



# Prudence and Simplicity

Kotak Mahindra Investments Limited

ANNUAL REPORT  
2012-13

## DIRECTORS' REPORT

To the Members of  
**KOTAK MAHINDRA INVESTMENTS LIMITED**

The Directors present their Twenty Fifth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March 2013.

## FINANCIAL HIGHLIGHTS

Particulars	Year ended 31 <sup>st</sup> March 2013	Year ended 31 <sup>st</sup> March 2012
	₹ in lakhs	₹ in lakhs
Gross income	11,765.68	11,843.25
Profit before tax	4,598.20	2,726.07
Provision for tax	1241.46	1,200.94
Profit after tax	3,356.74	1,525.13
Net Profit after tax carried to Balance Sheet	23,070.44	20,385.70

## DIVIDEND

With a view to conserve your Company's resources, the Directors do not recommend any Dividend (Previous Year: Nil)

## RIGHTS ISSUE

The Board of Directors of your Company at its meeting held on 14<sup>th</sup> March 2013 approved the issue of 4,09,836 equity shares of ₹10 each for cash at a premium of ₹966 per share aggregating to ₹39.99 crore to the existing equity shareholders of the Company by way of Rights issue. The object of the Rights issue is to augment the company's resources and increase its capital adequacy.

## OPERATIONS

Your Company is engaged in holding investments, providing finance against securities. The current year witnessed a volatile capital market environment. Strong credit and collateral value monitoring mechanism put in place by your Company ensured stability growth in business. Your Company's strategy has been of continuous product innovation coupled with tight control on credit quality and effective risk management. Your Company is well positioned to explore all opportunities that may be offered in the current economic environment.

## CAPITAL ADEQUACY

The Capital to Risk Assets Ratio (CRAR) of your Company as on 31<sup>st</sup> March 2013 was at 34.17% (Tier I – 33.94%)

## CREDIT RATING

The Company's short-term borrowing program from ICRA Limited continued to enjoy the highest rating of "A1+". Further, the long-term borrowings have been upgraded by ICRA Limited to "LAA". A1+ indicates highest-credit-quality rating and LAA indicates high-credit-quality rating with stable outlook assigned by ICRA.

In addition to the above, the Company also enjoys "CRISIL AA+/Stable" Long term rating from Crisil Limited. Instrument with this ratings are considered to have high

degree of safety regarding timely servicing of financial obligations and such instruments carry very low credit risk.

## **DIRECTORS**

Mr. Narayan S.A. and Mr. Jaimin Bhatt, Directors, retire by rotation at the Twenty Fifth Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. Sachin Samant was appointed as an Additional Director of the Company with effect from 5<sup>th</sup> September 2012. Pursuant to the proviso to Section 260 of the Companies Act, 1956 ('the Act'), Mr. Samant holds office as Director up to the date of the ensuing Annual General Meeting of the Company and is eligible to be appointed as Director. In terms of Section 257 of the Act, the Company has received notice in writing from a member along with a requisite deposit of ₹500 proposing the candidature of Mr. Sachin Samant for his appointment as Director.

Mr. Samant, a BE Electronics and MBA (Finance) is currently the Executive Vice President of Kotak Mahindra Bank Limited. He has around 19 years of experience in financial services sector and has been associated with the Kotak Group since 2000.

## **MANAGER**

During the year, Mr. Sandip Todkar was appointed as the Manager of your Company with effect from 1<sup>st</sup> September 2012. Mr. Sachin Samant was the Manager of your Company till 31<sup>st</sup> August 2012 and has subsequently moved to Kotak Mahindra Bank Limited.

## **COMMITTEES**

### **AUDIT COMMITTEE**

The Audit Committee consists of Mr. Dipak Gupta, Mr. Jaimin Bhatt and Mr. Narayan S.A., with any two members forming the quorum.

During the year, five meetings of the Committee were held on 25<sup>th</sup> April 2012, 18<sup>th</sup> July 2012, 23<sup>rd</sup> October 2012, 19<sup>th</sup> January 2013 and 28<sup>th</sup> March 2013. Mr. Dipak Gupta attended four meetings, Mr. Jaimin Bhatt attended all five meetings and Mr. Narayan S.A. attended three meetings.

### **NOMINATION COMMITTEE**

The Nomination Committee consists of Mr. Dipak Gupta, Mr. C. Jayaram and Mr. Narayan S.A.

During the year, two meetings of the Committee were held on 23<sup>rd</sup> April 2012 and 31<sup>st</sup> August 2012. Mr. Dipak Gupta attended both the meetings, Mr. Jayaram and Mr. Narayan attended one meeting. Subsequently, one meeting of the committee was held on 23<sup>rd</sup> April 2013 which was attended by all the members.

### **ASSET LIABILITY COMMITTEE (ALCO)**

ALCO consists of (1) Mr. Narayan S.A., (2) Mr. Jaimin Bhatt, (3) Mr. Sachin Samant, and (4) Mr. N. R. Subramanian with any one member each from the first two and the last two which forms the quorum. Members of ALCO meet regularly to discuss various issues for the effective management of the assets and liabilities of the Company.

During the year, twelve meetings of the Committee were held. Mr. Jalmin Bhatt attended eight meetings, Mr. Narayan S.A. attended all the twelve meetings and Mr. Sachin Samant and Mr. N.R. Subramanian attended eleven meetings.

#### **RISK MANAGEMENT COMMITTEE**

Pursuant to the directive given by the RBI at its financial conglomerate meeting held on April 22, 2010, the Company has a two level structure for Risk Management Committee (RMC). RMC Board is a supervisory committee and would review the adequacy of the risk management process and upgradation thereof, internal control system, ensure compliance with the statutory / regulatory framework etc. The Committee consists of Mr. Dipak Gupta, Mr. Jaimin Bhatt and Mr. Narayan S.A., with any two members forming the quorum.

The RMC (Operations) Committee comprises of Mr. Narayan S.A., Mr. Jaimin Bhatt, Mr. Sachin Samant and Mr. N.R. Subramanian, with any two members forming the quorum. During the year, one meeting of the Committee was held on 13th August 2012 and the same was attended by all the four Members.

#### **AUDITORS**

The Company's Auditors, M/s. V.C. Shah & Co., Chartered Accountants, Mumbai, retire at the Annual General Meeting and are eligible for re-appointment. You are requested to re-appoint them for the current financial year and to fix their remuneration.

#### **DEBENTURE TRUSTEES**

IDBI Trusteeship Services Limited and Axis Trustee Services Limited act as the Debenture Trustees for the redeemable non-convertible debentures issued by the Company.

#### **COMPLIANCE CERTIFICATE**

As required by the Companies (Appointment and Qualifications of Secretary) Amendment Rules, 2009, a copy of the Compliance Certificate is being attached with this Report.

#### **STATUTORY INFORMATION**

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

The Company did not accept any deposits from the public during the year.

The Company had foreign exchange inflow of Rs. NIL (Previous Year : Rs. Nil) while the outgo of foreign exchange was Rs. NIL (Previous Year: Nil). The other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since the Company is not a manufacturing company.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, based on the representations received from the management, confirm in pursuance of Section 217 (2AA) of the Companies Act, 1956, that:

- i) the Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to

material departures, if any;

- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2013 and of the profit of the Company for the financial year ended 31<sup>st</sup> March 2013;
- iii) the Directors have taken proper and sufficient care 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
- iv) the Directors have prepared the annual accounts on a going concern basis.

#### **ACKNOWLEDGEMENTS**

The Board takes this opportunity to place on record its appreciation of the dedication and contribution of your Company's employees at all levels. The Board also acknowledges the faith reposed in the Company by the Company's lending institutions.

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

**Narayan S.A.**  
Director

**Jaimin Bhatt**  
Director

Mumbai, 24<sup>th</sup> April 2013

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### COMPLIANCE CERTIFICATE

**Company Identification Number: U65900MH1988PLC047986.**

**Nominal Capital: 70,00,00,000/-.**

**To,  
The Members,  
KOTAK MAHINDRA INVESTMENTS LIMITED,  
36-38A, Nariman Bhavan,  
227, Nariman Point,  
Mumbai- 400 021.**

**I have examined the registers, records, books and papers of *KOTAK MAHINDRA INVESTMENTS LIMITED* (hereinafter referred to as 'the Company') as required to be maintained under the Companies Act, 1956 (hereinafter referred to as 'the Act') and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:**

- 1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.**
- 2. The Company has duly filed all the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act, and the rules made there under.**
- 3. The Company, being a public limited company, has the prescribed minimum paid up capital.**
- 4. The Board of Directors duly met 17 (Seventeen) times respectively on 10<sup>th</sup> April 2012, 25<sup>th</sup> April 2012, 9<sup>th</sup> May 2012, 13<sup>th</sup> June 2012, 29<sup>th</sup> June 2012, 18<sup>th</sup> July 2012, 3<sup>rd</sup> August 2012, 31<sup>st</sup> August 2012, 5<sup>th</sup> September 2012, 20<sup>th</sup> September 2012, 23<sup>rd</sup> October 2012, 6<sup>th</sup> November 2012, 28<sup>th</sup> December 2012, 19<sup>th</sup> January 2013, 25<sup>th</sup> February 2013, 14<sup>th</sup> March 2013 and 28<sup>th</sup> March 2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.**
- 5. The Company was not required to close its Register of Members or Debenture holders during the financial year.**
- 6. The annual general meeting for the financial year ended on 31<sup>st</sup> March, 2012 was held on 30<sup>th</sup> May, 2012 after giving due notice to the members of the company and other concerned and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.**



7. Two extra ordinary general meetings were held during the financial year on 28<sup>th</sup> June 2012 and 5<sup>th</sup> September 2012 at short notice, with the consent of the requisite number of members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loan to its directors and/or persons or firms or companies referred in the section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview section 297 of the Act during the year.
10. The Company was not required to make any entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of directors, members or Central Government.
12. The company has not issued any duplicate share certificates during the financial year.
13.
  - (i) The Company has allotted Secured Redeemable Non Convertible Debentures and Secured Deep Discount Non Convertible Debentures during the year, there was no need to issue any certificates as they were issued under Dematerialised form. There was no allotment/transfer/transmission of any other securities during the financial year.
  - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - (iii) The Company has not posted warrants to any member of the company as no dividend was declared during the financial year.
  - (iv) The Company was not required to transfer any amount to Investor Education and Protection Fund, since there were no amounts in unpaid dividend account and there was no application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years.
  - (v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of directors of the company is duly constituted and appointment of an additional director was duly made. There was no appointment of alternate directors and directors to fill casual vacancy during the financial year.
15. The appointment of Manager has been made in compliance with the provisions of the Act. The company had not appointed any Managing Director/Whole time Director during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.

