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Directors' Report

To the shareholders of

KOTAK MAHINDRA INC

The Directors have pleasure in presenting their annual Report together with the audited accounts of your Company for the year ended March 31st 2023.

OPERATIONS

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

BUSINESS MODEL

The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equities executed on the Indian exchanges by its India affiliate, Kotak Securities ("KS"), under Rule 15a-6 of the Securities Exchange Act. The Company also chaperones its affiliate, Kotak Mahindra (UK) Ltd, for trades executed in fixed income securities. The Company distributes research reports prepared by KS under the same Rule. The Company also engages in private placements for funds in the U.S. that are available only to 3(c)(7) investors. The Company refers clients to its affiliate for investment related services. The Company participates in private placements for both publicly traded and privately held companies pursuant to Rule 144A. Private placements and IPO's include offerings that are exempt from registration in accordance with applicable provisions of the '33 Act, including (but not limited to) Section 4(2) and the rules and regulations promulgated thereunder, including (but not limited to) Regulation D. The Company has entered into an agreement with another broker (clearing broker) to execute and clear on a fully disclosed basis customer and proprietary accounts of the Firm.

FINANCIAL RESULTS AND DIVIDENDS

Particulars	FY23	FY22
Income	47	51
PBT	15	26
PAT	13	25

The total revenue for the year was INR 47 crore, compared to INR 51 crore last year, slightly lower than last year primarily due to a decrease in referral fee income and revenue from research distribution. The Company continued to expand its relationships with its existing institutional investors under all business lines. Total expenses increased from INR 25 crore to INR 32 crore in current year primarily due to an increase in staff and travelling costs. As a result, the Company made a profit after tax of INR 13 crore compared to INR 25 crore in the previous year. The Company had a net worth of INR 86 crore compared to INR 67 crore in the previous year.

The Directors do not recommend any dividend for the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as an averment of their responsibility that:

- The Company has, in the preparation of the annual accounts for the year ended March 31st 2023, followed the applicable accounting standards and accounting principles generally accepted in India, along with proper explanations relating to material departures, if any;
- The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31st 2023, and of the profit of the Company for the financial year ended March 31st 2023;

- c. The Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. There have been no adverse comments in the auditor's report for the period, which require any explanation.
- e. The Directors have prepared the annual accounts on a going concern basis.

For and on Behalf of the Board of Directors

Gijo Joseph

Director

Date: April 25, 2023

Independent Auditors' Report

To the Board of Directors of

KOTAK MAHINDRA INC.

The financial statements of KOTAK MAHINDRA INC (the "Company") as at 31st March, 2023, being a company registered in the United States of America, are audited KNAV PA, Certified Public Accountants, USA and we have been furnished with their audit report dated 19th April, 2023.

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

REPORT ON THE AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Opinion

We have verified the accompanying Special Purpose Financial Statements duly converted in Indian Rupees from audited accounts in USD of KOTAK MAHINDRA INC ("the Company"), which comprise the Balance Sheet as at 31st March 2023, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Special Purpose Financial Statements"). As explained in Note 2.1(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the management of Kotak Mahindra Inc Limited for the purpose of Kotak Mahindra Bank Limited ("Ultimate Holding Company") to prepare its consolidated financial statements and for inclusion in the annual report of the Ultimate Holding Company for the year ended March 31, 2023, under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Ultimate Holding Company and in compliance with the recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements give a true and fair view in all material respects in conformity with recognition and measurement principles of the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company, of the state of affairs of the Company as at March 31, 2023, and its profit for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Responsibilities of the Management and Those Charged with Governance for Special Purpose Financial Statements

The Company's Board of Directors is responsible with respect to the preparation of the Special Purpose Financial Statements in accordance with the recognition and measurement principles of Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, as applicable to the Ultimate Holding Company.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation, and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements

Our responsibility is to express an opinion on these Special Purpose Financial Statements based on our verification.

As stated hereinabove we have relied upon the audit conducted by KNAV PA, Certified Public Accountants, USA, and based thereon we state that:

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Financial Statements.

