

# Directors' Report

To the Members of

## KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirty-fifth Annual Report together with the audited accounts of your Bank for the year ended 31<sup>st</sup> March, 2020.

### FINANCIAL HIGHLIGHTS

(A) Kotak Mahindra Bank Limited – Consolidated financial highlights \*:

	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	₹ in crore	₹ in crore
Total income	50,365.74	45,979.11
Total expenditure, excluding provisions and contingencies	36,385.84	34,358.03
Operating Profit	13,979.90	11,621.08
Provisions and contingencies, excluding provision for tax	2,558.10	1,045.36
Profit before tax	11,421.80	10,575.72
Provision for taxes	2,814.72	3,456.02
Profit after tax	8,607.08	7,119.70
Add: Share in profit of Associates	(13.72)	84.43
Consolidated profit for the Group	8,593.36	7,204.13
Earnings per Equity Share:		
Basic (₹)	44.73	37.61
Diluted (₹)	44.68	37.57

(B) Kotak Mahindra Bank Limited – Standalone financial highlights:

	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	₹ in crore	₹ in crore
Total Income	32,301.72	28,547.24
Total expenditure, excluding provisions and contingencies	22,280.89	20,199.06
Operating Profit	10,020.83	8,348.18
Provisions and contingencies, excluding tax provisions	2,216.16	962.39
Profit before tax	7,804.67	7,385.79
Provision for taxes	1,857.49	2,520.46
Profit after tax	5,947.18	4,865.33
Add: Surplus brought forward from the previous year	16,919.29	13,604.60
Amount available for appropriation	22,866.47	18,469.93
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	1,486.80	1,216.34
Transfer to Investment Reserve Account	(31.06)	31.06
Transfer to Capital Reserve	114.84	6.99
Transfer to Special Reserve	80.00	40.00
Transfer to Investment Fluctuation Reserve Account	483.13	70.89
Transfer to Fraud Provision	(1.40)	1.40
Dividend Paid **	193.26	160.28
Corporate Dividend Tax	29.09	23.68
Surplus carried to Balance Sheet	20,511.81	16,919.29

\* The financial results of the subsidiaries (excluding insurance companies) and associates used for preparation of the consolidated financial results are in accordance with Generally Accepted Accounting Principles in India ("GAAP") specified under Section 133 and relevant provision of Companies Act, 2013. The financial statements of such Indian subsidiaries and associates are prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

\*\* The Bank has paid a dividend at rate of ₹ 0.80 per equity share for the year ended 31<sup>st</sup> March, 2019 (previous year: 0.70 per equity share for the year ended 31<sup>st</sup> March, 2018) and has paid interim dividend at rate of Re.0.405 per share on preference shares for year ended 31<sup>st</sup> March, 2020 (previous year: interim dividend at rate of 8.10% (on pro-rata basis)), to all shareholders, whose names appear on the Register of members / beneficial holders list on the book closure date. As per the requirements of revised AS 4 – 'Contingencies and Events Occurring After the Balance Sheet Date', this payout (including dividend distribution tax) has been appropriated from amount available for appropriation in the year of pay-out.



## DIVIDEND

Reserve Bank of India vide its circular No. DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020, has directed all banks to not make any further dividend payouts from profits pertaining to the financial year ending March 31, 2020 until further instructions.

In March 2020, your Directors declared an interim dividend on Perpetual Non-Cumulative Preference Shares of face value of ₹5 each issued by the Bank, carrying a dividend rate of 8.10%, in respect of the financial year 2019-20, as per the terms of issuance. This entailed a payout of ₹40.50 crore (previous year ₹26.86 crore), excluding dividend distribution tax.

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Bank have adopted a Dividend Distribution Policy which is in line with the parameters prescribed by SEBI for distribution of dividend. The Policy is available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html>

## CAPITAL

During the year, your Bank allotted 42,83,511 equity shares arising out of the exercise of Employees Stock Options granted to the whole time director and employees of your Bank and its subsidiaries.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Bank as at 31<sup>st</sup> March, 2020 stood at ₹14,56,51,91,690 comprising of 191,30,38,338 equity shares of ₹5 each and 100,00,00,000 preference shares of ₹5 each.

Your Bank has a Capital Adequacy Ratio ("CAR") under Basel III as at 31<sup>st</sup> March, 2020 of 17.89% with Tier I being 17.27%.

During the year, your Bank has not issued any capital under Tier II. As on 31<sup>st</sup> March, 2020, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹456 crore.

Pursuant to the approval of the Board of Directors on 22<sup>nd</sup> April 2020 and approval of the shareholders by way of postal ballot on 25<sup>th</sup> May 2020, your Bank undertook a Qualified Institutions Placement. The object of the issuance is to augment the Bank's capital base and to strengthen its balance sheet, which would assist the Bank in dealing with contingencies or financing business opportunities (which may either be organic or inorganic), or both, which may arise pursuant to the economic events driven by the outbreak of COVID-19 (which has been declared a pandemic by the World Health Organization), or otherwise. On 30<sup>th</sup> May 2020, your Bank allotted 6,50,00,000 equity shares of face value of ₹5 each at an issue price of ₹1,145 per equity share thereby raising ₹ 74,42,50,00,000.

## OPERATIONS

We organize our principal banking business activities into the following business units: consumer banking, commercial banking, corporate banking, treasury, and other financial services. The consumer, commercial and corporate banking businesses correspond to the key customer segments of our Bank. The treasury offers specialized products and services to these customer segments and also undertakes asset liability management as well as proprietary trading for the Bank.

In addition to our banking activities, our Group offers a significant array of other financial products and services as well, which we operate through our subsidiaries. These products and services include banking, financing through NBFCs, asset management, insurance, broking, investment banking, wealth management and asset reconstruction.

### Consumer Banking

The Consumer Bank services a customer base in excess of 19 million customers covering a wide spectrum across domestic individuals and households, non-residents, small and medium business segments for a range of products from basic savings & current accounts to term deposits, credit cards, unsecured and secured loans, working capital and investment advisory.

Your Bank continued its strategy of calibrated expansion of its branch network. As of 31<sup>st</sup> March, 2020, your Bank had 1,600 branches and 2,637 ATMs, covering 779 locations. Of the 100 new branches commissioned this year, 50 were in metro, 18 were in urban, 3 semi urban & 29 rural branches. Aided partly by 811, your Bank saw fast-paced customer acquisition across all core banking products including savings and current accounts, term deposits, overdrafts and non-resident accounts. Your Bank has also set up 82 e-lobbies, and relocated 20 branches across metro and semi urban locations to give easier access and higher convenience to its customers.

Your Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience. Your Bank's investment in the phone based remote engagement through VRM (Virtual Relationship Model) yielded good results and your Bank has expanded this model to now serve over 0.8 million customers (across 10 languages) and provide them services across banking, deposit, lending and investment needs.

Your Bank has continued to take significant steps in the area of digital initiatives.

Your Bank continued to ramp up 811 acquisition numbers this year. Your Bank also increased its focus on cross selling to these customers using newer digital channel like Whatsapp & Web Notifications, while also driving Digital channel adoption & transactions to better engage with existing 811 customers.

Additionally, after the new regulations on Aadhaar-based account opening in October 2019, your Bank has quickly enabled its officers to acquire new customers using Aadhaar-based biometric acquisition. Now on a monthly basis, 30% of the customers (non 811) are acquired digitally using Biometric authentication.

In order to ensure that banking relationships are also at the start of asset relationships, your Bank has implemented a biometric process to open accounts for consumer durable finance customers.

The National Pension System (NPS) has started offering Your Bank's customers with online and paperless journey with e-signature for account opening. We have integrated with the NSDL website for this seamless journey.

Your Bank has also successfully enabled Applications Supported by Blocked Amount (ASBA) Application through United Payments Interface (UPI) mode both as an Issuer Bank and as a Sponsor Bank, thereby reducing the physical movement of Broker ASBA Applications.

Your Bank is taking aggressive steps to grow its presence in several large customer segments:

Your Bank's exclusive women-oriented Silk program entered into an alliances with Sheroes (a women-only social networking platform with over 14 million users) to extend banking services to their customer base. Your Bank holds live chats for the Sheroes fraternity where women from various walks of life can ask questions and clarify their financial concerns.