17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has issued 710 Secured Redeemable Non Convertible Debentures of Rs.10,00,000/- each and 104 Secured Deep Discount Non-Convertible Debentures of Rs.10,00,000/- each during the year and complied with the provisions of the act. The company has not issued shares or any other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has redeemed 920 Secured Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each during the financial year and complied with the provisions of the Act. There was no redemption of preference shares during the financial year.
22. There were no transactions necessitating the company to keep in abeyance rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted or renewed any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
24. The amounts borrowed by the Company from others during the financial year ending 31<sup>st</sup> March, 2013 are within the borrowing limits of the Company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly convened extraordinary general meeting held on 18<sup>th</sup> July, 2005.
25. The Company has made loans and investments to other bodies corporate in compliance with the provisions of the Act. It has not given any guarantees or provided securities to other bodies corporate. According to the information and explanation provided to us, the Company is not required to maintain a register u/s 372A of the Companies Act, 1956 as it is engaged in the business of investment and the provisions of Section 372A of the Act are not applicable to the Company.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.



30. The Company has not altered its Articles of Association during the financial year.
31. As per the information and explanations given by officers of the Company, there was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. As per the information and explanations given by officers of the Company, the company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Sd/-

**RUPAL D. JHAVERI**  
Company Secretary  
FCS:5441 CP:4225

Place: Mumbai.  
Dated: 23<sup>rd</sup> April, 2013

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## **ANNEXURE A**

### **REGISTERS AS MAINTAINED BY THE COMPANY:**

#### **STATUTORY REGISTERS:**

1. Register of Members u/s 150.
2. Register of debenture holders u/s 152.
3. Register of Directors u/s 303.
4. Register of Directors Shareholding u/s 307.
5. Minutes Book of meetings of the Board of Directors u/s 193.
6. Minutes Book of General Meetings of the members u/s 193.
7. Books of Accounts u/s 209.
8. Register of Particulars of Contracts in which Directors are interested u/s 301.

#### **OTHER REGISTERS**

1. Register of Transfers.

### **ANNEXURE B**

**Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during/for the financial year ending 31<sup>st</sup> March, 2013.**

<b>Sr. No.</b>	<b>Form No/ Return</b>	<b>Filed under Section</b>	<b>For</b>	<b>Date of filing</b>	<b>Whether filed within prescribed time Yes/No.</b>	<b>If delay in filing whether requisite additional fee paid</b>
1.	Annual Return with Form 20B	159(1)	2011-2012	12/07/12	Yes	N.A.
2.	Balance Sheet with Form 23AC & 23ACA	220	2011-2012	25/10/12	Yes	N.A.
3.	Compliance Certificate With Form 66	383A	2011-2012	15/06/12	Yes	N.A
4.	Form 25C	269	Appointment Of Manager	16/08/12	Yes	N.A
5.	Form 32	303(2)	Appointment/ Cessation of Manager & Appointment Of Additional Director	20/09/12	Yes	N.A
6.	Form 25C	269	Appointment Of Manager	08/10/12	Yes	N.A

**V. C. SHAH & CO.**  
**CHARTERED ACCOUNTANTS**

Rajgir Chambers, 3<sup>rd</sup> Floor, 12-14, Shahid Bhagat Singh Road, Opp. Old Custom House, Mumbai 400 001. Tel.: 43440123 Fax : 22662667 e-mail- vcshahco@vsnl.com

**AUDITORS' REPORT**

To,  
The Members of  
**KOTAK MAHINDRA INVESTMENTS LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Kotak Mahindra Investments Limited (the "Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956'. This responsibility includes the design, implementation and maintenance of internal control 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 control relevant to the Company's preparation and fair presentation of the financial statements 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 Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from branches not visited by us;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
- (e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

V.C.Shah  
Partner.  
Membership No.: 10360

Mumbai, 24<sup>th</sup> April, 2013.

**Annexure to the Auditors' Report referred to in paragraph 3 of our report of even date**

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) The fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.  
  
(c) In our opinion, the fixed assets disposed off during the year do not constitute a substantial part of the fixed assets of the Company and such disposal has not affected the going concern status of the Company.
- ii. (a) The securities held as stock in trade have been confirmed by the management with the statement of holdings provided by the depository participant at regular intervals. In our opinion, such verification has been conducted at reasonable intervals by the management.  
  
(b) In our opinion, the procedure of confirmation of securities held as stock in trade followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) On the basis of our examination of the records of the Company, relating to securities held as stock in trade, in our opinion, the Company has maintained proper records of stock in trade and no material discrepancies between the book records and the statement of holdings provided by the depository participant have been noticed.
- iii. (a) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence sub-clauses (b), (c), (d), (e), (f) & (g) of clause 4(iii) are not applicable to the Company during the year under report.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, as regards purchase of securities and fixed assets and services rendered. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- v. (a) There are no transactions that need to be entered into the register maintained under section 301 of Companies Act, 1956. Hence sub-clause (b) of this clause is not applicable to the Company during the year under report.
- vi. The Company has not accepted any deposits from the public during the year under report.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The provisions of section 209 (1) (d) of the Companies Act, 1956 in respect of maintenance of cost records as may be prescribed by the Central Government, are not applicable to the Company.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, if any, applicable to it.



- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom tax, wealth tax, service tax, excise duty, cess that have not been deposited on account of any dispute except as follows:

Name of Statute	Nature of dues	Amount Rs.	Assessment Year	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	17,24,309	2009-10	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income Tax	18,74,413	2011-12	Assessing Officer

- x. There are no accumulated losses of the Company at the end of the financial year. The Company has also not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the company has maintained adequate records in cases of loans and advances granted on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. The Company has maintained proper records of its transactions and contracts in shares, securities, and other investments and timely entries have been made therein. The shares, securities and other investments are held by the company, in its own name or are in the process of being transferred in the name of the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanation given to us, term loans were applied for the purpose for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. During the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. According to the information and explanations given to us, the company has created security or charge, in respect of secured debentures issued during the year under report.



- xx. The Company has not raised any money by public issues, during the year under report.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year under report.

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

Mumbai, 24<sup>th</sup> April, 2013.

V.C.Shah  
Partner  
Membership No.: 10360

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**BALANCE SHEET AS AT 31ST MARCH 2013**
**EQUITY AND LIABILITIES**
**1. Shareholders' Funds**

- (a) Share Capital  
(b) Reserves and Surplus

**Note No.**
**(3)**
**(4)**
**2. Non-current Liabilities**

- (a) Long-Term Borrowings  
(b) Other Long Term Liabilities  
(c) Long-Term Provisions

**(5)**
**(6)**
**(7)**
**3. Current Liabilities**

- (a) Short-Term Borrowings  
(b) Trade Payables  
(c) Other Current Liabilities  
(d) Short-Term Provisions

**(8)**
**(9)**
**(10)**
**(11)**
**TOTAL**
**ASSETS**
**1. Non-Current Assets**

- (a) Fixed Assets  
Tangible Assets  
(b) Non-Current Investments  
(c) Deferred Tax Assets (net)  
(d) Long-Term Loans and Advances

**(12)**
**(13)**
**(14)**
**2. Current Assets**

- (a) Cash and Bank Balances  
(b) Short-Term Loans and Advances

**(15)**
**(16)**
**TOTAL**

As at	As at
31st March 2013	31st March 2012
Rs. in lakhs	Rs. in lakhs
305.03	305.03
30,078.97	26,653.34
11,991.24	15,781.06
499.39	1,005.27
83.08	65.81
42,433.82	33,018.36
149.20	41.12
10,226.79	4,649.04
872.13	768.88
96,639.45	82,287.91
86.18	35.31
3,759.37	7,664.86
689.48	933.37
558.20	508.56
8,665.22	1,230.67
82,881.00	71,915.14
96,639.45	82,287.91

See accompanying notes to the financial statements

As per our attached report of even date

For V. C. Shah &amp; Co.

