



# PRUDENCE AND SIMPLICITY



ANNUAL REPORT  
2012-13

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Fax.: +91 22 2285 5577  
Website: www.kotak.com

**COMPANY SECRETARY**  
**Bina Chandarana,**  
Company Secretary and  
Executive Vice President

**AUDITORS**  
**Messrs S.B. Billimoria & Co.,**  
Chartered Accountants,  
12, Dr. Annie Besant Road,  
Opp. Shiv Sagar Estate, Worli,  
Mumbai 400 018.

**REGISTRAR AND TRANSFER  
AGENT**  
**Karvy Computershare  
Private Limited,**  
Plot No. 17-24,  
Vittal Rao Nagar, Madhapur,  
Hyderabad 500 081.

7, Andheri Industrial Estate,  
Off Veera Desai Road,  
Andheri West,  
Mumbai 400 058.

# Clear insight. Candid purpose.

At Kotak, we have a clear insight of what we want to achieve, and we are candid about how we want to achieve it.

Our objective is a happy blend of **simplicity** and **prudence**.

This combination drives us and will continue to propel our progress, despite evolving external realities.

**Simplicity** enhances transparency, while **prudence** aligns growth aspirations with sound risk management and sustainability.

Wowing the customer is embedded in our culture. We simplify products for our customers, who can derive maximum value from them. And customer satisfaction gives us the confidence to work harder, think better and move faster.

**The result is our strong network, larger volumes of deposit and financial momentum.**

On the other hand, prudence helps build an opportunity-focused and risk-balanced business model.

Our credit quality, asset mix and balance sheet size testify to this reality. Over the years, we have diversified our portfolio rather than focusing on a specific sector or particular pockets of growth. Kotak's vision is to create a culture that transcends immediate priorities and thinks long term.

**Our stakeholders support our initiatives. And their trust makes the rest possible.**

## Simple strategy. Steady focus.

Kotak's evolution is a tale of consistent pursuit of opportunities, despite a rapidly changing economic and business landscape. Today, after more than 27 years since inception, it continues to gather momentum with an unwavering focus.

As we retrace our steps to the initial days of our journey, one particular day stands out in the crowd – 21st November, 1985. This was when we identified an opportunity in the bill discounting market. That opportunity helped shape Kotak Mahindra Group.

In February 2003, Kotak Mahindra Finance Limited, our Group's flagship company, became India's first Non-Banking Finance Company to receive a banking license from the Reserve Bank of India (RBI).

**Thus was laid the foundation of Kotak Mahindra Bank Limited (KMBL).**

We are focusing our industry experience and capabilities to cater to changing customer aspirations. Our solutions are technology driven, contemporary and comprehensive, spanning **consumer banking, commercial banking, corporate banking, wealth management, retail and institutional equities, asset management, life insurance and investment banking.**

We have come a long way since we began. Kotak now caters to the diverse financial needs of individuals and the corporate sector, nationally and internationally.

**CONSOLIDATED  
NETWORTH OF  
KOTAK MAHINDRA  
GROUP  
~ 15,250 CR**

### BUSINESS PROFILES

#### Consumer Banking (KMBL)

- Provides seamless customer experience through a variety of retail liabilities and assets products and services under a single umbrella of Consumer Banking
- Offers a range of services from savings accounts to a comprehensive suite of investment services, transactional conveniences and loan products
- Caters to the diverse needs of the business community by offering them comprehensive business solutions, such as current accounts, trade services, cash management services and credit facilities

#### Commercial Banking (KMBL)

- Plays a significant role in fulfilling the mission of funding deep into Bharat through an expanding network of branches and associates

- Meets a substantial portion of the priority sector lending requirement including agricultural and tractor financing
- Offers a range of products for purchase and operations of commercial vehicles and construction equipment and contributes to India's development
- Participates in India's growth by partnering some of the best small and medium enterprises (SMEs) in the country

#### Corporate Banking (KMBL)

- Caters to the dynamic requirements of major Indian Corporate Bodies, Financial Institutions, Public Sector Undertakings, Multinational Companies, Mid-Market Companies and Real Estate Organisations
- Offers a comprehensive portfolio of products and services – working capital financing, medium term finance, export credit, transaction banking, custody services, debt capital markets and treasury services