Your Bank, in the last quarter of Financial Year 2020, launched an exclusive Salary Account offering for PSU and Government bodies. This offering comes with exclusive features like Permanent & Partial Disability Cover and Education benefit. With this offering, your Bank intends to foray into this large salaried segment to increase its mark on salary business.

For its premium Salary offering, your Bank tied up with vHealth by Aetna (Indian Health Organization) and offered Family Health Care Benefits, like free Health Check-up, unlimited Tele-consultation with doctors and discounts on various Health care benefits.

In line with your Bank's overall strategy, the Non-Resident Indian Business has focused on enhancing customer experience through use of technology, across our banking products and platforms. As part of this endeavour, your Bank has gone live with 5 partners on Ripple, a distributed ledger based payment network facilitating seamless cross-border transactions. Additionally, your Bank on-boarded 11 new MSB (Money-transfer Service Business) relationships in the Financial Year 2019-20 to increase coverage across US, UK, Europe and Middle East.

Your Bank integrated its services with the Ministry of Corporate Affairs (MCA) and has enabled customers coming to MCA portal for registration of their companies to select and open a Current Account with the Bank, online from the MCA portal.

In the Retail Institutional Business, your Bank introduced a collection solution-based UPI & Quick Response (QR) code, so as to digitise payments for traditionally cash-based segments like religious institutions. This solution solves collection-related requirement of clients and shall help your Bank to acquire new customers in this segment.

Your Bank has actively taken part in various Financial Inclusion initiatives. Your Bank has partnered with multiple Corporate Business Correspondents, and operates with more than 300 customer service points across Chhattisgarh, Karnataka, Tamil Nadu, Andhra Pradesh & Telangana, offering banking services and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) payments to Beneficiaries. To enhance its reach and to build customer convenience, your Bank has successfully set up 145 Aadhaar Enrolment Centres in its branch premises and surpassed the transaction volume mandated by Unique Identification Authority of India (UIDAI). As a result of these efforts, your Bank has been recognized by UIDAI as the Best Performing Private Bank for conducting highest average daily transactions. Your Bank has been awarded, twice, by the Pension Fund Regulatory Authority of India (PFRDA) as the Best Performing Private Sector Bank for highest persistency of Atal Pension Yojana (APY) subscribers.

### **Commercial Banking**

Your Bank's Commercial Banking business focuses on meeting the banking and financial needs of various customer segments with deeper coverage that goes beyond metro and urban centers, through an expanding network of branches and associates. The business has specialized units which offer financial solutions in the areas of Commercial Vehicles, Construction Equipment, Tractor and Agriculture business. It services the priority sector by providing finance for Tractor, Crop loans, Small Enterprises and Allied agricultural activities, thereby helping your Bank meet its financial inclusion goal. In line with growing rural incomes, our Bank's Commercial Bank branches have experienced robust growth across product lines on savings as well as lending side.

The Tractor Finance businesses reported significant growth and gained market share, while the Commercial Vehicle (CV) and Construction Equipment Business witnessed a sharp drop in disbursements due to excess load carrying norms, proposed change to BS-VI norms & a reduction in infrastructure spending by the Government. Asset quality also deteriorated.

Your Bank's Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered good growth despite volatility and uncertainty in the commodities market. A Good monsoon and expectations of a bumper Rabi output supported the robust growth. Microfinance Institutions (MFI) segment growth remains robust and asset quality remains good.

Branches in semi-urban and rural areas come under the umbrella of the Commercial Bank. This network plays a crucial role in meeting your Bank's financial inclusion goals and the credit demand of 'Bharat'. The Commercial Bank's Branch network has expanded and the Liabilities book has grown at a healthy pace.

### **Corporate Banking**

Your Bank's Corporate Banking business caters to a wide range of corporate customer segments including major Indian corporates, conglomerates, financial institutions, public sector undertakings, multinational companies, small and medium enterprises and realty businesses.



This business offers a comprehensive portfolio of products and services to these customers including working capital finance, medium term finance, trade finance, foreign exchange services, other transaction banking services, custody services, debt capital markets and treasury services. The core focus of this business has been to acquire deepen existing relationships and acquire new quality customers on a consistent basis, delivering customized solutions through efficient technology platforms backed by high quality service. Your Bank also aims to secure value addition through the cross-selling of varied products and services.

Corporate Banking was subjected to a number of headwinds through the year including from a slowdown in the economy that was particularly visible in certain key segments such as auto & auto-ancillaries, telecom and real estate. Your Bank has a higher proportion of working capital and short term assets and these were impacted due to the slowdown. The slowdown was compounded by elevated risks in the industry due to high leverage across sectors. In the face of this uncertainty, your Bank was cautious in increasing its exposures and concentration risks. The result has been a muted growth in Assets for the year.

Your Bank has continued to focus on maintaining the health and profitability of the business. There is far more focus on ensuring right risk-return metrics and this has led to continued improvement in Asset spreads during the year. There has also been greater focus on increasing the liability side of our business and other non-risk income streams. Improved customer service and product innovations have helped us increase cross-sell and wallet share in non-credit businesses. Corporate deposits including Current Account and Savings Account (CASA) grew strongly, further reducing our cost of funds and improving our spreads. Income from other non-credit income streams including from Forex, Cash Management and other Transaction Banking products has also grown at a healthy rate. We have also focused on converting opportunities for syndication of loans. This year, we ramped up our income from debt syndication significantly including from high yield opportunities.

Robust risk management practices are in place and your Bank has achieved growth over the years without compromising the health of the book. This year too, despite increased stress in the industry, your Bank has been able to navigate the credit challenges without significantly increasing credit costs. Non Performing Assets (NPAs) have been reasonably controlled though recoveries were muted given the slowdown in the economy.

Across corporate segments, your Bank has been proactive in rebalancing its portfolios to reflect economic situations and reducing exposure to situations with heightened risk. Your Bank's focus on risk management has helped the business reduce its Risk Weighted Assets (RWA) as a percentage of assets over the past few years. The use of Risk Adjusted Return on Capital (RaRoC) pricing models has become ingrained in the way the Corporate Banking division conducts its business and has helped to optimize pricing, better utilize capital and improve return on equity. Economic Value Add (EVA) measurement tools have been implemented that help your Bank monitor the true risk adjusted value being derived from each client. These initiatives ensure greater focus on improving income mix in favour of non-capital intensive income streams.

Improved credit spreads, higher non-credit income streams and controlled credit costs have ensured that your Bank has been able to grow the profitability of the Corporate Banking business at a strong rate and maintain a healthy Return on Equity (RoE).

Your Bank continues to focus on strengthening its organization platform that positions the Corporate Bank in a strong position to capture opportunities in the market.

Your Bank has an integrated Corporate and Investment Banking (CIB) approach towards certain top conglomerates and large corporates. The CIB model has ramped up well and your Bank was awarded the 'Best Corporate & Investment Bank in India' by Asiamoney for the calendar year 2019, an award that the Bank has won for the third time in the last four years as a testimony to its capabilities.

The Custody business continues to grow both in terms of Assets under Custody (AUC) as well as new clients added during the year. Your bank continues to be one of India's largest local Custodians despite the volatility in listed markets in the last 6-12 months. We on-boarded a number of marquee Foreign Portfolio Investment (FPIs), Alternative Investment Fund (AIFs) and Portfolio Management Services (PMS) Clients during the year who started using our Custody, Clearing and Fund Accounting solutions. Your Bank also implemented a new Fund Accounting software during the year with minimal disruption to clients and we expect this to be a good driver of new business as we go forward.

Your Bank's dedicated Service Solutions vertical has helped ensure faster customer response and improve customer experience. This vertical is the single point of contact for all service related and documentation issues with personnel present across the country. While your Bank has been successful in significantly reducing Turn-Around-Time across various processes, it has also smoothly transitioned into its Business Continuity Planning (BCP) processes in the Covid-19 scenario and ensured business continuity. Additionally, to address challenges in this Covid-19 climate, the Bank has accelerated a number of its digital initiatives on e-signatures and e-stamping to enhance customer options and is focused on gradually moving the entire customer lifecycle to the electronic platform.

Your Bank continues to target productivity and efficiency improvements. There is greater focus on measuring and improving employee productivity including of its sales force through use of technology and digital tools. Given high focus in this area, costs have been kept well in control further improving profitability of the business.

