₹ 1,029,856).

3.26 Deferred tax

Particulars	As on 31 st March, 2020	As on 31 st March, 2019
	₹	₹
Opening Balance	75,902	41,844
Additions/(deductions) during the period		
- due to expense of share based payment cash settled	54,996	31,851
- due to translation	(10,868)	(2,206)
Closing Balance	141,765	75,902

3.27 Transactions and balances arising from the Participating Notes Programme ("Notes Programme") of the Company

According to the Offering Circular dated 05 August 2013 and the regulations of the Securities and Exchange Board of India ("SEBI"), the Company issues Participating Notes ("Notes") under the Notes Programme (also called Overseas Derivative Instruments ("ODI") as per SEBI) to clients who are regulated entities outside India seeking exposure of Indian capital markets. By way of the Notes, the economic benefits of the underlying securities bought by the Company in India are passed onto the clients.

The Company buys the security in the Indian capital market only after a firm order is received from the client for the security, against which a Note is issued to the client simultaneously. Similarly, it will dispose the underlying security following a firm instruction from the client and the Note will be redeemed simultaneously. All the gains and losses pertaining to the underlying security are paid to the client on Settlement Date, which is the date Notes are redeemed, less any applicable withholding taxes and transaction costs such as bank charges. The Company will charge the client a Fee income for this service. Throughout the whole cycle of the transaction, the Company holds the underlying security only on behalf and for the benefit of the client in return for an agreed fee income charged at the time of issuance and redemption of Notes.

Schedules

Forming part of Balance Sheet and Profit and Loss Account

The Directors have applied judgement and have concluded on the following:

- The business purpose of the Notes Programme for the Company is only to act as an agent for the client and to hold the underlying security on behalf of the client, on their instructions, in return for a fee income.
- All the significant risks and rewards associated with the underlying security rests with the client under the Notes Programme as stipulated under the Offering Circular dated 05 August 2013.
- The Company has no obligation to pay the client unless the Company has collected cash flows from the underlying securities and the Company is obliged to remit all of the cash flows collected to the client without material delay.
- The Company will not sell or pledge the underlying securities under the Notes programme.

Therefore, the underlying securities held at year end under the Notes Programme are not deemed to be part of the on-balance sheet assets of the Company.

The balance due from clients on account of unsettled issuance of Notes as at the reporting year end is included under trade receivables. The balance due to clients on account of unsettled exercise/redemption of notes and on account of monies payable to client on Notes exercised/redeemed during the year or due to income generated (other than change in fair value) on the underlying investment is included in trade payables. Similarly, amount due from or due to brokers as at the reporting year end on underlying investments have been included under trade receivables or trade payables respectively.

Details of the transactions and balances under the Notes Programme for the year are as follows:

Particulars	As on	As on
	31 st March, 2020	31 st March, 2019
	₹	₹
Fee income from dealing in securities	222,143,392	182,350,765
Amount due from clients	728,458	75,391,260
Amount due to clients	539,946,651	465,230,028
Amount due from broker	136,348,810	102,118,491

3.28 Related Party Transactions

Particulars			Volume of transaction for the year ended		Receivable / (Payable)	
Related Parties	Nature of relationship	Nature of transactions	Balance as at		31 st March, 2020	31 st March, 2019
			31 st March, 2020	31 st March, 2019		
Kotak Mahindra (UK) Limited	Associate	Custody fees	775,503	-	-	-
		Referral expenses	34,842,663	1,879,890	-	-
		Distribution fees Expenses	59,587,874	52,455,961	-	-
		Calculation agency expense	850,410	839,056	-	-
		Portfolio management expense	0	3,199,434	-	-
		Referral income	5,455,343	5,923,677	-	-
		Interest expense	4,432,665	957,922	-	-
		Subordinated loan	-	-	-	4,507,177
		Current account	-	-	-	(596,939,447)
		Receivable	-	-	5,227,828	(2,195,132)
Kotak Investment Advisors Limited	Fellow Group Entities	Advisory expense	57,843,575	87,087,427	-	-
Kotak India Realty Fund	Investment Manager	Investment management fee	-	-	-	-
Kotak India Venture (Offshore) Limited	Investment Manager	Investment management fee	-	-	1,661,463	293,894
Kotak India Private Equity Fund	Investment Manager	Investment management fee	30,266,168	32,909,442	24,814,126	107,398
Kotak India Private Equity Fund - III	Investment Manager	Investment management fee	23,611,563	26,930,099	318,614,041	6,539
		Dividend Income	295,517,475	-	-	-