Chartered Accountants

For and on behalf of the Board of Directors

V. C. Shah  
Partner  
Membership No. 10360  
Mumbai  
Dated : 24th April, 2013

Sandip Todkar  
Manager

N.R.Subramanian  
Sr. Vice President  
(Finance & Operations)

Narayan S.A.  
Director

Jairmin Bhatt  
Director

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013**

	Note No.	For the year ended 31st March 2013 Rs. in lakhs	For the year ended 31st March 2012 Rs. in lakhs
<b>REVENUE</b>			
Revenue from Operations	(17)	10,297.87	11,116.34
Other Income	(18)	1,467.81	726.92
<b>TOTAL REVENUE</b>		<b>11,765.68</b>	<b>11,843.25</b>
<b>EXPENSES</b>			
Employee Benefits Expense	(19)	519.99	604.39
Finance Costs	(20)	5,372.85	6,328.01
Depreciation		15.76	10.68
Other Expenses	(21)	1,258.89	2,174.11
<b>TOTAL EXPENSES</b>		<b>7,167.48</b>	<b>9,117.18</b>
<b>Profit before Tax</b>		<b>4,598.20</b>	<b>2,726.07</b>
Tax Expense :			
(a) Current Tax		(976.39)	(578.91)
(b) Current Tax relating to prior years		(21.17)	(17.80)
(c) Deferred Tax		(243.90)	(604.23)
<b>Profit for the Year</b>		<b>3,356.74</b>	<b>1,525.13</b>
<b>Earning per Share</b>			
-Basic and Diluted		110.05	50.00

See accompanying notes to the financial statements

As per our attached report of even date  
For V. C. Shah & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

V. C. Shah  
Partner  
Membership No. 10360  
Mumbai  
Dated : 24th April, 2013

Sandip Todkar  
Manager

N.R.Subramanian  
Sr. Vice President  
(Finance & Operations)

Narayan S.A.  
Director

Jaimin Bhatt  
Director

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**Cash Flow statement for the year ended 31st March, 2013**

Particulars	2012-2013		2011-2012	
	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before taxation and extraordinary items	4,598.20		2,728.07	
Adjustments for :				
Depreciation	15.78		10.68	
(Profit)/ Loss on Long Term Investments	(511.11)		788.19	
Profit on Current Investments	(234.36)		(513.70)	
Dividend on Long Term Investments	(12.55)		(143.56)	
Loss on Trading in Equity Shares	-		0.39	
Profit on Trading in Debentures	(68.57)		-	
(Profit) / Loss on Sale of Fixed Assets	(3.95)		0.05	
Provisions / Write offs (net of recovery)	127.01		481.39	
Provision / (Write Back) for Diminution in Investments	(531.38)		119.27	
Operating Profit before Working Capital Changes	3,379.08		3,448.77	
(Increase) / Decrease in Loans and Advances	(10,863.92)		8,343.47	
Increase / (Decrease) in Current Liabilities	895.21		(5,000.80)	
Increase / (Decrease) in Trade Payables	108.07		(96.87)	
Increase / (Decrease) in Other Liabilities	(505.88)		607.61	
Increase / (Decrease) in Provisions	17.16		(8.51)	
Cash generated from / (used in) Operations	(7,170.27)		7,293.66	
Income Taxes paid / (refund)	(1,103.91)		617.47	
Net Cash generated from / (used in) Operating Activities (A)		(8,274.18)		7,911.13
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Investments	(6,51,467.78)		(11,38,693.52)	
Sale of Investments	6,56,718.66		11,36,177.74	
Fixed Deposits placed	(42,157.19)		(22,423.89)	
Fixed Deposits redeemed	40,479.26		36,200.38	
Dividend on Long Term Investments	12.55		143.56	
Purchase of Fixed Assets	(71.71)		(20.82)	
Sale of Fixed Assets	9.02		0.02	
Net Cash from / (used in) Investing Activities (B)		3,522.82		11,383.47
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Decrease in Secured Loans	(107.27)		(24,690.60)	
Increase in Unsecured Loan	10,615.26		5,727.68	
Net Cash from Financing Activities (C)		10,507.99		(18,962.92)
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A + B + C)</b>		5,756.62		331.68
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		1,230.67		898.99
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR (D)</b>		6,987.29		1,230.67
		5,756.62		331.68

**Notes :**

1. Cash and cash equivalents include :

Bank Balances

587.29

1,230.67

Fixed Deposits with original maturity of less than 3 months

6,400.00

Total cash and cash equivalents

6,987.29

1,230.67

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

3. The previous year's figures have been re-grouped, wherever necessary in order to conform to this year's presentation.

As per our attached report of even date

For V.C.Shah &amp; Co.

Chartered Accountants

For and on behalf of the Board of Directors

V.C.Shah  
Partner  
Membership No. 10360  
Mumbai  
Dated : 24th April, 2013

Sandip Todkar  
Manager

N.R.Subramanian  
Sr. Vice President  
(Finance & Operations)

Narayan S.A.  
Director

Jalmin Bhatt  
Director

## KOTAK MAHINDRA INVESTMENTS LIMITED

### NOTES FORMING PART OF THE BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

#### 1. CORPORATE INFORMATION

The Company is engaged in holding long term strategic investments, providing finance against securities, mutual fund units and such other activities. The company has also purchased stressed portfolios from other financial institutions under the RBI guidelines. The company is a 100% subsidiary of Kotak Mahindra Bank Ltd.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### A. BASIS OF ACCOUNTING

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

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as at 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.

##### B. REVENUE RECOGNITION

- a. Interest income is recognised on accrual basis except in case of non-performing assets where it is recognised, upon realisation, as per RBI guidelines. Overdue/ penal interest is recognised as income on realisation.
- b. Interest income in respect of advances granted on assignment of retail receivables is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the net investment outstanding on the contract.
- c. Dividend income is accounted on an accrual basis when the Company's right to receive the dividend is established.
- d. Fee income is recognized when due.
- e. In respect of non performing assets acquired from other banks / NBFCs / Financial Institutions / Companies, collections in excess of the consideration paid for acquisition at each asset level or portfolio level is treated as income.

##### C. FIXED ASSETS

- a. Fixed assets are stated at cost inclusive of incidental expenses less accumulated depreciation.
- b. **Depreciation:**  
The Company adopts the Straight Line Method of depreciation so as to write off 100% of the cost of the assets, except in respect of premises, at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956 based on the management's estimate of the useful lives of all the assets. Estimated useful lives over which assets are depreciated are as follows:

Asset Type	Useful life in years
Premises	58
Leasehold Improvements	Over the period of lease subject to a maximum of 6 years
Office Equipment	5
Computers	3
Furniture and Fixtures	6
Vehicles	4

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

#### **D. INVESTMENTS**

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

#### **E. DISCOUNTED INSTRUMENTS**

The liability is recognized at face value at the time of issuance of discounted instruments. The discount on the issue is amortised over the tenure of the instrument.

#### **F. BORROWING COST**

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

#### **G. TAXES ON INCOME**

The Income Tax expense comprises Current tax and Deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income tax Act, 1961. Deferred tax adjustments comprises of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on account of timing differences are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of change. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which the deferred tax asset can be realised..

#### **H. EMPLOYEE BENEFITS**

- Provident fund is a defined contribution scheme and the contributions as required by the statute to Government Provident Fund are charged to profit and loss account when due.
- Gratuity liability is a defined benefit obligation and is wholly unfunded. The Company accounts for liability for future gratuity benefits based on actuarial valuation.



- c. Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.
- d. The amount of short term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service. These benefits include performance incentives.
- e. The Company accrues the liability for compensated absences based on the actuarial valuation as at the balance sheet date conducted by an independent actuary.

#### **I. 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 straight-line basis over the vesting period with recognition of corresponding liability. This liability is remeasured at each balance sheet date up to and including the settlement date with changes in intrinsic value recognised in profit and loss account in 'Payments to and provision for employees'

#### **J. STRUCTURED LIABILITIES**

The company has issued structured liabilities wherein the return on these liabilities is linked to non-interest benchmarks. Such structured liabilities have an embedded derivative which is the non-interest related return component. The embedded derivative is separated from the host contract and accounted separately (Refer accounting policy on Derivates as per 'K' below).

The resultant debt component of such structured liabilities is recognised in the Balance Sheet under the head "Secured loans" and is measured at amortised cost using yield to maturity basis.

#### **K. DERIVATIVES**

"Initial Margin - Derivative" representing the initial margin paid and /or additional margin paid over and above the initial margin, for entering into contracts for derivatives which are released on final settlement / squaring – up of the underlying contracts, are disclosed under Loans and Advances.

On final settlement or squaring up of contracts for derivative, the realised profit or loss after adjusting the unrealized loss already accounted, if any, is recognised in the profit and loss account and shown as Profit / (Loss) on trading in Derivatives.

When more than one contract in respect of the relevant series of derivative contracts to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

Outstanding derivative contracts, including embedded derivatives, are measured at fair value as at each balance sheet date. Fair value of derivatives is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.

The marked to market on derivative contracts is determined on a portfolio basis with net unrealized losses being recognised in the profit and loss account. Unrealized gains are not recognised in profit and loss account on grounds of prudence as enunciated in Accounting Standard – 1, Disclosure of Accounting Policies.



## **L. ADVANCES**

Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the RBI guidelines and are stated net of provisions made towards non-performing assets. Provision for standard assets and non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines.

## **M. SEGMENTAL ACCOUNTING**

- a. Segment revenue includes income directly attributable/allocable to the segment.
- b. Expenses that are directly attributable / allocable to segments are considered for determining the segments results. The expenses which relate to the Company as a whole and are not allocable to segments are included under Unallocable expenses
- c. Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment. Unallocable assets mainly comprise Advance Payment of taxes and Tax deducted at source (net of provision of taxation) and Deferred tax. Unallocated liabilities include Provision for employee benefits and Other liabilities

## **N. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## **O. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but disclosed in the notes. Contingent assets are neither recognised nor disclosed in financial statements.

## **P. LEASES**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

## **Q. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is charged to Profit & Loss account in the year in which an asset is identified as impaired.