**1 lakh CR+**  
BALANCE SHEET  
STRENGTH

**960+**  
ATMs

**430+**  
BRANCHES

**12.5 MN**  
GROUP CUSTOMER  
ACCOUNTS

### Wealth Management (KMBL)

- One of the largest and the most respected wealth management teams in India
- Possesses in-depth understanding of the clients' requirements, macro environment and various asset classes
- The only Indian Wealth Management firm to feature in the 'Top 25 Private Banks' of the world at Euromoney Private Banking Survey, 2013
- Published the second edition of its India-specific report, Top of the Pyramid, with CRISIL Research. This is India's only report that tracks the earning, spending and investing patterns of Indian ultra-high networth individuals

### Life Insurance

(Kotak Mahindra Old Mutual Life Insurance Limited)

- Combines international strengths and local advantages to offer customers a wide range of innovative products
- Among the early private life insurers to break even, reflecting sterling management practices and customer-centric philosophy
- Demonstrates consistent growth in a challenging and competitive environment through sustained value creation,

efficient use of capital and improved productivity of distribution channels; focused on enhancing the value proposition for customers through a meaningful product suite, combining protection and long-term savings, multimodal outreach and superior services

### Investment Banking

(Kotak Mahindra Capital Company Limited)

- Offers integrated solutions encompassing high-quality financial advisory services and financing solutions
- Worked on the development of some of the most path-breaking innovations in the Indian Capital Markets

### Asset Management

(Kotak Mahindra Asset Management Company Limited)

- Offers schemes catering to investors with varying risk-return profiles, across a wide range of products in the equity, debt and exchange traded funds (ETF) spaces
- Distinction of being India's first fund house to launch a dedicated gilt scheme, investing only in government securities

### International

(Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc., Kotak Mahindra Financial Services Limited)

- Operates in overseas markets through international subsidiaries
- Provides investment solutions to international investors seeking investment opportunities in India through a dedicated fund management team overseas
- Offers arguably the widest range of Indian investment products for international investors

### Alternate Assets

(Kotak Investment Advisors Limited)

- Building its business successfully across three verticals – Private Equity, Realty Fund and Infrastructure Fund – all led by independent investment teams

### Brokerage

(Kotak Securities Limited)

- Offers a wide range of financial products, including stocks and shares, derivatives, distribution of IPOs, mutual funds and insurance for its investors
- Processes over 3,00,000 secondary market trades daily for a customer base of over 8,00,000
- Enjoys pan-India presence with 1,330 branches, franchisees, representative offices and satellite offices across 412 cities
- Pioneers in innovation and provides smart technology trading platforms to customers

# Operational highlights

## BANK

- Acquired the business loans portfolio of Barclays India
- Introduced Electronic Benefit Transfer (EBT) payments for MGNREGA beneficiaries in Chhattisgarh state under Financial Inclusion initiative
- Revamped Privy League on an enhanced platform with three new tiers – *Prima, Magna and Optima*
- Launched premium proposition for business banking segment, Privy League Signature credit card and Smart Overdraft
- Offered Corporate Salary Accounts (Salary2Wealth) to Indian Navy, in addition to Indian Army, Indian Railways, Indian Posts, private sector players and PSU companies, including some of the Navratna companies

## OTHER BUSINESSES

### Investment Banking

- Entered into an exclusive strategic alliance for cross-border M&A advisory services between India and Japan with Sumitomo Mitsui Banking Corporation and SMBC Nikko Securities Inc., a wholly-owned subsidiary of SMBC
- Closed 16 equity capital market deals, including a number of marquee transactions, successfully, in a subdued market
- Dominated the IPO market, managing the four largest IPO issuances to hit the markets
- Advised on a wide array of 19 M&A transactions, ranging from Acquisitions and India Entry, Divestments, Internal Restructurings, Private Equity Investments and Open Offers/Delistings