Schedules

Forming part of Balance Sheet and Profit and Loss Account

Particulars			Volume of transaction for the year ended		Receivable / (Payable)	
			31 st March, 2020	31 st March, 2019	Balance as at	
Related Parties	Nature of relationship	Nature of transactions	31 st March, 2020	31 st March, 2019	31 st March, 2020	31 st March, 2019
K-India Opportunities Fund Limited	Investment Manager	Investment Management, performance & service fee income	81,881,165	113,639,860	5,326,755	7,614,647
Kotak Securities Limited	Fellow Group Entities	Equity & derivative brokerage expenses	5,408,994	5,726,361	(298,217)	(30,555)
Kotak Mahindra Financials Services Limited	Associate	Loan given	-	-	22,699,500	20,746,500
		Interest Income	850,410	839,056	-	829,860
		Upfront & referral fees expenses	1,344,529	12,613,015	-	(311,818)
Kotak Mahindra, Inc.	Fellow Group Entities	Loan	-	-	226,995,000	-
		Interest Income	1,985,281	-	-	-
		Referral expenses	31,748,163	64,347,870	(4,781,140)	(3,229,283)
		Referral income	3,979,962	2,723,911	-	-
Kotak Mahindra Bank Limited	Holding Company	Clearing Charges, outsourcing expenses & advisory expenses	16,935,790	14,479,849	(193,142)	-
		Interest Expenses	-	1,204,200	-	-
		Bank Balances	-	-	13,534,910	64,449,607
Kotak Mahindra Asset Management Company Limited	Fellow Group Entities	Investment advisory fees expenses	36,244,801	33,096,849	(6,050,022)	-
Premier Investments Fund Limited	Investment Manager	Investment management & performance fee income	106,979,648	130,528,447	17,919,248	11,981,480
		Interest income	-	-	-	-
INQ Holdings LLC	Investment Manager	Investment management income	-	77,171,789	-	-
Green Maidan A 2013 Trust	Investment Manager & other services	Investment management fees & service fee income	6,613,690	87,967,966	-	461,664
Kotak Mahindra Mutual Fund	Fellow Group Entities	Referral/ trail fees income	1,024,264	2,590,385	205,241	458,400
Kotak Infinity Fund	Investment Manager & other services	Investment management, performance & service fee income	33,798,235	27,626,824	2,230,728	2,992,555
Kotak Advantage Fund X	Investment Manager	Investment management income	1,212,417	961,495	123,258	125,288
Kotak Advantage Fund XI	Investment Manager	Investment management income	1,092,848	890,803	119,399	105,100
Kotak Fixed Term Fund-XII	Investment Manager	Investment management income	2,329,769	4,277,900	2,986,346	2,736,429
Kotak India Advantage Fund II	Investment Manager	Investment management income	1,659,350	8,065,518	-	3,248,468
Kotak India Advantage Fund IV	Investment Manager	Investment management income	5,996,312	4,962,299	441,657	454,957
Kotak Fixed Term Fund-IX	Investment Manager	Investment management income	-	3,665,147	866,289	208,571
IQ EQ Fund Services (Mauritius) Limited	Administrator	Administration & payroll expense	708,675	699,213	556,289	287,685
Kotak Mahindra Asset Management (Singapore)Pte. Limited	Fellow Group Entities	Investment Advisory Expenses	21,858,868	13,237,749	(91,403)	(282,927)
K Global Advantage Fund	Investment Manager	Investment management fees	2,523,379	960,528	770,799	2,223,161
Kotak India Advantage Fund I	Investment Manager	Investment management fees	6,590,678	-	(52,966)	-
Directors remuneration included in "Employee cost"			27,490,850	28,230,048	-	-

During the year compensation to Key Managerial Personnel was ₹ 27,171,946 (Previous year ₹ 27,915,402).