As part of verification in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the verification. We also:

1. Identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. As per Ultimate Holding Company's (Kotak Mahindra Bank Limited) instructions, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to the Special Purpose Financial Statements in place and the operating effectiveness of such controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Special Purpose Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
5. Evaluate the overall presentation, structure, and content of the Special Purpose Financial Statements, including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In view of the facts specified above, the requirements of reporting under section 143(3) of the Act, are not applicable.

Other Matters

The audited financial statements of the Company for the corresponding year ended 31st March, 2023 prepared in conformity with the accounting principles generally accepted in the United States of America, have been audited by the predecessor auditors whose audit report dated 19th April, 2023 expressed an unmodified opinion on those audited financial statements.

Our opinion is not modified in respect of this matter.

Restriction on distribution or use

This report is intended solely for the information of the Company's and its Ultimate Holding Company's Board of Directors and the Auditors of the Ultimate Holding Company and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's, and Ultimate Holding Company's Board of Directors for our audit work, for this report, or for the opinions we have formed.

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

Place: Mumbai
Date: April 25, 2023
UDIN: 23042649BGWKXF8024

A. N. Shah
Partner
Membership No. 042649

Balance Sheet

as at 31st March 2023

(₹)

Particulars	Note No.	As at 31st March, 2023	As at 31st March, 2022
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	1,429,715	1,429,715
(b) Reserves and surplus	3.2	861,881,139	669,910,440
2 Non-current liabilities			
(a) Long-term borrowings		-	-
(b) Long-term provisions	3.3	16,955,524	13,905,530
3 Current liabilities			
(a) Trade payables			
1. Total outstanding dues of micro and small enterprises		-	-
2. Total outstanding dues of creditors other than micro enterprises and small enterprises		8,213,523	3,971,339
(b) Short-term provisions	3.4	74,153,421	31,385,001
TOTAL		962,633,324	720,602,026
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment and intangible assets	3.5	2,616,109	405,047
(b) Non-current investments	3.6	93,089,370	212,130,287
(c) Long-term loans and advances	3.7	7,345,466	3,526,816
(d) Deferred tax asset		13,065,030	-
2 Current assets			
(a) Current Investments	3.6	355,586,559	-
(b) Trade receivables	3.8	49,237,232	95,297,371
(c) Cash and Cash Equivalents	3.9	348,586,159	362,447,537
(d) Short-term loans and advances	3.10	46,266,478	6,907,700
(e) Other current assets	3.11	46,840,921	39,887,268
TOTAL		962,633,324	720,602,026
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 23rd April, 2023

Shyam Kumar Syamasundaran

Director

Gijo Joseph

Director

Dated: 23rd April, 2023

Statement of Profit and loss

for the year ended 31st March 2023

		(₹)	
Particulars	Note No.	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
I. Revenues from operations			
(a) Revenue from research distribution		17,910,399	64,946,908
(b) Referral Fee Income		59,748,356	117,465,730
(c) Service fee income		380,231,502	334,766,569
II. Other income			
(a) Income from Investments		6,767,021	-5,645,452
(b) Other Income	3.12	5,648,969	2,190,364
III. Total Income (I+II)		470,306,248	513,724,119
IV. Expenses:			
Employee Benefit Expenses	3.13	251,497,964	217,459,426
Finance cost		-	593,927
Depreciation and Amortisation expense	3.5	434,928	1,093,623
Other expenses	3.14	68,058,602	36,114,251
Total expenses		319,991,494	255,261,226
V. PROFIT/(LOSS) BEFORE TAX		150,314,754	258,462,892
VI. Tax expense:			
Current tax			
- Pertaining to profit/ (loss) for the current period		31,464,024	4,202,939
- Adjustment of tax relating to earlier periods		(13,698,776)	-
		17,765,248	4,202,939
VII. PROFIT/(LOSS) FOR THE YEAR		132,549,506	254,259,954
VIII. Earnings/(loss) per equity share (in ₹):			
Basic and Diluted	3.21	52.74	112.09
Significant Accounting Policies and Notes to Accounts	2&3		

