

I d e a s F i r s t

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KOTAK MAHINDRA
FINANCE LIMITED

1 5 t h A n n u a l R e p o r t

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...is what we do best.

To ideas that come from you.

Solutions are what we work towards.

Solutions that work for you.

Kotak Mahindra is one of India's leading financial services companies, offering finance solutions that encompass every sphere of life.

CORPORATE FINANCE

In our early days, we were one of the largest bill discounting houses in the country. Subsequently, we were also significant players in the lease financing market. With the integration of the financial sector and economic turmoil, we found the risk reward equation unviable, and decided against financing on the basis of size and volumes. Today, we essentially operate on a 'niche philosophy' - concentrating on structured finance, syndication and opportunistically exploiting aberrations in the marketplace. The focus is on understanding the client, his usual and unusual needs, and delivering a solution to meet his requirements.

CAPITAL MARKET FINANCING

The core strength of the Group lies in the area of capital markets. Using the synergies of the Group companies, we enjoy a major presence in this market. We offer our clients loans against both, shares and mutual fund units, IPO financing and other allied products.

ASSET RECONSTRUCTION

The last few years have seen a downturn in the economy, causing major defaults in the asset performance of most financial sector players. In order to curtail the impact of this phenomenon on our Balance Sheet, we had instituted aggressive recovery mechanisms, developed legal expertise and worked on innovative ways of recovering overdues. Having performed reasonably well on our own Non-Performing Asset recoveries, we saw a new opportunity in leveraging this expertise for the benefit of other financial sector players. Our initial efforts in this foray have met with success, and we look forward to adding to our client base.

COMMERCIAL VEHICLE FINANCE

Having been a significant player in the car finance market, an extension into commercial vehicle financing was a natural corollary. As usual, listening to our customer has helped us understand his needs better, and develop a short term finance product that addresses his working capital financing needs. This is apart from the traditional asset financing that has always been available to our customers.

CONSUMER FINANCE

Gone are the days when the average Indian consumer would wait to "save and spend". We believe that with increasing consumerism and emphasis on lifestyles, there is a vast middle-class market, whose financial needs are yet to be fulfilled. We are confident that this will emerge as a major growth driver in the years to come. Our consumer finance brand, 'K-value' has already made a significant impact in the market. We will continue to introduce various innovative financial products to satisfy the needs of the common man.

TECHNOLOGY FINANCE

This is one of our recently initiated activities. The technology sector faces difficulty in raising finance from traditional sources. Our basic philosophy is to identify specific areas in the emerging technology sector, develop a good understanding of the dynamics and key drivers in those businesses, thereby enabling us to evaluate the risks involved in a far better manner. We believe this offers us a tremendous opportunity.

Group Companies

KOTAK MAHINDRA PRIMUS

We continue to hold the leading position among auto finance companies in the country, offering our customers retail finance for both new as well as used cars, and wholesale finance to dealers in the automobile trade. We enjoy 'preferred financier' status with leading automobile manufacturers including Toyota, Hyundai, Daewoo and General Motors.

KOTAK MAHINDRA CAPITAL COMPANY

The Group's investment banking arm has been ranked the No.1 Merchant Banker by Prime Database, across all segments of Public Resource Mobilisation for the year 1999-2000. We continue our leadership position in this area. Our main products are fixed income securities, equity markets, mergers and acquisitions, structured financing, cross border fund raising and primary dealership in the government securities market. We helped in the revival of the IPO market last year, by bringing several quality companies to the market. These did extremely well, not only in the IPO market but also in terms of their post-listing performance in the stock market.

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KOTAK MAHINDRA MUTUAL FUND

Having pioneered the concept of dedicated Gilt funds in the country, we focussed on launching different schemes to address the entire risk continuum to target customers with varying risk appetites. This led us to launch K-Balance (a balanced fund), K-Bond (a bond fund) and sectoral funds such as K-Tech and K-MNC. And that's not all, we will soon be launching many more schemes, fulfilling our promise of a fund for every need. We currently service around 1,00,000 customers with funds of about Rs.1,200 crore, entrusted to us for management.

MATRIX

The purpose behind the inception of Matrix Information Services, way back in 1996, was to bridge the gap between online access to comprehensive news archives and business intelligence at affordable rates. Today, we have emerged as an indispensable corporate resource and a time-saving device, providing information that fuels insights in the world of business. In the last year we have launched a new product – Sourcerer – targetted at websites and portals. Sourcerer is about turning static content into a dynamic and rewarding end-user experience using the 'Idea Envelope'. The growing client list in the Internet world is a proof of the power of this unique business model.