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 3 - SHARE CAPITAL**
**Authorised**

58,000,000 Equity Shares of Rs. 10/- each

1,200 Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each

**Total**
**Issued, Subscribed and Fully Paid up**

3,050,280 Equity Shares of Rs. 10/- each

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
5,800.00	5,800.00
1,200.00	1,200.00
<b>7,000.00</b>	<b>7,000.00</b>
305.03	305.03
<b>305.03</b>	<b>305.03</b>

**Reconciliation of number of Shares and Equity Share Capital**

Particulars	31st March 2013		31st March 2012	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Outstanding at the beginning of the year	30,50,280	305.03	30,50,280	305.03
Add : Issued during the year	-	-	-	-
Less : Bought back during the year	-	-	-	-
Outstanding at the end of the year	30,50,280	305.03	30,50,280	305.03

**Terms/Rights attached to Equity Shares**

The company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. 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.

**Shares held by holding/ultimate holding company and/or their subsidiaries/associates**

Kotak Mahindra Bank Limited, the holding company, holds 3,050,280 equity shares of Rs. 10/- each (31st March 2012: 3,050,280 equity shares)

**Shareholders holding more than 5% of equity share capital**

Name of Shareholder	31st March 2013		31st March 2012	
	No. of shares held	% of Holding	No. of shares held	% of Holding
Kotak Mahindra Bank Ltd. and its nominees	30,50,280	100%	30,50,280	100%
	30,50,280	100%	30,50,280	100%

**NOTE 4 - RESERVES AND SURPLUS**
**Capital Redemption Reserve**

Balance as at the beginning and end of the year

**Securities Premium Account**

Balance as at the beginning and end of the year

Add: Tax effect thereon no longer required written back

Balance as at the end of the year

**General Reserve**

Balance as at the beginning and end of the year

**Special Reserve**

Under Section 45 IC of the Reserve Bank of India Act, 1934

Balance as at the beginning of the year

Add: Transferred from Profit and Loss Account

Balance as at the end of the year

**Surplus in Statement of Profit and Loss**

Balance as at the beginning of the year

Add : Profit for the current year

Less : Transferred to Special Reserve under section 45IC of Reserve Bank of India, Act 1934

Balance as at the end of the year

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
1,003.85	1,003.85
236.49	236.49
68.89	-
305.38	236.49
431.10	431.10
4,596.20	4,290.20
672.00	306.00
5,268.20	4,596.20
20,385.70	19,166.57
3,356.74	1,525.13
672.00	306.00
23,070.44	20,385.70
<b>30,078.97</b>	<b>26,653.34</b>

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 5 - LONG TERM BORROWINGS**
**Notes**
**Secured**

1,180 (P.Y. 1,100) Redeemable Non-Convertible  
Debentures fully paid, privately placed  
Less : Unamortised Discount on Debentures

**A**

534 (P.Y. 600) Deep Discount Non-Convertible Debentures  
Less : Unamortised Discount on Debentures

**B**
**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
7,300.00	11,000.00
57.88	177.63
7,242.12	10,822.37
5,340.00	6,000.00
590.68	1,041.31
4,749.12	4,958.69
<b>11,991.24</b>	<b>15,781.06</b>

**Notes :**

These debentures are redeemable at par. The non Convertible debentures, Deep Discount Debentures and Gold Linked debentures are secured by way of mortgage on company owned property of Rs. 10.26 lakhs and/or a charge on specified receivables/current assets and Investments of the company, in favour of the debenture Trustees

**A) The details of debentures are as under:**

Description	Rate	Amount Rs. in lakhs	Rate	Amount Rs. in lakhs (P.Y.)	Redemption Date
500 Debentures of Rs. 1,00,000 each	Linked to Mumbai standard gold - spot price	500.00			10-Nov-15
100 Debentures of Rs. 10,00,000 each	10.20%	1,000.00	10.20%	1,000.00	6-Mar-15
150 Debentures of Rs. 10,00,000 each	10.15%	1,500.00	10.15%	1,500.00	9-Feb-15
150 Debentures of Rs. 10,00,000 each	10.15%	1,500.00	10.15%	1,500.00	9-Feb-15
100 Debentures of Rs. 10,00,000 each	10.25%	1,000.00	10.25%	1,000.00	27-Jan-15
120 Debentures of Rs. 10,00,000 each	10.50%	1,200.00	10.50%	1,200.00	23-Oct-14
60 Debentures of Rs. 10,00,000 each	9.75%	600.00			7-Apr-14
200 Debentures of Rs. 10,00,000 each	Linked to Mumbai standard gold - spot price		Linked to Mumbai standard gold - spot price	2,000.00	29-Nov-13
50 Debentures of Rs. 10,00,000 each			10.15%	500.00	14-Aug-13
80 Debentures of Rs. 10,00,000 each			10.18%	800.00	1-Aug-13
150 Debentures of Rs. 10,00,000 each			10.34%	1,500.00	5-Apr-13
<b>Total</b>		<b>7,300.00</b>		<b>11,000.00</b>	

**B) The details of Deep Discount Debentures are as under:**

Description	Rate	Amount Rs. in lakhs	Rate	Amount Rs. in lakhs (P.Y.)	Redemption Date
104 Debentures of Rs. 10,00,000 each	9.90%	1,040.00			14-Jul-14
300 Debentures of Rs. 10,00,000 each	11.02%	3,000.00	11.02%	3,000.00	10-Jul-14
130 Debentures of Rs. 10,00,000 each	11.01%	1,300.00	11.01%	1,300.00	10-Jul-14
170 Debentures of Rs. 10,00,000 each			10.42%	1,700.00	16-Jul-13
<b>Total</b>		<b>5,340.00</b>		<b>6,000.00</b>	

**NOTE 6 - OTHER LONG TERM LIABILITIES**
**Others**

Mark-to-Market Embedded Options Value  
Interest accrued but not due on borrowings

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
71.25	801.25
428.14	204.02
<b>499.39</b>	<b>1,005.27</b>

## NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013

### **Provision for Employee Benefits**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
44.55	29.77
24.89	22.53
13.17	12.30
0.67	1.21
<b>83.08</b>	<b>65.81</b>

### Provision for Standard Assets

**Total****NOTE 8 -SHORT TERM BORROWINGS**

**Secured**

## Notes

Unsecured

**Commercial Paper**  
**Less : Unamortised Discount**

**Total**

-	1,200.00
-	-
-	1,200.00
43,875.00	32,500.00
1,441.38	681.64
42,433.62	31,818.36
<b>42,433.62</b>	<b>33,018.36</b>

A) These debentures are redeemable at par. The non Convertible debentures, are secured by way of mortgage on company owned property of Rs. 10.26 lakhs and/or a charge on specified receivables/current assets and Investments of the company, in favour of the debenture Trustees.

**NOTE 9 -TRADE PAYABLES**

### Other than Acceptances

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
149.20	41.12
149.20	41.12

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 10 -OTHER CURRENT LIABILITIES**
**Notes**
Current maturities of long-term debt
Secured

Redeemable Non-Convertible  
Debentures fully paid, privately placed  
Less : Unamortised Discount on Debentures

A

Deep Discount Non-Convertible Debentures  
Less : Unamortised Discount on Debentures

A

Interest accrued but not due on borrowings

Other Payables

Sundry Creditors  
(Other than Micro, Small & Medium Enterprises)  
Mark-to-Market Embedded Options Value  
Other Liabilities including statutory dues

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
7,300.00	4,000.00
72.98	-
7,227.02	4,000.00
1,700.00	-
44.47	-
1,655.53	-
150.97	385.35
110.32	191.64
1,063.22	-
19.74	72.05
<b>10,226.79</b>	<b>4,649.04</b>

A) These debentures are redeemable at par. The non Convertible debentures, Deep Discount Debentures and Gold Linked debentures are secured by way of mortgage on company owned property of Rs. 10.26 lakhs and/or a charge on specified receivables/current assets and Investments of the company, in favour of the debenture Trustees

**NOTE 11 - SHORT TERM PROVISIONS**
Provision for Employee Benefits

Provision for Gratuity  
Provision for Accumulated Compensated Absences  
Provision for other Employee Benefits

Provision- Others

Provision for Standard Assets  
Provision for Taxation  
(Net of Advance Taxes Rs. 2,764.33 lakhs (P.Y. Rs.3,987.92 lakhs))

**Total**

As at 31st March 2013 Rs. in lakhs	As at 31st March 2012 Rs. in lakhs
4.31	3.94
3.42	3.51
9.32	10.24
202.88	174.98
652.20	576.21
<b>872.13</b>	<b>768.88</b>

KOTAK MAHINDRA INVESTMENTS LIMITED

NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013

NOTE 12 - FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Balance As at 1 April 2012	Additions during the year	Disposals during the year	Balance As at 31 March 2013	Balance As at 1 April 2012	Depreciation Charge For the year	On Disposals	Balance As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
<u>Tangible Assets</u>										
Premises	10.26	-	-	10.26	1.77	0.18	-	1.95	8.31	8.49
Office Equipment	4.58	0.11	-	4.69	3.09	0.56	-	3.65	1.04	1.49
Furniture & Fixtures	2.26	1.21	2.18	1.29	2.21	1.22	2.18	1.25	0.04	0.04
Computers	14.97	1.52	2.83	13.66	10.35	2.59	2.63	10.31	3.35	4.62
Vehicles	41.61	68.85	26.14	84.32	20.94	11.21	21.27	10.88	73.44	20.67
TOTAL	73.68	71.69	31.15	114.22	38.36	15.76	26.08	28.04	86.18	35.31
Previous Year	53.23	20.82	0.37	73.68	27.98	10.68	0.29	38.36	35.31	25.25