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Mumbai

Dated: 23rd April, 2023

Shyam Kumar Syamasundaran

Director

Gijo Joseph

Director

Dated: 23rd April, 2023

Cash Flow Statement

for the year ended 31st March 2023

(₹)

Particulars	For the Year ended 31st March, 2023	For the Year ended 31st March, 2022
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	150,314,754	258,462,892
Adjustments for:		
- Interest	(18,143,323)	(3,877,080)
- Dividend income	(57,882)	(48,280)
- Unrealised (gain)/ loss on investment	6,532,799	9,297,223
- Interest Expense	-	593,927
- Exchange Adjustments	47,919,527	9,682,759
- Depreciation and Amortisation Expense	434,928	1,093,623
Operating Profit before Working Capital Changes	187,000,804	275,205,063
Adjustments for:		
(Increase) / Decrease in Trade Receivable	46,060,139	(65,676,677)
Increase / (Decrease) in Deferred Tax assets	(13,065,030)	-
Increase / (Decrease) in Long-term provisions	3,049,994	(1,950,022)
(Increase) / Decrease in Other current assets	(6,953,652)	(1,597,758)
(Increase) / Decrease in Long-term loans and advances	(3,818,650)	(124,823)
Increase / (Decrease) in Short term provisions	42,768,420	(2,612,900)
(Increase) / Decrease in Short-term loans and advances	(39,358,779)	(956,032)
Increase / (Decrease) in Trade payables	4,242,184	(492,733)
Cash Generated from Operations	219,925,430	201,794,116
Direct taxes (paid)/ refund	(34,773,393)	(4,202,939)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	185,152,037	197,591,177
Cash Flow from Investing Activities		
Purchase of fixed assets	(2,564,800)	(86,225)
Proceeds from Purchase/Sale of Investments	(214,649,820)	(217,224,928)
Interest Received	18,143,323	3,877,080
Fixed Deposits (Placed)/Redeemed during the year	(20,972,000)	(5,365,000)
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	(220,043,297)	(218,799,073)
Cash Flow from Financing Activities		
Proceeds from issuance of share capital	-	297,545,398
Dividend Income	57,882	48,280
Interest Expense	-	(593,927)
Proceeds/(Repayment) of subordinated loan	-	(219,330,000)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	57,882	77,669,752
Net Increase in Cash and Cash Equivalents (A + B)	(34,833,378)	56,461,856
Cash and Cash Equivalents at the beginning of the year	210,862,537	154,400,681
Cash and Cash Equivalents at the end of the year	176,029,159	210,862,537
	(34,833,378)	56,461,857

Notes:

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

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar Syamasundaran

Director

Gijo Joseph

Director

Mumbai

Dated: 23rd April, 2023

Dated: 23rd April, 2023

Notes

Forming part of the Financial Statements as at 31st March, 2023

1 ORGANISATION AND NATURE OF BUSINESS

Kotak Mahindra, Inc. (the "Company"), a majority-owned subsidiary of Kotak Mahindra Bank Limited (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist primarily of chaperoning trades for its foreign affiliates including listed equity trades executed on the Indian exchanges by its India affiliate, Kotak Securities Limited ("KS") and the Mauritius affiliate, Kotak Mahindra International Limited ("KMIL"), under Rule 15a-6 of the Securities Exchange Act. The Company also chaperones its affiliate, Kotak Mahindra (UK) Ltd, for trades executed in fixed income securities. The Company also distributes research reports prepared by KS under the same Rule. The Company also engages in private placements for 3(c)(7) funds in the U.S. that are available only to qualified purchasers and institutional investors. These funds are managed by its affiliates, Kotak Mahindra Asset Management (Singapore) Pte. Ltd. ("KMAMS") and KMIL. The Company also refers clients to KMAMS and KMIL for investment related services. The Firm participates in private placements for both publicly traded and privately held companies pursuant to Rule 144A. Private placements and IPO's include offerings that are exempt from registration in accordance with applicable provisions of the '33 Act, including (but not limited to) Section 4(2) and the rules and regulations promulgated thereunder, including (but not limited to) Regulation D. The Company has entered into an agreement with another broker (clearing broker) to execute and clear on a fully disclosed basis customer and proprietary accounts of the Firm.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