Your Bank continues on its Digital journey to provide the best in class solutions and enhance its customers' experiences. During the year, we have updated our Core Trade Platform which has laid the foundation for an integrated trade portal, have built a comprehensive Quickcheck platform to automate all types of recurring payments through error-free real time mandate registration, have built an Application Program Interface (API) based instant and end to end automated e-collections solution, have implemented the United Payments Interface (UPI) 2.0 recurring mandate solution and have partnered with FinTechs to provide API and Digital payment solutions. During this digital journey, your Bank has become the leading bank in Bharat Bill Payments System (BBPS), has built the Best in class Corporate Mobility Portal for providing on

the go approvals and has been recognized as the Best Cash Management Bank by Asia Money and The Asian Banker. As part of our digital journey, we are also upgrading our Cash Management Services (CMS) platform to enhance efficiency and experience, focusing on API based solutions and its use across our partners and customers and building a Loan Management and an Escrow Management solution to digitize the entire transaction process including the documentation process. Furthermore, we have also provided Best in Class Structured solutions to various state and central governments, including our all in one and modular electronic fund flow application for National Health Mission, Rajasthan.

**Wealth Management**

Wealth Management, your Bank's private banking arm, caters to a number of distinguished Indian families and is one of the oldest and the most respected Indian wealth management firms, managing wealth for 50% of India's top 100 families (Source: Forbes India Rich List 2019), with customers range from entrepreneurs to business families and professionals.

Your Bank provides an open architecture proposition to its customers, offering both proprietary and external wealth products. This business has a strong distribution capability for private clients through distribution/referral model across equities, fixed income & alternates across High Networth Individual (HNI) investors. In addition to comprehensive financial solutions, the family office service provides a strategic consolidated view on the client's overall portfolio across multiple advisors, in addition to comprehensive financial solutions that go beyond investments. These include value added services such as assistance with investment structuring, banking and credit, consolidated reporting, referral for philanthropy services and concierge services. The trusteeship services offers estate planning services helping clients with succession planning activities through creation of private trusts. With an in-depth understanding of client requirements and expertise across various asset classes, this business offers the widest range of financial solutions through transaction-based investment approach. As per the Reserve Bank of India guidelines, advisory activities that were being offered out of your Bank are now offered out of Kotak Investment Advisors Limited, a subsidiary of your Bank with effect from 20<sup>th</sup> April, 2019.

In addition, your Bank has also built a large Priority Banking business, assisting mass affluent customers with products and solutions developed to meet their financial requirements. The total relationship value across your Bank's Wealth & Priority offerings is INR 306k crore (as of December 2019) across 4,400 families.

In 2019, Kotak Wealth Management has been consistently featured as the Best Private Bank, India across multiple Global and Domestic Surveys. Some of the recent accolades include:

- Best Private Bank, India by Euromoney Private Banking and Wealth Management Survey- 2019 and 2018
- Best Private Bank, Domestic by Asian Private Banker 2018
- Best Wealth Management Firm, India by Asian Private Banker's Indian 2018 AUM League table
- Best Performing Private Bank by The PWM Global Private Banking Awards 2018

**International Business**

**o GIFT City Branch:**

The GIFT City Branch, an International Financial Services Centre Banking Unit of your Bank, facilitates your Bank's participation in syndication of overseas loans, lending to clients in international markets and providing External Commercial Borrowing to eligible Indian corporates. Your Bank also undertakes client forex and derivative transactions to help offshore clients with management of interest rate and currency risks, in addition to investments in offshore bonds.

**o DIFC Branch:**

Your Bank successfully obtained license approvals from the Dubai Financial Services Authority [DFSA] and inaugurated its first overseas branch at Dubai International Financial Centre [DIFC], Dubai in October, 2019. With this, the Bank complemented its ability to advise and arrange global investment products, provide loans and accept deposits from its overseas wealth & private banking customers that qualify under the Professional client criteria of the DFSA.

**Asset Reconstruction**

The Resolutions of several large accounts got seriously impacted due to slow down in the economy even before the Covid 19 crisis. It further exacerbated by the large unresolved piling of cases in various judicial forums like Debt Recovery Tribunals (DRT's), Debt Recovery Appellate Tribunal (DRAT), High Courts, including National Company Law Tribunal (NCLT) proceedings under Insolvency and Bankruptcy Code (IBC).

Crucial recoveries expected in the month of March has been delayed because of the lockdown due to spread of Corona Virus.

The situation looks grim at the moment. The Reserve Bank of India has offered six months moratorium to all the standard borrowers which will give some breather to the borrowers to handle the financial crisis.

Your Bank will however monitor the resolution impact of Covid situation very closely and diligently, spare no efforts to resolve the stress and bad accounts with empathy and compassion.

We expect a lot of opportunities to present in the acquisition side, of the stressed loans which your Bank will look at very closely and if the prices offered are reasonable and attractive, we shall be open to acquire several of them.





## Treasury

Your Bank's Treasury actively contributes to your Bank by way of:

- o Balance Sheet Management: The Balance Sheet Management Unit (BMU) ensures maintenance of regulatory reserves and adequate liquidity buffers and requisite investments. The BMU also manages Interest Rate & Liquidity risk within the overall risk appetite of the Bank.
- o Proprietary Trading: The proprietary trading desks actively trade in products such as Fixed Income, Money Markets, Derivatives, Foreign Exchange and Equity. The Primary Dealer Desk – a part of the proprietary Trading desk, actively participates in primary auctions of government securities, makes market in government securities and engages in retailing of government securities.
- o Customer Transactions: The Customer-facing desks at the Treasury assist and manage customer transactions across Foreign Exchange, Derivatives and Bullion products.
- o Forex & Derivatives: Facilitating customer access to foreign currency markets through cash & derivatives products for remittances, trade transactions and for managing foreign exchange and interest rate risks.
- o Bullion: The Bullion desk provides efficient working capital solutions to domestic Jewellery manufacturers as per the prescribed rules of Reserve Bank of India. Under License from the Reserve Bank of India, your Bank also imports gold and silver to meet the needs of customers.

Further details of the principle business units of your Bank and their performance are available in the Management's Discussion and Analysis Report.

## Response to Covid

The outbreak of COVID-19 has had and continues to have a material impact on the global and Indian economy, the financial services sector and our business. We summarise below the significant areas where we have seen an impact of COVID-19 on our business and your Bank's approach on these areas going forward:

- *Operations and business continuity:* Your Bank has taken a number of steps at various levels to enable supervision and support of its employees who are working from home. IT and HR teams of your Bank have worked to move many employee systems to internet-first and mobile-first platforms, ensuring seamless access from home in several areas of operations. While the focus so far had been to protect the health and ensure the safety of employees, while ensuring minimum disruption to regular banking operations, your Bank will continue to improve productivity monitoring as an ongoing process as 'work from home' continues. To enhance the quality of customer interactions and to enable increased personalization, your Bank has upgraded to a new customer relationship management tool which has enabled the relationship teams to reach out and service clients in the current situation, thus facilitating banking from home.
- *The moratorium:* Until April 30, 2020, at the account level, 26.2% by value of borrowers of your Bank (as of March 1, 2020, i.e., the reference date for applicability of the moratorium) had availed the moratorium prescribed by the RBI. The accounts which benefit from the moratorium period are not classified as NPAs if the accounts have any instalments/ interest that fall overdue during the moratorium period. However, lenders are required to make general provisions in respect of accounts which were in default on March 1, 2020 and the benefit of the Moratorium Period has been availed. For fiscal year 2020, your Bank recognised a general provision for COVID-19 deferment cases amounting to ₹ 6,500 million, which is higher than the minimum levels required by the RBI. If your Bank had not considered the standstill clause on accounts granted moratorium, Gross Non Performing Assets (GNPA) of your Bank as of March 31, 2020 would have been higher by approximately ₹ 6,600 million. Further, on May 22, 2020, the RBI has further permitted the extension of the moratorium period by another three months to August 31, 2020. The impact of this circular is difficult to ascertain, as your Bank may permit more customers to avail the moratorium beyond May 31, 2020, which may require your Bank to make higher provisions and impact overall profitability and growth. Your Bank may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact asset quality and profitability of your Bank in future periods.
- *Collections:* The lockdown and social distancing measures have restrained the ability of collections team of your Bank to go out in the field, which may impact recovery of dues. However, your Bank is calling its customers using traditional tele-calling setups. Further, with the focus on customer convenience, your Bank has activated additional digital channels for payments, and are sending payment links to customers with pre-filled data, making it convenient for the customers to make payment. Your Bank continues to have 'awareness calls' with its customers to inform them of the terms of the moratorium. Post the completion of the moratorium period, your Bank aims to proactively focus on collections.
- *Cost reduction measures and investments in technology:* Your Bank has implemented and is looking to implement cost reduction measures such as reduction in employee pay and re-negotiation of branch rentals. Going forward, as working from home, flexible hours and flexible location become commonplace, there will be a requirement to make upfront investment in infrastructure and technology, but at the same time, there will be an opportunity to achieve savings in rental and travel costs.
- *Advances and credit policy:* Your Bank has tightened credit policy across customer segments. Some of the key elements of revised credit policy of your Bank are as follows:
  - o *Corporates:* Your Bank is continuously reviewing exposures, disbursements, sanctions given and not yet availed on a case-by-case basis. Further, for fresh sanctions, your Bank expects to focus on corporates with high credit rating, low leverage, low fixed cost and industries where the impact of COVID-19 is not likely to be as severe.