**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 13 - NON CURRENT INVESTMENTS (Non Trade)**

	Face Value Rs.	As at 31-03-2013 Quantity	As at 31-03-2013 Amount (Rs. in lakhs)	As at 31-03-2012 Quantity	As at 31-03-2012 Amount (Rs. in lakhs)
<b>(I) INVESTMENT IN EQUITY INSTRUMENTS</b>					
<b>(at cost less provision for other than temporary diminution:)</b>					
<b>A. Quoted and fully paid up Equity shares in:</b>					
Aditya Birla Nuvo Limited	10	5	0.04	5	0.04
Apollo Tyres Limited	1	-	-	200000	156.29
AstraZeneca Pharma India Limited	2	-	-	3000	63.56
Axis Bank Limited	10	5	0.05	5	0.05
Bajaj Corp Limited	1	-	-	170000	177.69
Bank Of Baroda	10	-	-	24000	201.08
Bharti Airtel Limited	5	-	-	50000	169.63
CRISIL Limited	1	5	0.06	-	-
City Union Bank Limited	1	5	0.00	5	0.00
Corporation Bank	10	5	0.02	5	0.02
Dewan Housing Finance Corporation Limited.	10	5	0.01	5	0.01
Development Credit Bank Limited.	10	5	0.00	5	0.00
Edelweiss Financial Services Limited.	1	50	0.02	50	0.02
The Federal Bank Limited.	10	5	0.01	5	0.01
Fresenius Kabi Oncology Limited	1	-	-	78219	118.22
Geojit BNP Paribas Financial Services Limited.	1	50	0.01	50	0.01
Hexaware Technologies Limited	2	-	-	175000	190.42
Housing Development Finance Corporation Limited.	2	25	0.05	25	0.05
HDFC Bank Limited	2	25	0.11	25	0.11
Hindalco Industries Limited	1	-	-	50000	66.42
Hindustan Unilever Limited	1	-	-	25000	99.27
ICRA Limited	10	5	0.06	-	-
Infrastructure Development Finance Company Limited.	10	5	0.01	5	0.01
ING Vysya Bank Limited	10	5	0.01	5	0.01
IDBI Bank Limited.	10	5	0.00	5	0.00
ICICI Bank Limited	10	6	0.05	15006	136.32
India Infoline Limited	2	30	0.01	25	0.01
IndiaBulls Financial Services Limited.	2	5	0.01	5	0.01
IndiaBulls Real Estate Limited.	2	5	0.01	5	0.01
IndiaBulls Securities Limited.	2	5	0.01	5	0.01
Indiabulls Infrastructure and Power Limited	2	14	-	14	0.00
IndusInd Bank Limited.	10	5	0.01	5	0.01
Jalprakash Associates Limited	2	-	-	275000	214.30
The Jammu & Kashmir Bank Limited	10	5	0.04	5	0.04
J M Financial Limited.	1	125	0.02	125	0.02
The Karnataka Bank Limited.	10	5	0.01	5	0.01
Karur Vysya Bank Limited.	10	7	0.02	7	0.02
Lakshmi Vilas Bank Limited.	10	5	0.00	5	0.00
Larsen & Toubro Limited	2	-	-	16000	203.72
L & T Finance Holdings Limited	10	5	0.00	-	-
LIC Housing Finance Limited	2	25	0.01	25	0.01
Magma Fincorp Limited	2	5	0.01	-	-
Mahindra & Mahindra Financial Services Limited	2	5	0.03	5	0.03
Motilal Oswal Financial Services Limited.	1	5	0.01	5	0.01
Multi Commodity Exchange of India Limited	10	-	-	14000	182.87
NIIT Technologies Limited	10	-	-	29377	72.91
Reliance Capital Limited	10	5	0.07	5	0.07
Religare Enterprises Limited	10	5	0.02	5	0.02
SREI Infrastructure Finance Limited	10	5	0.01	-	-
State Bank of India	10	5	0.11	15005	333.38
Shriram Transport Finance Company Limited.	10	5	0.04	5	0.04
Sterlite Industries (India) Limited	1	-	-	130000	147.94
Sundaram Finance Limited	10	10	0.03	-	-
Dhanlaxmi Bank Limited.	10	5	0.01	5	0.01
The South Indian Bank Limited.	1	50	0.01	50	0.01
Yes Bank Limited.	10	5	0.02	5	0.02
Less: Provision for Diminution					43.78
<b>Sub-total (A)</b>			<b>1.04</b>		<b>2,490.94</b>



**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 13 - NON CURRENT INVESTMENTS (Non Trade)**

	Face Value Rs.	As at 31-03-2013 Quantity	As at 31-03-2013 Amount (Rs. in lakhs)	As at 31-03-2012 Quantity	As at 31-03-2012 Amount (Rs. in lakhs)
<b>B. Unquoted and fully paid up Equity shares in:</b>					
<b><u>In Associates</u></b>					
Phoenix ARC Pvt. Limited.	10	31500000	3,285.50	3,15,00,000	3,285.50
Matrix Business Services (India) Pvt. Limited.	10	150000	338.54	1,50,000	338.54
			3,602.04		3,602.04
<b><u>In Others</u></b>					
DSP Merrill Lynch Limited.	10	5	0.01	5	0.01
Business Standard Limited.	10	1000	0.20	1,000	0.20
Friday Content Solutions Limited	10	-	-	12,275	254.05
Amitabh Bachchan Corporation Limited.	10	325000	280.00	3,25,000	280.00
TAIB Capital Corporation Limited.	10	245000	15.54	2,45,000	15.54
Elbee Express Pvt. Limited	10	400000	225.00	4,00,000	225.00
SIRO Clinpharm Pvt. Limited.	10	-	-	998	300.00
Arun Processors Limited.	10	643125	0.00	6,43,125	0.00
Svasti Microfinance Pvt Limited	10	54920	50.14	54,920	50.14
ACE Derivatives and Commodity Exchange Limited.	10	-	-	-	-
Less: Provision for Diminution			417.50		754.58
			133.39		350.38
<b>Sub-total (B)</b>			<b>3,736.43</b>		<b>3952.40</b>
<b>TOTAL INVESTMENTS IN EQUITY INSTRUMENTS (A+B) (I)</b>			<b>3,736.47</b>		<b>6,443.33</b>
<b><u>(II) INVESTMENT IN PREFERENCE SHARES</u></b>					
<b><u>(at cost less provision for other than temporary diminution):</u></b>					
<b>Unquoted and fully paid up Preference shares in:</b>					
Convertible Preference Shares					
- Indus Biotech Pvt. Limited.	100	-	-	1,75,000	175.00
<b>TOTAL INVESTMENTS IN PREFERENCE SHARES (II)</b>			<b>-</b>		<b>175.00</b>
<b><u>(III) OTHER INVESTMENTS</u></b>					
<b><u>(at cost less provision for other than temporary diminution):</u></b>					
India Growth Fund - Class A Units	1000	-	-	63,481	685.87
(Refer (a) of Note No.22)					
Kotak India Real Estate Fund-I-Class B Units	1	2,90,141	2.90	2,90,141	2.90
Kotak Alternate Opportunities (India) Fund - Class B Units			10.00		10.00
Kotak India Venture Fund - Class A Units	481	-	-	1,25,000	488.24
(Refer (b) of Note No.22)					
Kotak India Venture Fund - Class B Units	0.10	50,00,000	5.00	50,00,000	5.00
Kotak India Growth Fund -II-Class B Units	1	5,00,000	5.00	5,00,000	5.00
Less: Provision for Diminution					150.49
<b>TOTAL OTHER INVESTMENTS (III)</b>			<b>22.90</b>		<b>1,048.63</b>
<b>TOTAL INVESTMENTS (I+II+III)</b>			<b>3,759.37</b>		<b>7,664.86</b>
<b>Aggregate Amount of Quoted Investments</b>					
- at cost			1.04		2,490.94
- at market value			1.30		2,554.18
<b>Aggregate of Unquoted Investments</b>					
- at cost			3,758.33		5,173.93
<b>Aggregate provision for diminution in value of investments</b>					
			417.50		948.85

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2013**
**NOTE 14 - LONG TERM LOANS AND ADVANCES**

Security Deposit

4.71

-

**Other loans and advances**

Secured, considered good

269.37

481.90

Secured, considered doubtful

-

1.46

Less: Provision for doubtful advances

-

(1.46)

Unsecured, considered good

6.40

0.17

Unsecured, considered doubtful

132.16

149.16

Less: Provision for doubtful advances

(132.16)

(149.16)

Advance Taxes paid and tax deducted at source

277.71

26.49

(Net of Provision for Taxes Rs. 2206.95 lakhs (P.Y. Rs.141.03 lakhs))

**Total**
**568.20**
**508.56**
**NOTE 15 - CASH AND BANK BALANCES**
**Cash and Cash Equivalents**

Balances with Banks

- in current accounts

587.29

1,230.67

- in Deposits with original maturity of less than 3 months

6,400.00

-

6,987.29

1,230.67

**Other Bank Balances**

- Deposits with residual maturity of less than 12 months

1,677.93

-

**Total**
**8,665.22**
**1,230.67**
**NOTE 16 - SHORT TERM LOANS AND ADVANCES**

Loans and advances to related parties

Unsecured, considered good

30.92

349.75

**Others**

Secured, considered good

82,750.57

71,496.96

Secured, considered doubtful

351.79

1,608.49

Less: Provisions for doubtful advances

(351.79)

(1,608.49)