KOTAK MAHINDRA GROUP OF COMPANIES

AN OVERVIEW

NAME OF COMPANY	MAIN BUSINESS AREA	SCOPE OF ACTIVITIES
Kotak Mahindra Finance Limited	Asset Finance	Structured Finance Short Term Finance Fund Syndication Lease & Hire Purchase Consumer Finance Capital Market Finance Technology Finance Investments Commercial Vehicle Finance Asset Reconstruction Fixed Deposits
Kotak Mahindra Asset Management Company Limited	Mutual Funds	Management of the assets of the Mutual Fund
Kotak Mahindra Trustee Company Limited		Trustee of the Mutual Fund business
Matrix Information Services Limited	Information Services	Information and content syndication on the Internet
Kotak Mahindra Primus Limited	Automobile Finance	Finance for cars other than Ford
Kotak Mahindra Capital Company (company with unlimited liability)	Investment Banking	Equity Capital Markets Fixed Income Securities Cross Border Fund Raising Primary dealer in Government Securities Market Mergers & Acquisitions Structured Finance
Kotak Mahindra Securities Limited	Member of Wholesale Debt Market Segment of NSE	Fixed Income Securities Broking
Kotak Mahindra International Limited & Kotak Mahindra (UK) Limited	Financial Services GDR Broking and Advisory	Syndication of debt Placement and firm allotment of Indian securities Advisory Services GDR Trading and Broking Secondary Market Broking
Kotak Mahindra Inc., USA	Broker Dealer	Primary Market Broking and Dealing in GDRs and Advisory
Ford Credit Kotak Mahindra Limited	Automobile Finance	Finance for Ford cars

KOTAK MAHINDRA FINANCE LIMITED

Board of Directors

(As on 29th May 2000)

Anand Mahindra - Chairman
Uday Kotak - Vice Chairman
Shivaji Dam - Executive Director
Dipak Gupta - Executive Director
C. Jayaram - Executive Director
S. A. A. Pinto
K. M. Gherda
M. R. Punja
Cyril Shroff
Pradeep N. Kotak
N. J. N. Vazifdar - Vice President & Secretary

Bankers

Bank of Madura Ltd.
Citibank N. A.
Dena Bank
Deutsche Bank
HDFC Bank Ltd.
K B C Bank n.v.
Punjab National Bank
Standard Chartered Bank
State Bank of India
State Bank of Patiala
The Sakura Bank Ltd.
Vijaya Bank

Auditors

V. C. Shah and Co.
C. C. Chokshi and Co.

Solicitors and Advocates

Amarchand & Mangaldas & Suresh A. Shroff & Company

Registered Office

5C-II, Mittal Court, 224, Nariman Point, Mumbai 400 021.
Tel: 022-285 5550. Fax: 022-202 7391.

KOTAK MAHINDRA FINANCE LIMITED

Financial Highlights

(Rs. in lakhs)

As at 31 st March	2000	1999	1998	1997	1996	1995	1994
ASSETS EMPLOYED							
Net Fixed Assets	21488	26900	34901	41175	39980	33438	23427
Net Current Assets	51873	39403	50542	80448	79140	68533	31832
Investments	34298	27715	20863	22030	16358	19031	5242
Others	213	457	625	771	459	—	—
Total	107972	94475	106932	144424	135937	121002	60501
FINANCED BY							
Equity Share Capital	4591	3673	3673	3673	3673	3673	1831
Reserves & Surplus	43164	29504	28774	27391	25103	21227	16973
Shareholders' Funds	47755	33177	32447	31064	28775	24900	18804
Loan Funds	60217	61298	74485	113360	107162	96103	41697
Total	107972	94475	106932	144424	135937	121002	60501
PROFIT & APPROPRIATIONS							
Profit Before Tax	9060	3458	3911	3390	4537	6820	4729
Tax	2950	2240	1800	375	—	400	500
Profit After Tax	6110	1218	2111	3015	4537	6420	4229
PER SHARE INFORMATION							
Earnings per share (Rs.) (weighted average)	16.62	3.32	5.75	8.21	12.35	29.39	23.78
Book Value per share (Rs.)	103.55	89.08	86.64	82.48	77.10	67.80	102.69
Dividend per share (Rs.) (excluding tax on dividend)	1.80	1.20	1.80	1.80	1.80	1.80	1.80