## Life Insurance

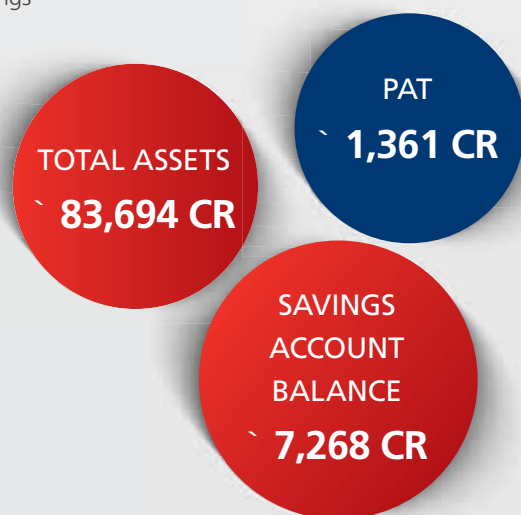
- Implemented “KRUX” – an IT system for persistency management, which helps the Company take proactive measures at all levels to ensure that customers remain invested through the entire term. This, in turn helps the Company achieve its core purpose of delivering customer value through protection and long-term savings
- Introduced multiple new payment modes, through which customers can pay premiums. Besides, expanded and strengthened the already existing payment procedures. Customers can now pay premiums through debit and credit cards online, credit card at branches, over the Interactive Voice Response (IVR) system or through the Interbank Mobile Payment Service (IMPS), a first in the insurance sector
- Extended the Regional Electronic Clearing Service (RECS) facility to 16 states and the direct debit facility to 14 banks, besides enabling customers to pay via standing instructions on their Kotak Mahindra Bank credit card

## International

- Announced the first closure of its infrastructure private equity fund, with Sumitomo Mitsui Banking Corporation of Japan and a Brookfield Asset Management group entity as cornerstone investors. This fund raised commitments of approximately US\$ 90 million (₹ 490 crore)
- Mobilised over US\$ 660 million through various debt offerings

## Brokerage

- Achieved many firsts by a brokerage house in FY 2012-13. Launched an exclusive iPad application, a trading app on BlackBerry 10, an app on Windows 8 and Smart Order Routing, where our system calculates the best price for customers’ order in NSE and BSE and executes the order, all in a matter of seconds
- Inked alliance with ING Vysya Bank to provide trading facilities to their customers and integrated their payment gateways

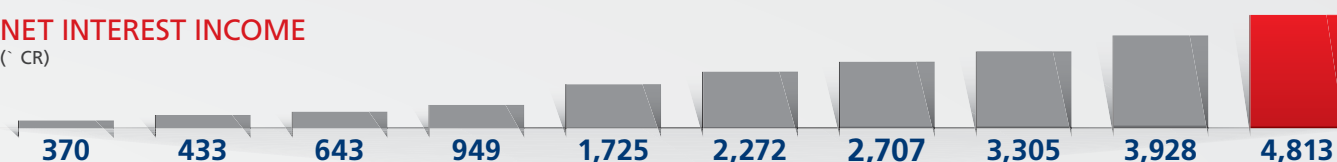


All figures are bank standalone.

# A decade of sterling achievements

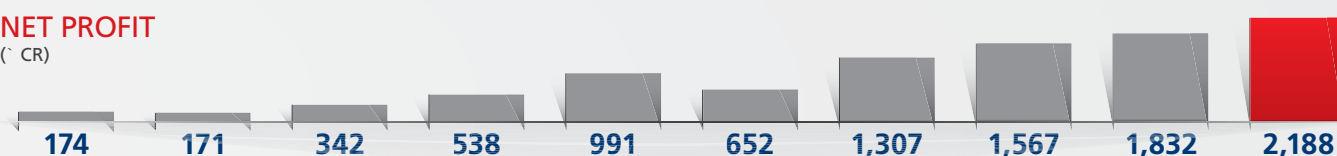
## NET INTEREST INCOME

(` CR)



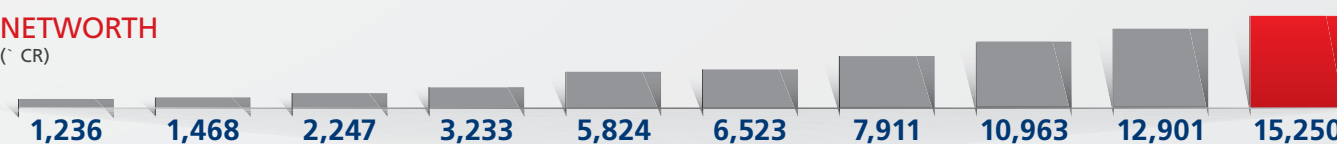
## NET PROFIT

(` CR)