Unsecured, considered good

47.94

22.80

Initial Margin - Derivative

51.57

45.63

**Total**
**82,881.00**
**71,915.14**

**KOTAK MAHINDRA INVESTMENTS LIMITED**
**NOTES FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013**

	For the year ended 31st March 2013 Rs. in lakhs	For the year ended 31st March 2012 Rs. in lakhs
<b>NOTE 17 - REVENUE FROM OPERATIONS</b>		
Interest on Deposits, Loans and Advances	10,282.37	11,072.22
<b>Other Financial Services</b>		
Recoveries in excess of cost of NPAs purchased	15.50	30.90
Fee Income	-	13.22
<b>Total</b>	<b>10,297.87</b>	<b>11,116.34</b>
<b>NOTE 18 - OTHER INCOME</b>		
Interest- Others	19.60	0.11
Profit on sale of Current Investments (net)	234.36	513.70
Profit on sale of Long Term Investments (net)	511.11	-
Dividend on Long Term Investments	12.55	143.56
Profit on trading in Debentures (net)	68.57	-
Write-back for Diminution in value of Investments (net)	531.36	-
Others	90.26	69.55
<b>Total</b>	<b>1,467.81</b>	<b>726.92</b>
<b>NOTE 19 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Allowances and Bonus	443.81	530.21
Contribution to Provident and Other Funds	21.00	21.51
Reimbursement of Expense on Employee Stock Option Scheme / Stock Appreciation Rights	47.18	39.40
Staff Welfare Expense	8.00	13.27
<b>Total</b>	<b>519.99</b>	<b>604.39</b>
<b>NOTE 20 - FINANCE COSTS</b>		
Interest on Debentures and Fixed Period Loans	2,014.94	2,051.58
Discount on Commercial Papers	3,357.85	4,276.42
Bank Charges	0.06	0.01
<b>Total</b>	<b>5,372.85</b>	<b>6,328.01</b>
<b>NOTE 21 - OTHER EXPENSES</b>		
Loss on sale of Long Term Investments (net)	-	788.19
Loss on trading in Derivatives (net)	254.16	275.45
Loss on trading in Equity Shares (net)	-	0.39
Travelling and Conveyance	16.14	12.91
Legal and Professional Charges	46.85	48.11
Business Promotion Expenses	0.30	2.69
Rent Expense	63.96	63.42
Common Establishment Expenses - Reimbursements	209.52	233.11
Assignors share of collection on NPAs purchased	105.45	-
Electricity Expenses	10.40	8.92
Demat Account Charges	2.51	2.31
Printing and Stationery	4.72	5.12
Auditor's Remuneration:		
Audit fees	4.25	4.25
Tax Audit Fees	0.95	0.75
Other services	0.46	0.50
Reimbursement of Expenses	0.23	0.21
Rates, Taxes and Fees	2.97	4.87
Insurance	1.48	0.57
Repairs and Maintenance	45.89	35.68
Telephone and Postage	8.97	8.92
Miscellaneous expenses	98.62	97.09
Provisions / Write offs (net of recovery)	127.01	461.39
Provision for Diminution / Write offs in value of Investments (net)	254.05	119.27
<b>Total</b>	<b>1,258.89</b>	<b>2,174.11</b>

## NOTES FORMING PART OF THE BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

### 22. CONTINGENT LIABILITIES:

- Uncalled liability on capital commitment in respect of units of India Growth Fund - Class A units Rs. NIL (P.Y. Rs. 25.90 lakhs).
- Uncalled liability on capital commitment in respect of units of Kotak India Venture Fund - Class A units Rs. NIL (P.Y. Rs. 126.02 lakhs).
- Claims in respect of Leasehold premises : Rs. 2.45 lakhs (P.Y. RS. 2.45 lakhs).
- Contingent Liability in respect of open positions of Derivative contracts outstanding as on balance sheet date Rs. 1238.47 lakhs (P.Y. Rs. 1100.16 lakhs)
- Contingent Liability in respect of demands from Income Tax authorities Rs. NIL (P.Y. Rs. 78.48 lakhs)

### 23. Open Interest in Derivative Contracts:

	Expiration Date	No. of Contracts	Open Long Position Quantity
<b>As at 31<sup>st</sup> March 2013</b>			
FUTCOM GOLD	05-Jun-2013	4300	4300
<b>As at 31<sup>st</sup> March 2012</b>			
FUTCOM GOLD	05-Jun-2012	4000	4000

The Company enters into derivatives for the purpose of hedging.

### 24. Employee Benefit

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

(Rs. in lakhs)

	As at 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
<b>Change in Unfunded benefit obligations</b>		
Present value of unfunded benefit obligations (Opening)	33.71	31.08
Current Service cost	5.35	5.45
Interest cost	3.32	2.87
Actuarial (gain)/loss on obligations	4.17	(3.27)
Past service Cost	-	-
Liability assumed on acquisition/(settled on Divestiture)	3.64	0.43
Benefits paid	(1.33)	(2.85)
<b>Present value of unfunded benefit obligations</b>	<b>48.86</b>	<b>33.71</b>

### Actuarial assumptions used

	(Rs. in lakhs)	
Reconciliation of present value of the obligation and the fair value of the plan assets	As at 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
Fair value of plan assets	-	-
Present value of unfunded benefit obligations	48.86	33.71
<b>Net Liability</b>	<b>(48.86)</b>	<b>(33.71)</b>

	(Rs. in lakhs)	
Cost recognised for the period	For the year ended 31 <sup>st</sup> March 2013	For the year ended 31 <sup>st</sup> March 2012
Current service cost	5.35	5.45
Interest cost	3.32	2.87
Expected return on plan assets	-	-
Actuarial (gain)/loss	4.17	(3.27)
Past Service Cost	-	-
<b>Net gratuity cost</b>	<b>12.84</b>	<b>5.06</b>

	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
Discount rate	8.24% p.a	8.94% p.a
Salary escalation rate	8.50% p.a	15% p.a. for the first 2 years 10.0% p.a. for the next 2 years & 6% p.a. thereafter

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

### Experience adjustments

Amounts for the current and previous four years are as follows:

	(Rs. in lakhs)				
	Gratuity				
	Year ended 31 <sup>st</sup> March,				
	2013	2012	2011	2010	2009
Defined benefit obligation	48.86	33.71	31.08	16.83	14.99
Plan assets	-	-	-	-	-
Surplus / (deficit)	(48.86)	(33.71)	(31.08)	(16.83)	(14.99)
Experience adjustments on plan liabilities	(1.14)	(0.99)	10.19	1.12	(2.66)
Experience adjustments on plan assets	-	-	-	-	-

### Gratuity

In accordance with Payment of Gratuity Act, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company subject to maximum of Rs. 10 lakhs. The gratuity benefit is provided through unfunded plan and annual contributions are charged to profit and loss account. Under the scheme, the settlement obligation remains with the Company.



### Provident fund

In accordance with Indian regulations, employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a recognised provident fund and administered by a Board of Trustees. The employee contributes 12% of his or her basic salary and the Company contributes an equal amount. The investments of the funds are made according to rules prescribed by the Government of India.

### Accumulated Compensated Absences

The Company provides for accumulated compensated absences as at the balance sheet date on the basis of an actuarial valuation.

### 25. Components of net deferred tax asset :

	(Rs. in lakhs)	
	As at 31 <sup>st</sup> March 2013	As at 31 <sup>st</sup> March 2012
<b>Deferred Tax Assets</b>		
Interest provided on Debentures to be allowable on crystallisation of liability	341.12	202.33
Expenses allowable on payment basis	33.81	26.70
Depreciation	29.99	31.90
Provision for doubtful advances	165.50	570.74
Provision for standard assets	69.19	57.16
Others	49.87	44.54
<b>Total Deferred Tax Assets</b>	<b>689.48</b>	<b>933.37</b>
<b>Deferred Tax Liabilities</b>		
Unrealised Gain on Index Options	-	-
<b>Total Deferred Tax Liability</b>	<b>-</b>	<b>-</b>
<b>Net Deferred Tax Asset / (Liability)</b>	<b>689.48</b>	<b>933.37</b>

### 26. Quantitative information in respect of trading in

#### a) Equity Shares :-

Description	31 <sup>st</sup> March, 2013		31 <sup>st</sup> March, 2012	
	Quantity	Amount Rs. In lakhs	Quantity	Amount Rs. In lakhs
Opening Stock	NIL	NIL	NIL	NIL
Add : Purchases	NIL	NIL	1,49,801	389.35
Less : Sales	NIL	NIL	1,49,801	388.96
Closing Stock	NIL	NIL	NIL	NIL

#### b) Debentures

Debentures	Quantity	Amount Rs. In lakhs	Quantity	Amount Rs. In lakhs
Opening Stock	NIL	NIL	NIL	NIL
Add : Purchases	300	3,695.62	NIL	NIL
Less : Sales	300	3,764.19	NIL	NIL
Closing Stock	NIL	NIL	NIL	NIL

## 27. Employee Share Based Payments :

### A) Equity Settled Options :

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

- Kotak Mahindra Equity Option Scheme 2001-02
- Kotak Mahindra Equity Option Scheme 2002-03
- Kotak Mahindra Equity Option Scheme 2005
- Kotak Mahindra Equity Option Scheme 2007

Consequent to the above, the Bank has granted stock options to employees of the Company in accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments", the excess, if any, of the market price of the share, preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period. The Company has reimbursed the Bank Rs.5.60 lakhs (Previous year Rs.11.54 lakhs) during the year on account of such costs and the same is forming part of Employee costs and the same is forming part of Employee benefits Expenses.