- o *SME customers:* For many of these companies, your Bank is the sole bank and we aim to continue to support such companies, subject to acceptable levels of risk. Further, in terms of new SME customers, your Bank will look at customers that have no/low leverage, low fixed cost operating models and can provide good collateral.
- o *Retail customers:* For secured customers, your Bank may provide additional funding to its existing customers subject to acceptable levels of risk. Further, as the situation is evolving, your Bank is working on alternative risk models for different products and location. For unsecured customers, your Bank plans to continue to increase its sourcing from internal customers and customers employed by leading corporates.

**Stress testing:** Your Bank has carried out specific stress testing to gauge the impact of COVID-19 in various stress scenarios. Your Bank is actively monitoring economic developments by performing sensitivity analysis on its loan portfolio and will take precautionary actions accordingly, such as exposure management and proactive restructuring.

Your Bank has made a provision towards advances of ₹650 crore at the standalone bank level and ₹714 crore at the group level on account of COVID-19.

In the middle of the unprecedented lockdown due to the Covid-19 situation, your Bank helped its Corporates customers to open salary accounts for their new joinees using Digital 811 accounts. This helped new joinees across corporates to open their accounts and get their salary credited without delays.

In order to support the country during the ongoing pandemic, your Bank has enabled online donations to the "PM Cares fund" and State Chief Ministers' funds through Click2Remit online remittance platform.

## Human Resources

The past financial year saw the HR department of your bank implement various initiatives to transform the HR Processes and various employee touchpoints. From making great strides in engaging with employees, numerous health and wellness drives, to centralizing various HR Processes for bringing in aligning employee experience, driving more and more processes through employee and manager self-service, there have been a quiet few measures taken to enhance the experience of employees.

## Key HR Initiatives

Engagement is key for employee retention and growth. Which is why, your bank remains heavily invested in manager-led programs and theme-based regional initiatives like Leadership Connect/Town Hall, Webcast, Meet 5 for building manager connect and skip level and also strengthen the platform for top down communication at the same time create listening opportunity for voice of employees. As they say it takes 21 days to build a habit, your bank had rolled out the plan for manager led engagement through #21DayChallenge.

Employees are the greatest assets, and their well-being directly translates to your Bank's well-being. Keeping this in mind, your Bank has championed Health and Wellness drives with the initiative, #HumFitKotakHit. This initiative has been pivotal in ensuring your Bank remains a positive and healthy workspace at all times. Various health and wellness related initiatives were launch through online and onsite interactions.

Building diverse & inclusive culture has been a focus for your Bank over few years. To honor the peerless efforts of the women, your Bank revisited its D&I journey by renewing its format. Your Bank has formed the council that consists of leaders from various segments of the Bank and Shanti Ekambaram – Group President – Consumer Bank leads it. Council has been instrumental in launching short term and long-term plan for building gender diverse workforce at various levels of the Bank.

Your Bank values digitization, automation and self-service for employees and managers above all else. Especially, during times when working from outside the workspace is the only option, your Bank continues to drive more and more employee and manager self-service to enhance accessibility of key functions for employees and managers like push for mobile/cloud based solutions for all employee touch points. Your Bank has also enhanced. To increase efficiency, automation and centralisation, your Bank has transitioned HR operations and many more processes to shared service. Your Bank has also started the journey through Robotics process automation / Robot for HR Processes.

Talent identification and building leadership pipeline has been one of the key focus of your Bank during the year. The talent management framework has been revamped and a rigorous talent review process has been implemented at the senior level to ensure talent classification and succession planning.

Your Bank focused on strengthening the capabilities in digital, machine learning, analytics and new age technology. While focus on talent acquisition had been on frontline roles and building capabilities for internal talent movement continued to be key agenda for your Bank.

Learning is key for growth. Keeping this in mind at all times, your Bank has spearheaded clearing Digital Blur, various People-Manager programs for functional and behavioural skill building at all levels. Increased focus on e-learning for delivering programs at various stages of employee lifecycle has been the focus of your Bank.

The end of the financial year witnessed the COVID-19 outbreak. Your Bank pulled out all the stops and bulked up preparedness for the BCP by rolling out plans for moving teams to work from home, ensuring essential staff and essential services operational in branch and back offices, creating awareness, communicating DOs and DON'Ts to the employees.



## Technology & Digitization

Digital strategy of your Bank focuses on (i) acquiring customers, (ii) enhancing customer experience, (iii) making internal business operations more efficient, and (iv) enhancing cyber security and data protection framework. The strategy is supported by core pillars which include ease of use, scalability, cost effectiveness and increased agility.

Your Bank has effectively leveraged technology this year to deliver enhanced customer experience, business efficiency, business collaborations and cybersecurity.

Our mobile banking app continues to be one of the highest, both on iOS (Apple Appstore) apps (rating of 4.8 / 5) and Android (4.3 / 5). Your Bank has made a number of improvements to the customer experience of the app, making it more user friendly. We have added new sections including Billpay, Loan & Insurance, as well as new features like Forex cards, Premature withdrawal of Fixed Deposit, Payday loan, Fastag, Insurance, Ola, UPI 2.0, Image credit card etc. Your Bank also launched innovative features like 'SIRI' and "Google Assistant" option for fetching account balance using voice commands.

Your Bank scaled newer channels including the Keya Chatbot and WhatsApp Banking to start making business impact and become mainstream digital channels by handling more products and services.

Keya Chatbot uses a conversational banking approach and Natural Language Processing (NLP) to interact with customers and is enabled on all digital channels, viz. Mobile App, website (www.kotak.com) and Net Banking. Keya Chatbot is able to handle queries about a variety of products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment, NPS, Fixed Deposits, Home Loan and Personal Loan. It handles customer requests such as online tracking of packages, switching cards on and off, and paying credit card bills, and also allows customer to explore and apply for new products such as credit card, personal loan, debit card.

WhatsApp has become an important channel for your Bank to communicate with customers on matters like welcome kits. Your Bank is building more such journeys for customers to receive important information as well as to perform additional service requests. Your Bank has been one of the first Indian banks to offer banking services on WhatsApp which allows customers access banking services without installing any app or visiting any webpages.

Your Bank enhanced its Net Banking experience with features such as Deliverables tracking using Keya Chatbot, Re-KYC update for low risk customers and option to authenticate using Kotak Mobile Banking App instead of OTP (One Time Password) while logging into Net Banking.

Your Bank is the first Bank in the entire ecosystem to launch the new National Payments Corporation of India (NPCI) eMandate API method as part of the Electronic National Automated Clearing House (eNACH) product as both a Destination Bank as well as a Sponsor Bank. This allows for both consumers and corporates associated with Kotak to have a seamless experience in creating and approving recurring payment collection requests via the NPCI eMandate platform.

Your Bank is also the leading Bank on the Bharat Bill Payment System to acquire Billers onto the platform as a Biller Operating Unit. On the digital consumer payments, your Bank continues to serve customers with seamless in-channel payment experiences via Fund Transfers and Bill Payments/Recharges which are the primary transacting channels for most Bank consumers.

Your Bank introduced new digital payment methods including UPI 2.0, allowing customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI.