Kotak Mahindra Finance Limited**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of Kotak Mahindra Finance Limited will be held on Friday, 28th July 2000 at 4:00 p.m. at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020, to transact the following business :

1. To receive and adopt the Profit and Loss Account for the year ended 31st March 2000, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anand G. Mahindra, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S.A.A. Pinto, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M.R. Punja, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Messrs. V.C. Shah & Co., Chartered Accountants, Mumbai, and Messrs. C.C. Chokshi & Co., Chartered Accountants, Mumbai, as Joint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that Mr. Dipak Gupta, who was appointed as an Additional Director of the Company on 1st October 1999 in pursuance of Section 260 of the Companies Act, 1956 ("the Act") and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice from a shareholder proposing his candidature for the office of Director under Section 257 of the Act, be and is hereby appointed as a Director of the Company."

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") including Schedule XIII to the Act, consent and approval of the Company be and is hereby accorded to the appointment of Mr. Dipak Gupta as Whole-time Director of the Company, designated as Executive Director, for an initial period of eighteen months with effect from 1st October 1999, on the terms and conditions including as to remuneration, perquisites, benefits and facilities set out in the draft of the Agreement to be entered into between the Company and Mr. Gupta, a copy whereof, initialled by the Chairman for the purpose of identification, has been submitted to this Meeting, which Agreement is hereby specifically approved.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites payable or to be provided to Mr. Gupta including the monetary value thereof as specified in the draft Agreement to the extent the Board of Directors may consider appropriate or as may be permitted or authorised in accordance with the provisions of the Act for the time being in force, provided, however, that if there are any limits prescribed by the Act in respect of remuneration payable, then the remuneration payable to Mr. Gupta shall be within such limits, if any, as may be set out in the Act including the said Schedule XIII to the Act or any amendments thereto or any modification or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder from time to time and the terms of the aforesaid Agreement between the Company and Mr. Gupta shall be suitably modified to give effect to such variation or increase as the case may be."

8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that Mr. C. Jayaram, who was appointed as an Additional Director of the Company on 1st October 1999 in pursuance of Section 260 of the Companies Act, 1956 ("the Act") and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice from a shareholder proposing his candidature for the office of Director under Section 257 of the Act, be and is hereby appointed as a Director of the Company."

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9. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") including Schedule XIII to the Act, consent and approval of the Company be and is hereby accorded to the appointment of Mr. C. Jayaram as Whole-time Director of the Company, designated as Executive Director, for an initial period from 9th October 1999 to 31st March 2001, on the terms and conditions including as to remuneration, perquisites, benefits and facilities set out in the draft of the Agreement to be entered into between the Company and Mr. Jayaram, a copy whereof, initialled by the Chairman for the purpose of identification, has been submitted to this Meeting, which Agreement is hereby specifically approved.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites payable or to be provided to Mr. Jayaram including the monetary value thereof as specified in the draft Agreement to the extent the Board of Directors may consider appropriate or as may be permitted or authorised in accordance with the provisions of the Act for the time being in force, provided, however, that if there are any limits prescribed by the Act in respect of remuneration payable, then the remuneration payable to Mr. Jayaram shall be within such limits, if any, as may be set out in the Act including the said Schedule XIII to the Act or any amendments thereto or any modification or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder from time to time and the terms of the aforesaid Agreement between the Company and Mr. Jayaram shall be suitably modified to give effect to such variation or increase as the case may be."

10. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that, in partial modification of the Resolution passed at the Annual General Meeting of the Company held on 12th September 1996 for the appointment of Mr. Shivaji Dam as a Whole-time Director of the Company, designated Executive Director, and in accordance with the provisions of Sections 269, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revised terms of remuneration and perquisites of Mr. Dam with effect from 1st April 1999 for the remainder of Mr. Dam's current term of office which expires on 31st March 2001, as set out in the draft Supplemental Agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned."

11. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that, pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 145 of the Articles of Association of the Company be and is hereby substituted as follows :

- 145.(1) Subject to the provisions of the Act, a Managing Director or a Whole-time Director may be paid remuneration either by way of a monthly payment or a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (2) Subject to the provisions of the Act, a Director who is neither a Managing Director nor a Whole-time Director, may be paid remuneration by way of monthly, quarterly or annual payment with the approval of the Central Government, or by way of commission, if the Company by a Special Resolution authorises such payment.
- (3) The fees payable to a Director other than a Managing or Whole-time Director, if any, for attending a Meeting of the Board or Committee thereof shall be such sum as may be determined by the Board from time to time, not exceeding such maximum amount, if any, as may be prescribed by the Central Government under Section 310 of the Act or any amendment thereto from time to time.
- (4) A Managing Director or Whole-time Director, if any, shall not be paid sitting fees for attending a Meeting of the Board or Committee thereof unless otherwise determined by the Board and such sitting fees, if so payable, shall be such sum as may be determined by the Board from time to time, not exceeding such maximum amount, if any, as may be prescribed by the Central Government under Section 310 of the Act or any amendment thereto from time to time.
- (5) If any Director be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee of the Board formed by the Directors), the Board may pay such Director such remuneration for such extra services as may be determined by the Board and such remuneration may be in addition to or in substitution of his remuneration as provided hereinabove."

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12. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that, pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), consent and approval of the Company be and is hereby accorded to the payment of remuneration to the Directors of the Company, other than the Managing and / or Whole-time Directors, if any, by way of commission at a rate not exceeding 1 % per annum of the net profit of the Company, determined in accordance with the provisions of Sections 198, 349 and 350 of the Act, in respect of each of the five financial years commencing from 1st April 2000.

"RESOLVED FURTHER that, within the parameters specified above, the Board of Directors of the Company ("the Board") shall determine the quantum of commission as aforesaid to be paid to any or all of such of the Directors of the Company (other than the Managing and / or Whole-time Directors) for the time being in office during the relevant period in such proportion as the Board may determine and that the commission in respect of each financial year be paid in the subsequent year."

13. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that, in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956 ("the Act"), and such other permissions and approvals as may be required and subject to such conditions and modifications as may be imposed on or considered necessary by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall include any Committee of the Board constituted by the Board to exercise its powers, including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot, at one time or from time to time to employees of the Company selected on the basis of criteria prescribed by the Board in accordance with the SEBI Guidelines, hereinafter referred to as "the Eligible Employees" (which expression shall, unless repugnant to the context, mean and include the permanent Employees and Directors of the Company) such number as the Board may decide not exceeding 5% of the capital of the Company, equivalent at present to 22,95,625 equity shares of the Company of the face value of Rs. 10 each for cash, inter alia on the terms and conditions as detailed in the explanatory statement annexed hereto and as further described below:

The offer shall be in accordance with the terms and conditions as regards price, payment, application, allotment, entitlement to dividend and other rights, transferability and all other matters as stipulated by the SEBI Guidelines and in accordance with any other guidelines, rules, regulations and laws to the extent applicable and subject also to the Memorandum and Articles of Association of the Company provided that :

- i) the Board shall have absolute discretion from time to time to modify or substitute any such terms or, if it thinks fit, not to undertake or proceed with the implementation of this Resolution in whole or in part;
- ii) the total number of equity shares allotted as a result of the exercise from time to time of the Option(s) shall not exceed 5 % of the capital of the Company, equivalent to 22,95,625 equity shares of Rs. 10 each;
- iii) the price of the shares shall not be less than such minimum, if any, prescribed by SEBI and as determined by the Board; and
- iv) the equity shares allotted pursuant to this Resolution shall in all respects rank pari passu with the equity shares of the Company existing on the date(s) of such allotment(s), except as regards dividend, if any, for the year in which such allotment(s) is / are made, which shall be payable pro-rata from the date of allotment.

"RESOLVED FURTHER that the Board be and is hereby authorised to settle all questions and matters arising out of and incidental to the proposed issue, offer and allotment of the said equity shares including appointment of one or more trustees to hold the shares on behalf of the Eligible Employees and do all such acts, deeds and things, and to take all steps which the Board in its absolute discretion considers necessary, proper or expedient for implementing this Resolution."

14. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that the Employees' Stock Option Scheme, as proposed in the Resolution at Item 13 of this Notice, be also applicable to and extended to the eligible employees and Directors of the subsidiary companies of Kotak Mahindra Finance Limited, (KMFL) on the terms and conditions as are applicable to the employees of KMFL."