### B) Cash Settled Scheme :

During the year, the management had approved Stock appreciation rights (SARs) of the holding company to be granted to eligible employees as and when deemed fit. The SARs are to be settled in cash and will vest in the manner as provided in the scheme / grant letters to employees.

The contractual life (which is equivalent to the vesting period) of the outstanding SARs ranges from 1.129 year to 3.633 years.

Detail of activity under each SARs is summarized below:

	Year Ended 31 March 2013	Year Ended 31 March 2012
Outstanding at the beginning of the year	9,700	2,820
Granted during the year	7,339	9,700
Transfer in from fellow subsidiary	397	--
Exercised during the year	4,834	2,820
Transfer out to Holding company	6483	--
Expired during the year	--	--
Forfeited during the year	--	--
Outstanding at the end of the year	6,119	9,700

Effect of grant of employee based shared payments to employees on the profit and loss account and on its financial position:

Year ended 31 <sup>st</sup> March,	(Rs. in lakhs)	
	2013	2012
Total Employee Compensation Cost pertaining to employee share based payment	5.60	11.54
Closing balance of liability for cash-settled scheme	22.48	22.54



Had the company recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by Rs. 23.04 lakhs (Previous year Rs. 35.40 lakhs) and the profit after tax would have been lower by Rs. 15.56 lakhs (Previous year Rs. 23.91 lakhs). Consequently the basic and diluted EPS would have been Rs. 109.54 (Previous year Rs. 49.22)

28. Earnings Per Share (EPS) – the numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

Particulars	31 <sup>st</sup> March 2013	31 <sup>st</sup> March 2012
Profit attributable to the Equity Shareholders (Rs. in lakhs) – (A)	3,356.74	1,525.13
Basic number of equity shares outstanding during the year – (B)	30,50,280	30,50,280
Nominal value of Equity Shares (Rs.)	10	10
Basic & Diluted Earnings per share (Rs.) – (A) / (B)	110.05	50.00

29. Rent Payments to holding / fellow subsidiary company for sharing of premises are recognized in Profit and Loss Account under the head 'Rent Expenses' Rs. 57.61 lakhs (P.Y. Rs. 62.92 lakhs).

30. Details of Non Performing Financial Assets purchased:

	31 <sup>st</sup> March 2013	31 <sup>st</sup> March 2012
No. of Accounts purchased during the year	NIL	NIL
Aggregate Outstanding (Rs. in lakhs)	132.16	149.16

31. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

32. The Capital to Risk Assets Ratio (CRAR) for the Company is as follows :

Items	2012-13	2011-12
i) CRAR (%)	34.17%	31.93%
ii) CRAR – Tier I Capital (%)	33.94%	31.72%
iii) CRAR –Tier II Capital (%)	0.23%	0.21%

### 33. Exposures to Real Estate Sector

(Rs. in lakhs)

Category		2012-13	2011-12
a)	Direct exposure		
i.	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	NIL	NIL
ii	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1,162.38	1,592.25
iii.	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a. Residential,	NIL	NIL
	b. Commercial Real Estate.	NIL	NIL
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	NIL	NIL
	Investment in Real Estate Venture Funds	12.90	12.90

### 34. Asset Liability Management

#### Maturity Pattern of certain items of assets and liabilities

(Rs. in lakhs)									Total
	1 day to 30/31 day (one month)	Over one months to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	
<b>Liabilities</b>									
Borrowings from banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Market borrowings	8,968.35	5,940.83	10,758.54	9,226.12	16,422.33	11,991.24	NIL	NIL	63,307.41
<b>Assets</b>									
Advances *	20,421.69	15,782.30	13,847.79	13,890.29	17,621.53	473.68	1,401.92	NIL	83,439.20
Investments	NIL	NIL	NIL	NIL	NIL	NIL	NIL	3,759.37	3,759.37

\* Maturity Pattern of Overdraft Advances is estimated based on trends of past utilization.

### 35. Segment Reporting:

In accordance with Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has determined the following segments with principal activities as under:

Segment	Principal Activity
Lending	Financing against securities, Purchasing of Non-performing assets
Treasury and Investments	Borrowings, Derivatives and Investments

Since the business operations of the Company are concentrated in India, the Company is considered to operate only in the domestic segment.

Summary of the segments of the company are :

	Rs. (In lakhs)	
	Amount	Amount
Segment Revenue	2012-13	2011-12
Lending	10,015.68	10,598.28
Treasury and Investments	1,660.38	1,193.79
<b>Total</b>	<b>11,676.06</b>	<b>11,792.07</b>
Add : Unallocated Revenue	89.62	52.81
<b>Total</b>	<b>11,765.68</b>	<b>11,844.88</b>
Segment Results		
Lending	2,153.53	2,609.81
Treasury and Investments	2,479.30	268.28
<b>Total</b>	<b>4,632.83</b>	<b>2,878.09</b>
Less: Unallocable expenditure	(34.63)	(152.02)
<b>Total profit before tax</b>	<b>4,598.20</b>	<b>2,726.07</b>
Segment Assets		
Lending	83,170.01	72,017.78
Treasury and Investments	12,515.51	9,307.54
	<b>95,685.52</b>	<b>81,325.32</b>
Less: Inter-segment Assets	17,950.53	12,191.84
<b>Total</b>	<b>77,734.99</b>	<b>69,133.48</b>
Segment Liabilities		
Lending	347.78	215.80
Treasury and Investments	65,069.39	54,272.20
	<b>65,417.17</b>	<b>54,488.00</b>
Less: Inter-segment Liabilities	17,950.53	12,191.85
<b>Total</b>	<b>47,466.64</b>	<b>42,296.15</b>
<b>Unallocated Assets net of liabilities</b>	<b>115.65</b>	<b>121.04</b>
Capital Expenditure		
Lending	71.69	20.82
Treasury and Investments	-	-
<b>Total</b>	<b>71.69</b>	<b>20.82</b>
Depreciation		
Lending	15.58	10.21
Treasury and Investments	0.17	0.46
<b>Total</b>	<b>15.76</b>	<b>10.68</b>

36. Related Party Disclosures:

<b>A. RELATED PARTIES WHERE CONTROL EXISTS:</b>	
<b>Nature of relationship</b>	<b>Related Party</b>
Holding Company	Kotak Mahindra Bank Limited (KMBL) (Holds 100% of the equity share capital)
	Uday S. Kotak along with relatives and entities controlled by him holds 44.96% (P.Y. 45.32%) of the equity share capital of Kotak Mahindra Bank Limited as on 31 <sup>st</sup> March, 2013.
<b>B. OTHER RELATED PARTIES:</b>	
<b>(i) Fellow Subsidiaries:</b>	Kotak Securities Limited
	Kotak Mahindra Prime Limited
	Kotak Mahindra Asset Management Company Limited
	Kotak Investment Advisors Limited.
<b>(ii) Associate Company</b>	Matrix Business Services India Private Ltd. Phoenix ARC Private Limited
<b>(iii) Mutual Fund managed by Fellow Subsidiary</b>	Kotak Mahindra Mutual Fund managed by Kotak Mahindra Asset Management Company Limited
<b>(iv) Venture Capital / Private Trust Funds managed by the Fellow Subsidiary</b>	Kotak India Realty Fund Ltd. Kotak India Real Estate Fund - I India Growth Fund Kotak Alternate Opportunities (India) Fund Kotak India Venture Fund Kotak India Growth Fund –II
<b>(v) Key Management personnel:</b>	Sandip Todkar, Manager

## Related Party Disclosures

During the year following transaction were entered into with related parties in the ordinary course of business:

	Amount (Rs. In Lakhs) 2012-2013	Amount (Rs. In Lakhs) 2011-2012
<b>I. Holding Company</b>		
-Kotak Mahindra Bank Limited		
Transactions during the year :		
<b>FINANCE</b>		
Fixed Deposits Placed	48,557.19	22,423.89
Fixed Deposits Repaid	40,479.26	36,200.38
Interest Received on Fixed Deposits	302.45	534.85
<b>OTHER RECEIPTS &amp; PAYMENTS</b>		
Demat Charges	2.21	2.11
Service Charges Paid	3.25	5.17
Expense reimbursements paid	278.36	292.03
Expense reimbursements received	0.09	-
Licence Fees paid	54.64	59.95
IPA Fees paid	1.00	1.00
Bank Charges	0.05	0.07
Other Expenses paid	0.50	-
Employee Liability transfer out	27.41	-
Asset transferred out	3.51	-
Balance outstanding as at the year end :		
<b>FINANCE</b>		
Balance in current account	580.72	1,229.46
Term Deposits Placed	8,077.93	-
Interest accrued on Term Deposits placed	29.52	-
Demat Charges Payable	0.50	0.06
<b>OTHER RECEIPTS &amp; PAYMENTS</b>		
Service charges payable	5.22	14.55
<b>II. Fellow Subsidiaries</b>		
Transactions during the year :		
<b>FINANCE</b>		
Debentures issued		
-Kotak Investment Advisors Ltd	4,000.00	4,000.00
Debentures redeemed		
-Kotak Investment Advisors Ltd	8,000.00	-
-Kotak Securities Ltd	-	2,500.00
Interest paid on Debentures		
-Kotak Investment Advisors Ltd	304.68	396.43
-Kotak Securities Ltd	-	79.84
Commercial Paper issued		
-Kotak Mahindra Capital Company Limited	-	4,000.00
Unamortised discount on CP		
-Kotak Mahindra Capital Company Limited	-	33.91
Discount on CP		
-Kotak Mahindra Capital Company Limited	-	5.76
Inter Corporate Deposits placed		
-Kotak Mahindra Prime Ltd	-	500.00
Inter Corporate Deposits received back		
-Kotak Mahindra Prime Ltd	-	500.00
Interest received on ICDs		
-Kotak Mahindra Prime Ltd	-	0.39