Within KayMall (In-app commerce platform), your Bank is one of the first Banks to launch a direct integration with OLA Cabs allowing Bank customers to seamlessly book travel via Cabs in addition to Trains, Flights and Buses.

For the third consecutive year, your Bank has overachieved targets set by Ministry of Electronics & Information Technology (MeitY) for FY 2019-20 on Digital Payments transactions, with approximately 107% of target achievement.

Your Bank has also started collaboration with large external digital platforms to develop a new channel for instant loan disbursals for its existing customers. One such collaboration has been done with Google i.e Google Pay, where customers can avail pre-approved Personal loans by using the Google Pay platform. These loans are instantly credited to customers' Kotak Bank accounts.

In order to serve salaried customer segment of the Bank, your Bank launched a new product: "Kotak PayDay Loans", which offer short-term, single instalment loans to customers. Customers can avail loans instantly during the month by using digital channels. Repayment of the loan is basis the date on which customers receive their salary.

Your Bank suspended biometric-based savings account opening following the APEX court ruling last year. However, after revision of UIDAI guidelines for biometric savings account in August 2019, your Bank reintroduced biometric-based account opening for Savings and Corporate Salary accounts.

Revised Prevention of Money Laundering Act (PMLA) guidelines required your Bank to change its account opening journey in November 2019. Besides the branch and sales channels, other sales units of the bank like the Group Relation (GR) team, Consumer Durable group, Housing Loan and Personal Loan users were enabled for this mode of sourcing. Your Bank plans to introduce self on-boarding for corporate salary customers soon.



Your Bank relaunched a number of its digital initiatives this year, basis the revised guidelines on Aadhaar. Project Velocity, which aimed at servicing through biometric means, was a hit with customers and branches with a high Net Promoter Score (NPS) of 86+ till March. It was awarded at the CII DX Summit & Awards for Best Practice in Customer Experience. In addition, your Bank has enabled debit card, cheque book, PINS tracking on Keya chatbot with a massive 4 lakh requests monthly average. Robotics Process Automation has helped process 4 lakh+ service requests in FY 2019-20.

Your Bank's Kotak Innovation Lab based out of Bangalore has been awarded Best Innovation Centre by The Asian Banker.

Your Bank's Open Banking platform has enabled 100+ partnership across different lending and payments product since its incubation. The Kotak Mahindra API Store has been declared as a RUNNER-UP in Infosys Finacle Client Innovation Awards for 2019.

Apart from above, your Bank's technology direction has been formulated to address six areas of strategic importance viz. Platform Building, Modernization and Refresh of Legacy, Analytics and Reporting, Cyber Security & Regulatory, Technology Operations Automation and Adoption of Emerging Technologies.

Your Bank has initiated specific initiatives in each of the areas to ensure that productivity, efficiency and customer experience improve significantly and in an ongoing manner. Your Bank has invested in leveraging Cloud, DevOps, Big Data, Face Recognition etc., and in modernizing its Core Banking, Credit Card Platform, Retail Assets and Treasury systems.

Cyber Security and Fraud Detection is a continuous evolving space. Your Bank invests significantly in technologies to be at the forefront to prevent, detect and act in situations arising from it.

## SUBSIDIARIES & ASSOCIATES

As at 31<sup>st</sup> March, 2020, your Bank has nineteen (19) subsidiaries as listed below:

### Domestic Subsidiaries

Kotak Mahindra Prime Limited

Kotak Mahindra Investments Limited

Kotak Securities Limited

Kotak Mahindra Capital Company Limited

Kotak Mahindra Life Insurance Company Limited

Kotak Mahindra General Insurance Company Limited

Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Trustee Company Limited

Kotak Mahindra Pension Fund Limited

Kotak Investment Advisors Limited

Kotak Mahindra Trusteeship Services Limited

Kotak Infrastructure Debt Fund Limited

IVY Product Intermediaries Limited

BSS Microfinance Limited

### International Subsidiaries

Kotak Mahindra (UK) Limited

Kotak Mahindra (International) Limited

Kotak Mahindra Inc.

Kotak Mahindra Financial Services Limited

Kotak Mahindra Asset Management (Singapore) Pte. Limited

The key business segments where the subsidiaries operate include investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance.

Kotak Mahindra Life Insurance Company Limited (KLI) has recorded a growth of 28.4% on the gross written premium, mainly coming from Individual renewal premium and Group business. KLI has solvency ratio of 2.90 against a regulatory requirement of 1.50.





In FY 2020, the Indian Equity Capital Markets witnessed a revival in primary market activity from the previous fiscal year. The uptick in activity in the market during FY 2020 could largely be attributed to a number of factors, including deals in the stressed asset situations, increasing investment activity by financial investors including private equity. Accordingly, Kotak Securities Limited and Kotak Mahindra Capital Company Limited reported higher profits compared to previous year.

The growth in the mutual funds industry continued during the year. The industry registered a growth of 10.4% YOY in Q4FY20 over Q4FY19 with the Quarterly Average Assets under Management (QAAUM) for Q4FY20 at ₹27.0 lakh crore. During the same period, on the basis of percentage growth in QAAUM, Kotak Mahindra Asset Management Company Limited (KMAMC) was amongst the fourth fastest growing Mutual Fund House. KMAMC is now the 6<sup>th</sup> largest Fund House in the country in terms of QAAUM as on 31<sup>st</sup> March, 2020 and its market Share in QAAUM has grown to 6.9% in Q4FY20 from 6.1% in Q4FY19 and 5.0%, 3 years back.

The key regulatory changes for Asset Management Company (AMC) business during the year was the rationalization of the scheme Total Expense Ratio's (TER's). Also with effect from October 2018, all scheme related expenses had to be paid from schemes and not from AMC, which was to be factored in pricing of direct plans. Further, no upfront commissions could be paid.

The passenger car market in India degrew by 17.4% for FY 2020 compared to 2.8% growth in FY 2019. Further, due to the change in regulations, there was a decrease in the loan book of our NBFC subsidiaries. In accordance with RBI guidelines, Kotak Mahindra Prime Limited and Kotak Mahindra Investments Limited made a general provision of ₹50 crore and ₹14 crore respectively, relating to COVID-19 in FY2020. The above factors have impacted the profits of these companies.

The Bank and most of its subsidiaries have elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 introduced by the Taxation Laws (Amendment) Act, 2019, during the fiscal year 2020, resulting in lower tax expense during FY 2020.

The Group has reduced its stake in ECA Trading Services Limited, an Associate company, from 40% to 20% on 18<sup>th</sup> March, 2020.

The various activities of the subsidiaries and the performance and financial position of the subsidiaries and associates are outlined in the Management Discussion and Analysis section appended to this Report.

The Bank's Policy for determining material subsidiaries is available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html> in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. KLI is a material subsidiary of the Bank.

As at 31<sup>st</sup> March, 2020, your Bank has the following three (3) Associate companies:

Infina Finance Private Limited

Phoenix ARC Private Limited

ECA Trading Services Limited

(previously known as ACE Derivatives & Commodity Exchange Limited)

The Annual Report consists of the financial statements of your Bank on standalone basis as well as consolidated financial statements of the group for the year ended 31<sup>st</sup> March, 2020, Report of Board of Directors, Auditor's report or other documents required to be attached therewith. The financial statements of the subsidiaries used for consolidation of the Bank's consolidated financial results are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read with relevant notifications. In accordance with, the General Circular No. 20/2020 dated 5<sup>th</sup> May, 2020 issued by Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12<sup>th</sup> May, 2020 issued by the Securities and Exchange Board of India (SEBI) in view of the prevailing situation, owing to the difficulties involved in dispatching of physical copies of the Annual Report and the Notice convening the Annual General Meeting (AGM), the weblink of the same is being sent in electronic mode only to Members whose e-mail address is registered with the Bank or the Depository Participant(s). Those Members, whose email address is not registered with the Bank or with their respective Depository Participant(s), and who wish to receive the Notice of the AGM and the Annual Report for the year ended 31<sup>st</sup> March 2020, can get their email address registered by following the steps as detailed in the Notice convening the AGM. The full Annual Report (including the Annual Reports of all the subsidiaries) will be available on your Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>.