2 Significant Accounting Policies:

2.1 Basis of Preparation

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

2.2 Conversion to Indian Rupees

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

2.3 Use of estimates

The preparation of special purpose financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the special purpose financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.4 Revenue Recognition

The Company receives referral fees for referring clients to fellow subsidiaries of the Company. The Company also receives fees for providing research to clients and records the income at the time the services are provided.

The Company also receives service fee income from its affiliates, Kotak Securities Limited, Kotak Mahindra (UK) Limited, and Kotak Mahindra (International) Ltd. as compensation for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act of 1934 and referral and distribution fees from KMIL, KMAMS and KMUK. The Company has a clearing arrangement with a clearing broker whereby the clearing broker clears fixed income securities trades for the company. The company acts as riskless principal and recognizes the commission from these transactions in its books on execution of these trades.

2.5 Fixed Assets

Property, Plant and Equipment

Property, plant and Equipment are stated at acquisition cost inclusive of incidental expenses, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimated useful lives of assets based on technical evaluation by management are as follows:

Notes

Forming part of the Financial Statements as at 31st March, 2023

Furniture and Fittings 7 years

Office Equipment 5 years

Computers

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

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

2.6 Investments

Investments are classified into long-term investments and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long-term investments are stated at cost less other than temporary diminution. Current investments are valued at cost or market value / fair value whichever ever is lower.

2.7 Leases

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

2.8 Cash and cash equivalents

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

The Company has certificates of deposit in the amount of ₹ 172,557,000 at March 31, 2023. Withdrawal of these funds is subject to a penalty if taken before maturity.

2.9 Taxes

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

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

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

2.10 Earnings per share

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

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

2.11 Provisions and Contingencies

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognized but are disclosed in the notes unless the outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

Notes

Forming part of the Financial Statements as at 31st March, 2023

Subsequent Events

The Company has evaluated events occurring after the date of the statement of financial condition for potential recognition or disclosure in its financial statements. The Company did not identify any material subsequent events requiring adjustment to or disclosure in its financial statements, except as described below.

COVID-19, a global pandemic, affected the world economy over last two years. The revival of economic activity improved in financial year 2022 supported by relaxation of restrictions due to administration of the COVID vaccines to a large population in the country. The extent to which COVID-19 pandemic will impact the company's results going forward will depend on ongoing as well as future developments including the nature and severity of COVID-19."

2.12 Employee Share based payments

Cash-settled scheme:

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

Notes

Forming part of the Financial Statements as at 31st March, 2023

3 NOTES TO ACCOUNTS

3.1 (a) Share capital

		(₹)	
Share Capital		As at 31 March 2023	As at 31 March 2022
Authorised shares			
3,000,000 (31 st March 2021: 2,000,000) equity shares of USD 0.01 each		\$30,000	\$30,000
Issued, Subscribed and fully Paid up			
2,513,422 (31 st March 2021: 1,530,621) Equity Shares of USD 0.01 each		1,429,715	1,429,715
Total		1,429,715	1,429,715

(b) Equity shares

Reconciliation of equity share capital	As at 31 March 2023	As at 31 March 2023	As at 31 March 2022	As at 31 March 2022
	Quantity	₹	Quantity	₹
Share capital outstanding at the beginning of the year	2,513,422	1,429,715	1,530,621	698,645
Issued during the period	-	-	982,801	731,070
Share capital outstanding at the end of the year	2,513,422	1,429,715	2,513,422	1,429,715

(c) Terms/rights attached to equity shares

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

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

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

Number of equity share	As at 31 March 2023	As at 31 March 2022
Kotak Mahindra Bank Limited, the holding company	1,281,848	1,281,848
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	1,231,572	1,231,572
Kotak Mahindra (International) Limited, fellow subsidiary	2	2