## Related Party Disclosures

During the year following transaction were entered into with related parties in the ordinary course of business:

	Amount (Rs. In Lakhs) 2012-2013	Amount (Rs. In Lakhs) 2011-2012
<b>INVESTMENTS</b>		
Sales		
-Kotak Investment Advisors Ltd	1,474.41	-
-Kotak Securities Ltd	1,050.12	-
Purchases		
-Kotak Mahindra Prime Ltd	-	1,270.50
Profit on Sale of Investment		
-Kotak Investment Advisors Ltd	240.94	-
-Kotak Securities Ltd	575.12	-
<b>OTHER SECURITIES</b>		
Purchases		
-Kotak Securities Ltd	4,799.74	38,054.97
Sales		
-Kotak Securities Ltd	5,803.99	45,842.85
<b>OTHER RECEIPTS &amp; PAYMENTS</b>		
Service Charges Received		
-Kotak Mahindra Prime Ltd	16.28	14.40
Brokerage paid		
-Kotak Securities Ltd	11.44	68.61
Demat Charges paid		
-Kotak Securities Ltd	0.30	0.27
Service Charges Paid		
-Kotak Securities Ltd	1.20	6.00
License Fees Paid		
-Kotak Securities Ltd	2.97	2.97
Expense reimbursement from other company		
-Kotak Mahindra Prime Ltd	6.67	2.50
-Kotak Securities Ltd	-	1.67
Expense reimbursement to other company		
-Kotak Mahindra Prime Ltd	0.00	0.08
-Kotak Securities Ltd	0.74	0.48
Asset Transfer-in		
-Kotak Securities Ltd	17.80	-
Employee Liability transfer in		
-Kotak Securities Ltd	20.16	-
Balance outstanding as at the year end :		
<b>FINANCE</b>		
DP payable		
-Kotak Securities Ltd	0.03	0.02
Debentures		
-Kotak Investment Advisors Ltd	-	4,000.00
Commercial Paper		
-Kotak Mahindra Capital Company Limited	-	4,000.00
Unamortised Discount on Commercial Paper		
-Kotak Mahindra Capital Company Limited	-	33.91
Interest payable on Debentures		
-Kotak Investment Advisors Ltd	-	356.78
<b>OTHER SECURITIES</b>		
Outstanding Receivable		
-Kotak Securities Ltd	30.92	349.75
<b>OTHER RECEIPTS &amp; PAYMENTS</b>		
Outstanding service charges Receivable		
-Kotak Securities Ltd	18.97	-
Outstanding service charges Payable		
-Kotak Securities Ltd	14.92	-



## Related Party Disclosures

During the year following transaction were entered into with related parties in the ordinary course of business:

	Amount (Rs. In Lakhs) 2012-2013	Amount (Rs. In Lakhs) 2011-2012
<b>III. Associate Company</b>		
Balance outstanding as at the year end :		
<b>INVESTMENTS</b>		
Investments - Gross		
-Phoenix ARC Pvt Ltd	3,265.50	3,265.50
-Matrix Business Services India Pvt Ltd	336.54	336.54
<b>IV. Mutual Fund managed by Fellow Subsidiary / Holding Company</b>		
-Kotak Mahindra Mutual Fund		
Transactions during the year :		
<b>FINANCE</b>		
Debentures redeemed	-	3,970.00
Interest paid on Debentures	-	1,911.54
<b>INVESTMENTS</b>		
Purchases in Mutual Funds	6,46,006.43	11,21,850.00
Sale of Mutual Funds	6,46,240.78	11,22,363.70
Profit on Sale of Mutual Fund	234.36	513.70
<b>V. Venture Capital / Private Trust Funds managed by the Fellow Subsidiary</b>		
Transactions during the year :		
<b>INVESTMENTS</b>		
Purchases		
-Kotak India Venture Fund	126.02	186.48
Sales		
-India Growth Fund	37.47	70.04
-Kotak India Venture Fund		186.25
Income received on Venture Funds		
-Kotak India Venture Fund	-	90.18
-India Growth Fund	-	13.87
Loss on Venture Fund Redemption		
-India Growth Fund	24.07	-
-Kotak India Venture Fund	5.10	-
Balance outstanding as at the year end :		
<b>INVESTMENTS</b>		
Investments – Gross		
-India Growth Fund	-	685.87
-Kotak India Growth Fund-II	5.00	5.00
-Kotak India Venture Fund	5.00	493.24
-Kotak Alternate Opportunities Fund	10.00	10.00
-Kotak India Real Estate Fund	2.90	2.90
Diminution in Investments		
-India Growth Fund	-	150.49
<b>VI. Key Management Personnel</b>		
Transactions during the year :		
<b>OTHER RECEIPTS &amp; PAYMENTS</b>		
Remuneration*		
- Mr.Sandip Todkar	24.59	20.58

\* Excludes provision for gratuity and accumulated compensated absences

37. Schedule in terms of paragraph 13 of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

	Particulars			Amount Outstanding Amount Rs. in lakhs	Amount Overdue Amount Rs. in lakhs
	Liabilities Side				
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
	(a)	Debentures:	Secured	22,587.37	NIL
			Unsecured	-	NIL
			(other than falling within the meaning of public deposits *)		
	(b)	Deferred Credits		NIL	NIL
	(c)	Terms Loans		-	NIL
	(d)	Inter-corporate loans and borrowing		NIL	NIL
	(e)	Commercial Paper		42,433.62	NIL
	(f)	Public Deposits *		NIL	NIL
	(g)	Other Loans (specify nature)		NIL	NIL
		* Please see Note a) below			
2	Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
	(a)	In the form of unsecured debentures:		NIL	NIL
	(b)	In the form of partly unsecured debentures:		NIL	NIL
	(c)	Other public deposits		NIL	NIL
		* Please see Note a) below			
					Amount Outstanding
	Assets Side				Amount Rs. in lakhs
3	Break-up of Loans and Advances including bills receivables (other than those included in (4) below:				
	(a)	Secured			83,019.94
	(b)	Unsecured			419.25
4	Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL / HP activities				
	(i)	Leased Assets including lease rentals under sundry			

		debtors		
		(a)	Financial Lease	NIL
		(b)	Operating Lease	NIL
	(ii)	Stock on hire including hire charges under sundry debtors		
		(a)	Assets on hire	NIL
		(b)	Repossessed Assets	NIL
	(iii)	Hypothecation loans counting towards EL / HP activities		
		(a)	Loans where assets have been repossessed	NIL
		(b)	Loans other than (a) above	NIL
5	Break-up of Investments:			
	Current Investments:			
	1	Quoted:		
	(i)	Shares:	(a) Equity	NIL
			(b) Preference	NIL
	(ii)	Debentures and Bonds		
	(iii)	Units of Mutual Funds		
	(iv)	Government Securities		
	(v)	Others (please specify)		
	2	Unquoted:		
	(i)	Shares:	(a) Equity	NIL
			(b) Preference	NIL
	(ii)	Debentures and Bonds		
	(iii)	Units of Mutual Funds		
	(iv)	Government Securities		
	(v)	Others (please specify)		
	Long Term Investments:			
	1	Quoted:		
	(i)	Shares:	(a) Equity	1.04
			(b) Preference	NIL
	(ii)	Debentures and Bonds		
	(iii)	Units of Mutual Funds		
	(iv)	Government Securities		
	(v)	Others (please specify)		
	2	Unquoted:		
	(i)	Shares:	(a) Equity	3,735.43
			(b) Preference	-
	(ii)	Debentures and Bonds		
	(iii)	Units of Mutual Funds		
	(iv)	Government Securities		
	(v)	Others - Units of Venture Capital Fund		
				22.90
(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:				
Please see Note b) below				
Category		Amount Net of provisions		
		Secured	Unsecured	Total

1	Related Parties **				
	(a)	Subsidiaries	NIL	NIL	NIL
	(b)	Companies in the same group	NIL	64.63	64.63
	(c)	Other related parties	NIL	NIL	
2	Other Than Related Parties		83,019.94	354.63	83,374.57
Total			83,019.94	419.25	83,439.19
(7) Investor group-wise classification of all investments (current and long term) in the shares and securities (both quoted and unquoted):					
Please see Note c) below					
Category			Amount Net of provisions		
			Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	
1	Related Parties **				
	(a)	Subsidiaries	NIL		NIL
	(b)	Companies in the same group	NIL		NIL
	(c)	Other related parties	3,624.94		3,624.94
2	Other than related Parties		134.69		134.43
Total			3759.63		3759.37
** As per Accounting Standard of ICAI (Please see Note 3)					
(8) Other information:					
Particulars			Amount		
(i)	Gross Non-Performing Assets				
	(a)	Related parties			NIL
	(b)	Other than related parties			1,886.04
(ii)	Net Non-Performing Assets				
	(a)	Related parties			NIL
	(b)	Other than related parties			1,402.10
(iii)	Assets acquired in satisfaction of debt		NIL		

**Notes:**

- As defined in Paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

38. Previous year's figures have been regrouped / reclassified wherever necessary to conform to figures of the current period.

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

**For V.C.Shah & Co.  
Chartered Accountants**

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

**V.C. Shah  
Partner  
Membership No.10360  
Mumbai  
Dated: 24<sup>th</sup> April, 2013.**

**Sandip Todkar  
Manager**

**N.R.Subramanian  
Sr. Vice President  
(Finance & Operations)**

**Narayan S.A.  
Director**

**Jaimin Bhatt  
Director**