**EMPLOYEE STOCK OPTION & STOCK APPRECIATION RIGHTS SCHEMES**

The stock options and the stock appreciation rights granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

- Kotak Mahindra Equity Option Scheme 2015
- Kotak Mahindra Stock Appreciation Rights Scheme 2015

The disclosures requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP & SARs Schemes, in respect of the year ended 31<sup>st</sup> March, 2020, are disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

## PROMOTER STAKE DILUTION MATTER

In August 2018, your Bank completed an issuance of Perpetual Non-Convertible Preference Shares (PNCPS) resulting in dilution of promoter stake to 19.70% of the paid-up capital of the Bank. However, the Reserve Bank of India (RBI) communicated to the Bank that the PNCPS issuance did not meet their promoter dilution requirement. The Bank filed a writ petition before the Hon'ble Bombay High Court to validate its position.

In January 2020, basis a proposal submitted by the Bank, and accepted by the RBI, the RBI conveyed its in-principle approval of the following revised terms in relation to the dilution of promoter shareholding:

1. Promoters' voting rights in the Bank to be capped to 20% of paid-up voting equity share capital (PUVESC) until March 31, 2020.
2. Promoters' voting rights in the Bank to be capped to 15% of PUVESC from April 1, 2020.
3. Promoters' shareholding in the Bank to be reduced to 26% of PUVESC of the Bank within 6 months from the date of final approval of RBI.
4. Promoters will not thereafter purchase any further paid up voting equity shares of the Bank till the percentage of promoters' shareholding reaches 15% of PUVESC of the Bank or such higher percentage as may be permitted by RBI from time to time.
5. Promoters' will be entitled to purchase paid up voting equity shares of the Bank up to 15% of the PUVESC of the Bank or such higher percentage as may be permitted in the future and exercise voting rights on such shares.

On this basis, the writ petition filed by the Bank was withdrawn, and thereafter, on February 18, 2020, the RBI accorded its final approval to the above. Post the Qualified Institutions Placement in May 2020 and subsequent sale of shares by promoters in secondary market, the shareholding of the promoters in the Bank has reduced. The requirement of 26% of PUVESC will be achieved within the time period stipulated by the RBI.

## CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations), a separate section entitled 'Report on Corporate Governance' has been included in this Annual Report. The Report of Corporate Governance also contains certain disclosures required under the Companies Act, 2013, including the details of the board meetings held during the year ended 31<sup>st</sup> March 2020. A Business Responsibility Report containing the requisite details under Regulation 34 of the SEBI LODR Regulations is disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

## DIRECTORS & KEY MANAGERIAL PERSONNEL

### Directors retiring by rotation

Mr. Dipak Gupta (DIN 00004771) retires by rotation at the Thirty Fifth Annual General Meeting (AGM) of the Bank and is eligible for re-appointment, subject to approval of the Reserve Bank of India.

### Appointment/Re-appointment of Directors

The Board of Directors of the Bank had recommended appointment of Mr. K.V.S. Manian (DIN 00031794) & Mr. Gaurang Shah (DIN 00016660) as Whole-time Directors of the Bank for a period of three years with effect from the date of approval of the Reserve Bank of India and subject to necessary approval from the shareholders. Subsequently, the shareholders at the Annual General Meeting held on 22<sup>nd</sup> July 2019 had also approved the same. Further, Reserve Bank of India has granted its approval for appointment of Mr. K.V.S. Manian and Mr. Gaurang Shah as Whole-time Directors of the Bank for a period of three years. Accordingly, Mr. Manian and Mr. Shah took charge as Whole-time Directors of the Bank with effect from 1<sup>st</sup> November 2019.

Further, the Board of Directors of the Bank at its meeting held on 13<sup>th</sup> May 2020, based on the recommendation of the Nomination and Remuneration Committee (NRC) and performance evaluation, as applicable, have approved the following, subject to the approval of the shareholders and the Reserve Bank of India:

1. Re-appointment of Mr. Uday Kotak as the Managing Director & CEO for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.
2. Re-appointment of Mr. Dipak Gupta as Whole-time Director of the Bank designated as Joint Managing Director for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.
3. Re-appointment of Mr. Prakash Apte as the part-time Chairman of the Bank for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.

The approval of the shareholders in this regard is being sought at the ensuing AGM of the Bank. The details of the Directors being re-appointed are set out in the Notice of the ensuing AGM of the Bank.

### Declaration from Independent Directors

The Board has received declarations from the Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that the Independent Directors meet the criteria of independence and fulfil the conditions as mentioned in Section 149(6) of the Companies Act, 2013 and are independent of the management. All the Independent Directors of the Bank have complied with the provisions of sub rule (1) and (2) of rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.



### Board Evaluation

The Nomination and Remuneration Committee (NRC) of the Bank's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole which broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style. The performance of the Committees of the Board is evaluated on the criteria viz. composition & quality, process & procedure and the terms of reference.

The NRC of the Bank's Board engaged an external professional services firm to facilitate the self-evaluation process of the Board, its committees, Chairman and individual directors.

A Board effectiveness assessment questionnaire designed for the performance evaluation of the Board, its Committees, Chairman and individual directors (including Independent directors) in accordance with the criteria set and covering various aspects of performance including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness was circulated to all the directors of the Bank for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, the Chairman and the individual directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors. The Directors noted that the results of the performance evaluation of the Board & its Committees, Chairman and individual directors indicated a high degree of satisfaction amongst the directors. Some of the suggestions this year for improving the performance of the Board & Committees were mapping of potential impact of changes in macroeconomic factors, product development with customer centric lens and improvement in area of customer service.

### Key Managerial Personnel (KMPs)

The following officials of the Bank are the "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013:

- Mr. Uday Kotak, Managing Director & CEO
- Mr. Dipak Gupta, Joint Managing Director
- Mr. K.V.S. Manian, Whole-time Director (with effect from 1<sup>st</sup> November 2020)
- Mr. Gaurang Shah, Whole-time Director (with effect from 1<sup>st</sup> November 2020)
- Mr. Jaimin Bhatt, President & Group Chief Financial Officer
- Ms. Bina Chandarana, Company Secretary

### Appointment & Remuneration of Directors & KMPs

The appointment and remuneration of Directors of the Bank is governed by the provisions of Section 35B of the Banking Regulation Act, 1949. The Nomination & Remuneration Committee (NRC) of the Bank's Board has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it recommends to the Board the appointment of Directors and Senior Management personnel.

The NRC reviews the range of skills, experience and expertise on the Board and identify its needs. After a detailed search, a master list of candidates is prepared. The NRC then shortlists the candidates from the master list based on the selection criteria viz. qualifications, knowledge, experience, skills, expertise, fit & proper status, positive attributes as per the suitability of the role, independent status and various regulatory/statutory requirements as may be required of the candidate. After detailed discussions and deliberations NRC recommends the candidate to the Board.

The Reserve Bank of India ('RBI') vide its circular no.DBOD.No.BC.72/29.67.001/2011-12 dated 13<sup>th</sup> January 2012 has issued the Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Other Risk Takers of Private Sector Banks on Compensation Policy which inter alia cover the following:

- Proper balance between fixed pay and variable pay;
- Variable pay not to exceed 70% (Seventy Per Cent) of the fixed pay in a year;

In accordance with the aforesaid RBI Circular, the Board of the Bank has adopted a Compensation Policy for its Whole-time Directors, Chief Executive Officer of the Bank and other employees which includes issue of stock appreciation rights as a form of variable pay, linked to the Bank's stock price, payable over a period of time. The salient features of the Compensation Policy are as follows:

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Bank. Employees classified into 3 groups:
  - o Whole-time Directors/Chief Executive Officer

- o Risk Control and Compliance Staff
- o Other categories of Staff
- Compensation structure broadly divided into Fixed, Variable and ESOPs
  - o Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
  - o Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes
    - Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
  - o ESOPs – Granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.
- Ensuring no personal hedging strategies by employees which undermine risk alignment effects as part of their remuneration.

The details of the remuneration paid to the Non-Executive Chairman, Executive and Non-Executive Directors of the Bank for the year ended 31<sup>st</sup> March, 2020 is provided in the Corporate Governance Report annexed to this Report.

The Non-Executive Chairman of the Bank receives a fixed amount of remuneration as recommended by the Board and approved by the shareholders of the Bank and RBI, from time to time. He also receives remuneration by way of sitting fees for attending meetings of the Board or Committees thereof.