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

Equity shares of USD 0.01 fully paid up

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	% holding	Number	% holding
Kotak Mahindra Bank Limited, holding company	1,281,848	51.00%	1,281,848	51.00%
Kotak Mahindra Capital Company Limited, subsidiary of Kotak Mahindra Bank Limited	1,231,572	48.99%	1,231,572	49.00%

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.2 RESERVES AND SURPLUS

(₹)

	As at 31 st March, 2023	As at 31 st March, 2022
a. Securities Premium Reserve		
Opening Balance	330,848,053	34,033,725
Additions/(deductions) during the period	-	296,814,328
Closing Balance	330,848,053	330,848,053
b. Translation Reserve		
Opening Balance	122,716,439	108,826,213
Additions/(deductions) during the period	59,421,193	13,890,227
Closing Balance	182,137,632	122,716,439
c. Surplus in the statement of profit and loss		
Opening balance	216,345,947	(37,914,006)
Net Profit For the current year	132,549,506	254,259,954
Less: Appropriations		
Dividend on equity shares for the year		
Closing Balance	348,895,454	216,345,947
Total	861,881,139	669,910,440

3.3 LONG-TERM PROVISIONS

(₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Provision for employee benefits		
Stock Appreciation Rights (refer note 3.24)	10,945,987	9,490,503
Deferred Incentive	6,009,537	4,415,028
Total	16,955,524	13,905,530

3.4 SHORT-TERM PROVISIONS

(₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Provision for employee benefits		
Provision for Stock Appreciation Rights (refer note 3.24)	15,418,514	22,481,805
Deferred Incentive	9,842,689	5,022,924
Provision for Taxes	31,636,518	3,880,272
Provision for incentives	17,255,700	-
Total	74,153,421	31,385,001

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.5 PROPERTY, PLANT AND EQUIPMENT

(₹)

Particulars	Gross Block			Balance as at 31st March, 2023	Accumulated Depreciation			Balance as at 31st March, 2023	Net Block	
	Balance as at 1st April, 2022	Additions	Deduction / Adjustment*		Balance as at 1st April, 2022	Depreciation charge for the year	Deduction / Adjustment*		Balance as at 31st March, 2023	Balance as at 31st March, 2022
Property, Plant and Equipment										
Furniture and Fixtures	2,473,050	1,877,097.00	(249,611)	4,599,758	2,429,090	46,854	(205,198)	2,681,142	1,918,616	43,960
Office equipment	1,735,597	-	(146,040)	1,881,637	1,591,466	152,880	(137,294)	1,881,640	-	144,131
Leasehold Improvements	551,955	-	(46,444)	598,399	551,936	18	(46,443)	598,396	-	19
Computer & Software	2,357,204	687,703.00	436,795	2,608,113	2,140,268	235,403	465,052	1,910,618	697,494	216,936
Total	7,117,806	2,564,800	-5,301	9,687,907	6,712,760	435,155	76,117	7,071,798	2,616,109	405,046
Previous year	6,852,716	86,225	(178,865)	7,117,806	5,456,125	1,093,621	(163,014)	6,712,760	405,047	1,396,592

* Deduction / adjustments includes effect of Translation Reserve of (₹641,578) (Previous Year ₹251,667) under Gross Block and (₹559,936) (Previous Year ₹218,122) under Accumulated Depreciation