RBI vide its circular no. DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 has issued guidelines on payment of compensation to the Non-Executive Directors (NEDs) of private sector banks which inter-alia specifies the following:

- The Board of Directors of the Bank (in consultation with the NRC) needs to formulate and adopt a comprehensive compensation policy for NEDs (other than part-time non-executive Chairman).
- Maximum amount of profit related commission not to exceed ₹ 10 lakh per annum for each director of the Bank.

Accordingly, in line with the aforesaid RBI circular and pursuant to the relevant provisions of the Companies Act, 2013, the Board of the Bank has adopted a compensation policy for the NEDs (excluding the part-time Non-Executive Chairman). The salient features of the Compensation Policy are as follows:

- Compensation structure broadly divided into:
  - o Sitting fees
  - o Re-imbusement of expenses
  - o Commission (profit based)
- Amount of sitting fees and commission to be decided by the Board from time to time, subject to the regulatory limits.
- Overall cap on commission for each director ₹ 10 lakh per annum.
- NEDs not eligible for any stock options of the Bank.

Remuneration paid to the KMPs is in line with the Compensation Policy of the Bank which is based on the RBI Guidelines.

**Disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

**1. Ratio of the remuneration of each director to the median remuneration of the employees for the financial year:**

Directors	Title	Ratio
Mr. Prakash Apte	Non-Executive Chairman	4.02x
Mr. Uday Kotak	Managing Director & CEO	42.68x
Mr. Dipak Gupta	Joint Managing Director	42.53x
Mr. K.V.S. Manian*	Whole-time Director	44.63x
Mr. Gaurang Shah*	Whole-time Director	44.79x

\* Refer Note 3





**2. Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:**

Directors/KMP	Title	% increase in remuneration	% increase in remuneration excluding SARs
Mr. Prakash Apte	Non-Executive Chairman	-	-
Mr. Uday Kotak#	Managing Director & CEO	-18.26	-18.26
Mr. Dipak Gupta#	Joint Managing Director	-18.31	-18.31
Mr. K.V.S. Manian*	Whole-time Director	5.70	4.85
Mr. Gaurang Shah*	Whole-time Director	9.66	4.80
Mr. Jaimin Bhatt	Group CFO	7.51	8.69
Ms. Bina Chandarana	Company Secretary	6.83	8.80

\* Refer Note 3

# Refer Note 5

**3. Percentage increase in the median remuneration of employees in the financial year:**

For employees other than managerial personnel who were in employment for the whole of FY 2018-19 and FY 2019-20 increase in the median remuneration is 11.97%.

**4. Number of permanent employees on the rolls of Bank at the end of the year: 50,034**

**5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

For employees other than managerial personnel who were in employment for the whole of FY 2018-19 and FY 2019-20 the average increase is 11.97% and 11.70% excluding SARs.

Average increase for managerial personnel is 0.34% and -2.31% excluding SARs.

**6. Affirmation that the remuneration is as per the remuneration policy of the Bank:**

The Bank is in compliance with its Compensation Policy.

**Notes:**

- 1) Remuneration includes Fixed pay + Variable paid during the year + perquisite value as calculated under the Income Tax Act, 1961. Remuneration does not include value of Stock Options.
- 2) Stock Appreciation Rights (SARs) are awarded as variable pay. These are settled in cash and are linked to the average market price/closing market price of the Bank's stock on specified value dates. Cash paid out during the year is included for the purposes of remuneration.
- 3) Pursuant to the approval of the Reserve Bank of India, Mr. Manian and Mr. Shah took charge as Whole-time Directors of the Bank with effect from 1<sup>st</sup> November 2019.
- 4) The Non-Executive Directors of the Bank, other than the Non-Executive Chairman receive remuneration in the form of sitting fees for attending the Board/ Committee meetings and in the form of an annual profit based commission. The Non-Executive Chairman gets sitting fees for attending meetings and gets a remuneration approved by the shareholders and the Reserve Bank of India.
- 5) Remuneration for Mr. Uday Kotak and Mr. Dipak Gupta does not include variable pay for the year ended 31<sup>st</sup> March 2019, which is pending approval of the Reserve Bank of India.

**SECRETARIAL AUDITOR**

Pursuant to Section 204 of the Companies Act, 2013 ('Act'), your Bank has appointed Parikh & Associates, Company Secretaries, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2020 as required under Section 204 of the Act and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to this Report. Your Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for FY 2019-2020.

Kotak Mahindra Life Insurance Company Limited ('KLI'), the Bank's material unlisted subsidiary has got its secretarial audit done and there are no reservations or adverse remarks or disclaimers made in the Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2020. The Secretarial Audit Report of KLI is annexed to this Report.

**ANNUAL RETURN**

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank as on 31<sup>st</sup> March, 2020 once prepared shall be disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

An extract of the Annual Return as on 31<sup>st</sup> March, 2020 in Form MGT-9 is annexed to this Report.

**DEPOSITS**

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

**AUDITORS**

In terms of Section 139 of the Companies Act, 2013, Messrs Walker Chandio & Co. LLP, Chartered Accountants (Registration No. 001076N/N500013), were appointed as statutory auditors of your Bank from the conclusion of the Thirty Fourth Annual General Meeting until the conclusion of the Thirty Sixth Annual General Meeting of the Bank, subject to the annual approval of the Reserve Bank of India (RBI). The Bank has received the approval of RBI for Messrs Walker Chandio & Co. LLP, Chartered Accountants to act as auditors for the year 2020- 2021.

**INTERNAL FINANCIAL CONTROLS**

The Board of Directors confirms that your Bank has laid down set of standards, processes and structure which enables to implement internal financial controls across the organization with reference to financial statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

**IMPLEMENTATION OF IND AS**

The Ministry of Finance, Government of India has vide its press release dated 18<sup>th</sup> January, 2016 outlined the roadmap for implementation of International Financial Reporting Standards (IFRS) converged Indian Accounting Standards (Ind AS) for Scheduled commercial bank (excluding RRBs), Non-banking Financial Companies and Insurance companies. Reserve Bank of India (RBI) had advised Banks vide circular no. RBI/2015-16/315DBR.BP.BC. No.76/21.07.001/2015-16 to follow Ind AS from 1<sup>st</sup> April, 2018 as notified under the Companies (Indian Accounting Standards) Rules, 2015 subject to any guideline/direction issued in this regard. Subsequently, RBI through its first monetary policy statement for FY 2018-19 on 5<sup>th</sup> April, 2018, deferred Ind AS implementation for the Scheduled commercial bank (excluding RRBs) by one year i.e. the implementation of Ind AS to begin from 1<sup>st</sup> April, 2019 onwards. Further, RBI vide circular no. DBR.BP.BC.No.29/21.07.001/2018-19 dated 22<sup>nd</sup> March 2019, deferred the implementation of Ind AS for scheduled commercial banks till further notice. The RBI has not issued any further notification on implementation of Ind AS for scheduled commercial banks.

As per RBI directions, your Bank has taken following steps so far:

- Submitted Standalone Proforma Ind AS financial statements to RBI on a quarterly basis effective FY 2018-19, as required.
- Formed Steering Committee for Ind AS implementation. The Steering Committee comprises of representatives from Finance, Risk, Operations and Treasury. The Committee oversees the progress of Ind AS implementation in the Bank, and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management. The Committee closely review's progress of Ind AS implementation.
- The Bank has identified gaps in IT Systems and the changes required to automate Ind AS. The Bank is in advanced stages for Ind AS implementation.

The Bank will continue to liaise with RBI and industry bodies on various aspects pertaining to Ind AS implementation.

**RELATED PARTY TRANSACTIONS**

All the Related Party Transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business.

Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no Related Party Transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions are placed before the Audit Committee for its review and approved on a quarterly basis. An omnibus approval of the Audit Committee is obtained for the Related Party Transactions which are repetitive in nature. Further, all Related Party Transactions are reviewed by the statutory auditors of the Bank. Also, during the year, the Bank had engaged the services of an external auditor for verification of the Related Party Transactions, its disclosure and validation of the process followed by the Bank.

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 23 of Schedule 17 – Notes to Accounts of the Consolidated financial statements and Note 7 of Schedule 18B – Notes to Accounts of the Standalone financial statements of your Bank.

The Bank's Policy on dealing with Related Party Transactions is available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html>



**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Companies Act, 2013.

**WHISTLE BLOWER POLICY / VIGIL MECHANISM**

Your Bank is committed to its “Vision Statement” of upholding its Global Indian Financial Services Brand creating an ethos of trust across all constituents, developing a culture of empowerment and a spirit of enterprise thereby becoming the most preferred employer in the financial services sector.

Consistent with the Vision Statement, your Bank is committed to maintain and provide to all its employees and directors highest standards of transparency, probity and accountability. The Kotak Group endeavours to develop a culture where it is safe and acceptable for all employees and directors to raise / voice genuine concerns in good faith, and in a responsible as well as effective manner.

A vigil mechanism has been implemented through the adoption of Whistleblower Policy with an objective to enable any employee or director or vendor, raise genuine concern or report evidence of activity by the Bank or its employee or director or vendor that may constitute: Instances of corporate fraud; unethical business conduct; a violation of Central or State laws, rules, regulations and/or any other regulatory or judicial directives; any unlawful act, whether criminal or civil; malpractice; serious irregularities; impropriety, abuse or wrong doing; deliberate breaches and non-compliance with the Bank’s policies; questionable accounting/audit matters/financial malpractice. The concerns can be reported online on the website viz. URL: <https://cwiportal.com/kotak> which is managed by independent third party.

Safeguards to avoid discrimination, retaliation, or harassment, and confidentiality have been incorporated in the policy. All employees and directors have access to the Chairman of the Audit Committee in appropriate and exceptional circumstances. Further, the Chairman of the Audit Committee has access rights to the whistle blower portal.

The Policy has been uploaded on the Bank’s intranet as well as website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html> and regular communication is made for sustained awareness.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Kotak Mahindra Bank Ltd. further referred to as your Bank, has constituted a Board Corporate Social Responsibility Committee (CSR Committee) and consists of the following Directors:

- 1) Mr. C. Jayaram
- 2) Prof. S. Mahendra Dev
- 3) Mr. Dipak Gupta



Your Bank’s CSR Committee is responsible to monitor, review and approve CSR initiatives and expenditure. It also makes recommendations to the Board on CSR Policy and related matters. It is the CSR Committee’s role to oversee the implementation of all the CSR activities of the Bank.

The CSR approach of your Bank is charted out in its Board approved CSR policy. This policy sets out your Bank’s vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India. It also demonstrates your Bank’s contribution towards the economic, environmental and social growth of the nation and is also committed to contribute towards United Nation’s (UN) Sustainable Development Goals (SDGs). It is the constant endeavour of the Bank to enhance its CSR capabilities by adopting a purpose driven CSR approach, focusing on sustainable and scalable programmes, spreading in focused geographies and aligning to SDGs and the national narrative.

The Bank’s CSR Policy is available on the Bank’s website: <https://www.kotak.com/en/about-us/corporate-responsibility.html>

The CSR policy, interventions, programmes and the CSR expenditure are all compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India’s notifications issued from time-to-time.

The average net profit U/S 198 of the Companies Act, 2013 for Bank for the last three financial years preceding 31<sup>st</sup> March, 2020 is ₹ 6,211.52 crore.

The prescribed CSR expenditure required U/S 135 of the Act for FY 2019-20 is ₹ 124.23 crore.

The CSR Expenditure incurred for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 U/S 135 of Companies Act, 2013 amounts to ₹ 85.20 crore as against ₹ 36.55 crore CSR spend in the financial year 2018-19. The unutilised CSR Expenditure from the prescribed CSR expenditure amount U/S 135 of the Companies Act, 2013 is ₹ 39.03 crore.

CSR Expenditure of ₹ 85.20 crore in FY 2019-20 as a percentage of average net profit U/S 198 of the Companies Act, 2013 for the last three financial years preceding 31<sup>st</sup> March, 2020 at ₹ 6,211.52 crore is 1.37%. Further, your Bank’s CSR Expenditure at ₹ 85.20 crore, in FY 2019-20, was 133% higher than the CSR expenditure of ₹ 36.55 crore in FY 2018-19, which in turn was 38.45% higher than our CSR expenditure of ₹ 26.40 crore in FY 2017-18.

To support the government's effort in combating COVID-19, your Bank has contributed ₹ 25.00 crore to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund), and donated ₹ 10.00 crore to the Chief Minister's Relief Fund – COVID 19 in Maharashtra in FY 2019-20. Even in FY 2020-21, your Bank has been continuously supporting various constituencies including the urban & rural poor, tribal communities, doctors, nurses and policemen on COVID-19 duty via various means such as contributing food packets, ration kit, masks, face shields, sanitisers, Personal Protective Equipment Kits (PPE Kits), and the like.

The implementation of the CSR projects and programmes is done directly and /or through selected partner who may be either governmental agencies, NGOs and/or other institution, having a proven track record of implementing cost and process efficient CSR projects and/or programmes that are scalable, sustainable, and have measurable social outcomes and impact. Also, the implementation is done through employee volunteering. The Bank's CSR footprint has been consistently increasing over the years. The Bank is committed to stepping-up its CSR programmes and expenditure in the years ahead.

Foremost reason for underspend of Bank CSR expenditure in FY 2019-20 is the NGOs' inability to utilise large CSR expenditure allocated under the Bank's CSR Programmes. For the Bank's CSR Programme Education & Livelihood ₹ 5.56 crore were unutilised by the Bank's NGO partners, in CSR Programme on Healthcare ₹ 0.75 crore were unutilised by the Bank's NGO partners, and in CSR Programme on Sports ₹ 0.25 crore were unutilised by the NGO partners, in FY2019-20. The NGOs have assured that they will utilise these unutilised CSR funds towards the Bank's Programmes in FY2020-21.

Your Bank does not consider "administrative overheads" as part of its CSR Expenditure.

The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Bank.

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2019-20, are annexed to this report.

### **RISK MANAGEMENT POLICY**

Your Bank has a Group Enterprise wide Risk Management (ERM) framework supported by appropriate policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. Details of identification, assessment, mitigations, monitoring and the management of these Risks are mentioned in the Management Discussion and Analysis section appended to this Report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Bank.

### **EMPLOYEES**

The employee strength of your Bank, standalone, was 50,034 and along with its subsidiaries was over 71,000 as of 31<sup>st</sup> March, 2020.

135 employees employed throughout the year were in receipt of remuneration of ₹102 lakh or more per annum and 74 employees employed for part of the year were in receipt of remuneration of ₹8.5 lakh or more per month.

Prevention of Sexual Harassment (POSH): Bank continues with the belief on zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non discriminatory organization. To achieve the same Kotak reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Bank has formulated Internal Complaints Committee (ICC) at three regions for reporting any untoward instance. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The ICC members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module which covers the larger employee base.

Following is a summary of sexual harassment complaints received and disposed off during the year 2019-20:

- o No. of complaints received : 27
- o No. of complaints disposed off \* : 26

*\* In respect of one pending case, enquiries were in progress at the close of the year and as on the date of this report the same has been closed. One case pertaining to the previous year which was pending at the beginning has been closed.*

As Bank enters in its next phase of growth and expansion of footprint across urban and rural India, Bank and its subsidiaries continued to carry out several initiatives to attract and retain a pool of highly skilled and motivated employees who are aligned to the firm's vision of becoming the most trusted financial services provider.

In accordance with the provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the names and other particulars of the employees are set out in the annexure to the Directors' Report. In terms of the proviso to Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent to all shareholders excluding the aforesaid annexure. The annexure is available for inspection to any shareholder on request. Any shareholder interested in obtaining a copy of the said annexure may write an email to the Company Secretary at [bina.chandarana@kotak.com](mailto:bina.chandarana@kotak.com).



## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the operational management, confirm in pursuance of Section 134(5) of the Companies Act, 2013, that:

- (i) your Bank has, in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2020, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- (ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Bank as at 31<sup>st</sup> March, 2020 and of the profit of your Bank for the financial year ended 31<sup>st</sup> March, 2020;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Bank and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and are operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## ANNEXURES

Following statements/reports/certificates are set out as Annexures to the Directors' Report:

- Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12 (1) of Companies (Management & Administration) Rules, 2014.
- Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Details of CSR activities and spends under Section 135 of the Companies Act, 2013.
- Certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in para E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## ACKNOWLEDGEMENTS

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

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

**Prakash Apte**  
Chairman

Place: Pune  
Date: 30<sup>th</sup> June 2020