3.6 NON CURRENT INVESTMENTS

Non Current Investments	Face Value	As at 31 st March, 2023		As at 31 st March, 2022	
		Quantity	₹	Quantity	₹
National Association of Security Dealers	\$0.50	900	12,326	300	11,369
Foreign Currency Bonds	\$100.00	5,534,000	464,791,647	2,784,000	221,576,645
REC LIMITED MTN 5.25% 11/13/2023		819,000	72,613,711	819,000	66,977,908
POWFIN 3 1/4 09/16/24		600,000	51,575,644	600,000	47,572,678
POWFIN 3 3/4 06/18/24		565,000	48,849,490	565,000	45,058,111
CANARA BANK LONDON MTN 3.875% 3/28/2024		800,000	67,182,192	800,000	61,967,948
SBIIN 43/8 01/24/24		1,500,000	123,193,373	-	-
INRCIN 3.73 3/29/24		1,250,000	101,377,238	-	-
Total			464,791,647		221,588,014
Less: Provision for diminution			16,128,043		9,469,096
Total Bonds and Convertible Debentures			448,663,604		212,118,918
Total Current Investments			355,586,559		212,130,287
Total Non-Current Investments			93,089,370		-
Aggregate amount of quoted investments			448,675,929		212,130,287
Market Value of quoted investments			452,706,614		216,170,785

3.7 LONG TERM LOANS AND ADVANCES

(₹)

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good		
Deposits	7,345,466	3,526,816
Total	7,345,466	3,526,816

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.8 TRADE RECEIVABLES

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured, considered good, unless otherwise stated		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered Good	-	-
Others	49,237,232	95,297,371
Total	49,237,232	95,297,371

3.9 CASH AND CASH EQUIVALENTS

	As at 31 st March, 2023	As at 31 st March, 2022
Balances with banks:		
On Current accounts	176,029,159	210,862,537
Other Bank Balances		
Deposits with original maturity of more than 3 months	172,557,000	151,585,000
Total	348,586,159	362,447,537

3.10 SHORT-TERM LOANS AND ADVANCES

	As at 31 st March, 2023	As at 31 st March, 2022
Others		
Advance Tax	35,140,329.18	-
Prepaid expenses	11,126,149.15	6,907,700
Total	46,266,478	6,907,700

3.11 OTHER CURRENT ASSETS

	As at 31 st March, 2023	As at 31 st March, 2022
Interest income on fixed deposits	3,000,917	225,309
Deposit with clearing House	40,926,471	37,896,250
Interest accrued on Bonds	2,913,533	1,765,709
Total	46,840,921	39,887,268

3.12 OTHER INCOME

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Interest income on fixed deposits	4,843,502	2,142,084
Dividend Income	57,882	48,280
Miscellaneous Income	144,646	-
Other Interest Income	602,939	-
Total	5,648,969	2,190,364

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.13 EMPLOYEE BENEFIT EXPENSE

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Salaries, bonus and allowances	196,538,924	153,485,874
Expenses on Stock Appreciation Rights	20,019,696	33,075,741
Employer Contribution	3,774,562	3,829,895
Staff welfare expenses	31,164,782	27,067,916
Total	251,497,964	217,459,426

3.14 OTHER EXPENSES

	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
Rent, rates & taxes	9,768,198	9,105,011
Communication expenses	6,058,904	5,573,683
Advertising, Business Promotion and Entertainment	2,948,008	1,416,237
Repairs and maintenance	2,420,764	1,976,983
Royalty	1,310,219	999,914
Travel expenses	16,033,821	1,610,497
Insurance	1,065,964	1,155,745
Professional and legal fees	19,584,678	7,629,959
Auditor's remuneration		
- Statutory audit fees	2,170,581	2,294,793
- Internal audit fees	522,547	447,038
Miscellaneous expenses	6,174,918	865,010
Licensing Charges	-	3,039,380
Total	68,058,602	36,114,251

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

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

3.17 Revenue from Contracts with customers -service income

The Company receives service fee income from its affiliates, KS, Kotak Mahindra (International) Ltd. and Kotak Mahindra (UK) Ltd. as compensation for providing chaperoning services to U.S. clients under Rule 15a-6 of the Securities Exchange Act of 1934, and from Kotak Mahindra Asset Management (Singapore) Pte. Ltd for other services.

The Company, through its affiliates, buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the affiliate charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the affiliate fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. The commissions earned by the affiliates are shared with the Company in similar ways under the four service contracts. Under the service contract with Kotak Securities (KS), the Company earns a share of the revenue earned by KS based on the roles and responsibilities of KS and the Company as set out in the agreement. Furthermore, under its service contract with Kotak Mahindra (International) Ltd., the Company gets a share of the commission earned by the affiliate. Under the service contract with Kotak Mahindra (UK) Ltd., the Company gets a share of the revenue on each trade earned by Kotak Mahindra (UK) Ltd. Under the service contract with Kotak Mahindra Asset Management (Singapore) Pte. Ltd., the Company gets a share of the revenue earned by Kotak Mahindra Asset Management (Singapore) Pte. Ltd.

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.18 Revenue from Contracts with customers - referral fee income

The Company receives referral fee shares from its affiliates such as Kotak Mahindra (International) Ltd., and Kotak Mahindra (UK) Ltd. and certain third-party investment managers for referring clients. The Company, through its affiliates, earns referral fees from affiliated private and other funds. Such fees are based on a percentage applied to the customer's assets under management including performance based fees, if any. In case of affiliates, the Company receives 50% of the monthly fees which is recognized when the services are performed and the performance obligation is satisfied over a period of time. In certain cases, the Company gets a share of the commission earned by the affiliate when the performance obligation is satisfied.

3.19 Revenue from Contracts with customers - Revenue from Research Distribution

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

All revenue recognized in the accompanying statement of income is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue by product and customers for the year ended March 31, 2023, and the amount due/payable from/to customers and affiliates at March 31, 2023:

Service Income	Revenue	Amount due	Revenue (previous year)	Amount due (Previous Year)
Kotak Securities Limited	₹ 259,641,734	₹ 15,766,807	₹ 197,404,607	₹ 76,919,459
Kotak Mahindra Asset Management (Singapore) Pte. Ltd.	₹ 104,780,666	₹ 10,870,410	₹ 91,131,426	₹ 1,455,216
Kotak Mahindra (International) Ltd.	₹ 10,636,442	₹ 1,530,386	₹ 21,938,961	₹ 1,000,613
Kotak Mahindra (UK) Ltd.	₹ 5,172,660	₹ 0	₹ 90,451	₹ 0
Total	₹ 380,231,502	₹ 28,167,602	₹ 310,565,519	₹ 79,375,211

Referral Fees	Revenue	Amount due	Revenue (previous year)	Amount due (Previous Year)
Kotak Mahindra (International) Ltd.	₹ 16,182,036	₹ 449,882	₹ 69,733,678	₹ 196,378
Kotak Mahindra (UK) Ltd.	₹ 23,848,421	₹ 15,740,986	₹ 20,503,971	₹ 11,304,982
Unaffiliated	₹ 19,717,900	₹ 0	₹ 27,228,086	₹ 0
Total	₹ 59,748,356	₹ 16,190,869	₹ 117,465,734	₹ 11,501,360

Revenue from Research Distribution	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Unaffiliated	₹ 17,910,399	₹ 59,573	₹ 64,946,875	₹ 1,150,833
Total	₹ 17,910,399	₹ 59,573	₹ 64,946,875	₹ 1,150,833

Advisory Income	Revenue	Amount due	Revenue (previous year)	Amount Due (previous year)
Unaffiliated	-	-	₹ 22,351,875	₹ 0
Total	₹ 0	₹ 0	₹ 22,351,875	₹ 0

The amount due from Kotak Mahindra (International) Ltd. is net of ₹ 471,574 referral fees payable. Besides above, dues from Kotak Mahindra (International) for expenses paid on their behalf is ₹ 334,350.

The amount payable to Kotak Mahindra (UK) Ltd. Singapore Branch for referral fees is ₹ 272,804.

For the year ended March 31, 2023, the Company received service fee income from KS of ₹ 259,641,734, which amounted to approximately 55% of total revenues of ₹ 470,899,457.

During the year ended March 31, 2023, the Company paid royalty fees of ₹ 1,310,218 to the Parent and ₹ 160,784 towards technology support services to the Parent.

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.20 INCOME TAXES

At March 31, 2023, the net operating loss carryforwards for state and local income tax purposes is approximately ₹ 205,425,000 which will start to expire in 2034. Considering the past profitability and future projections, management currently believes it is more likely that the Company will realize the benefits of its carryforwards, and therefore the partial valuation allowance has been recognized for state net operating losses. The net deferred tax assets recorded at the end of the year is ₹1,30,65,030. The income tax expense for the year ended March 31, 2023, consisted of state and city taxes of ₹, 17,765,239

The effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance on the Company's deferred tax assets.

3.21 EARNINGS PER EQUITY SHARE

Particulars	As at 31 st March, 2023	As at 31 st March, 2022
Earnings / (loss) used in the computation of basic and diluted earnings per share (₹) (A)	132,549,506	254,259,954
Weighted average number of equity shares used in computation of basic earnings per share (B)	2,513,422	2,268,395
Nominal value of Equity shares	\$0.01	\$0.01
Basic and diluted earnings / (loss) per share (₹) (A/B)	52.74	112.09

3.22 The Company is currently on month to month lease. The Company records the expense to occupy its facility on a straight-line basis over the lease term which is included in occupancy in the accompanying statement of income.

The Company has entered into a lease with another landlord, the rent payment for which will commence once the construction is completed. The Company has obtained a letter of credit from a local bank, in favor of this new landlord for ₹ 3,521,888. This letter of credit is secured against a ₹ 41,08,500 certificate of deposit placed with the same bank

Particulars	FY23	FY22
i) Lease payments for the year	9,768,198	9,105,011

ii) Aggregate future minimum annual rental payments for the years subsequent to 31st March, 2023 are approximately as follows:

	Year ending 31 st March, 2023	Year ending 31 st March, 2022
Not later than one year	5,869,814	4,829,868
Later than one year but not later than five years	57,272,654	-
Later than five years	38,992,377	-
Total	102,134,845	4,829,868

3.23 Contingencies, other commitments and concentration of credit risk

Concentration of Credit Risk

From time to time, the Company maintains its cash and cash equivalents in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of ₹ 20,542,500. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash and cash equivalents.

Notes

Forming part of the Financial Statements as at 31st March, 2023

3.24 STOCK APPRECIATION RIGHTS (SARs)

At the General Meeting on 29th June, 2015 of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had passed Special Resolution to grant stock appreciation rights (SARs) to the eligible employees of the Bank, its subsidiaries and associate companies. Pursuant to this resolution, Kotak Mahindra Stock Appreciation Rights Scheme 2015 had been formulated and adopted. Subsequently, the SARs have been granted under this scheme. The contractual life (which is equivalent to the vesting period) of the SARs outstanding ranges from 1 to 3.67 years.

Detail of activity under SAR is summarized below:

(₹)		
Particulars	Year ending 31 st March, 2023	Year ending 31 st March, 2022
Outstanding at the beginning of the year	82,045	124,539
Granted during the year	34,530	26,430
Additions/Reduction due to transfer of employees	-	-
Exercised during the year	48,221	63,153
Expired / Forfeited during the year	-	3,287
Transfer Out	-	2,484
Outstanding at the end of the year	68,354	82,045

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

(₹)		
Year ended March 31,	2022	2021
Total Employee Compensation Cost pertaining to share-based payment plans	20,019,696	33,075,741
Closing balance of liability for cash-settled options	26,364,501	31,972,308

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 lower by ₹1,713,112 (Previous year lower by 4,669,356) with a increase in after tax profit by ₹ 1,353,358 (Previous year after tax profit would have been higher by 4,669,356).

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

In terms of our report of even date

For and on Behalf of the Board of Directors

For V . C. Shah & Co.

Chartered Accountants

Firm Registration No.: 109818W

A.N. Shah

Partner

Membership No.: 042649

Shyam Kumar Syamasundaran

Director

Gijo Joseph

Director

Mumbai

Dated: 23rd April, 2023

Dated: 23rd April, 2023



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Wilmington, DE 19808 USA
Kotak Mahindra Bank Website: www.kotak.com

Company Registration Number: 2913169