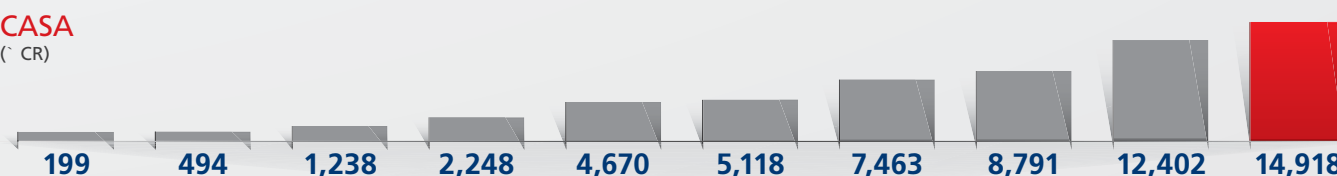
## NETWORTH

(` CR)



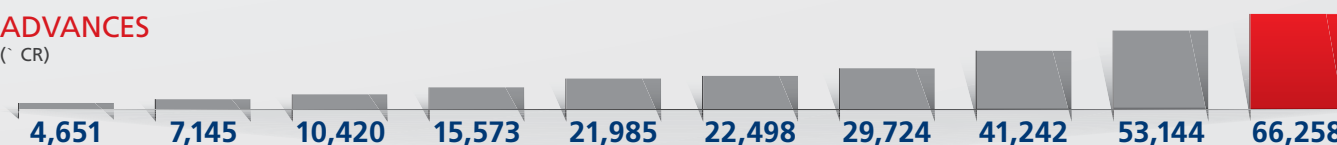
## CASA

(` CR)



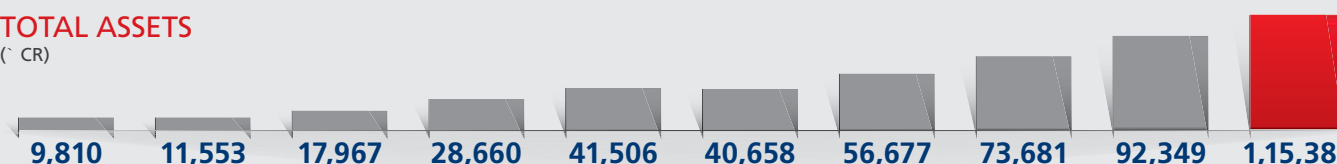
## ADVANCES

(` CR)



## TOTAL ASSETS

(` CR)



FY04

FY05

FY06

FY07

FY08

FY09

FY10

FY11

FY12

FY13

All figures are consolidated except CASA, which is bank standalone.

CASA figures till FY07 are excluding IPO float.

# Performance talks through numbers

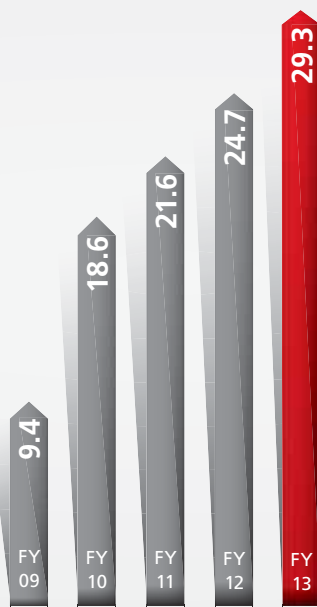
## TOTAL INCOME

(` CR)



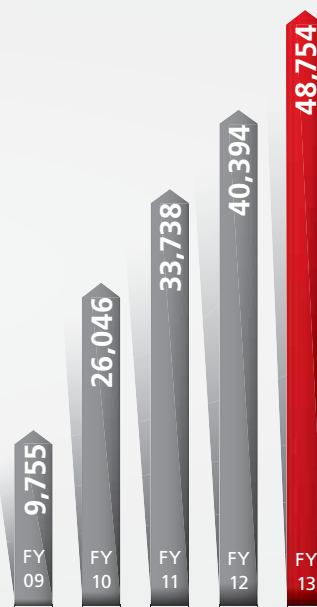
## EARNINGS PER SHARE

(`)



## MARKET CAPITALISATION

(` CR)



Based on prices at NSE on the last working day of the financial year.

## NET NPA

(%)

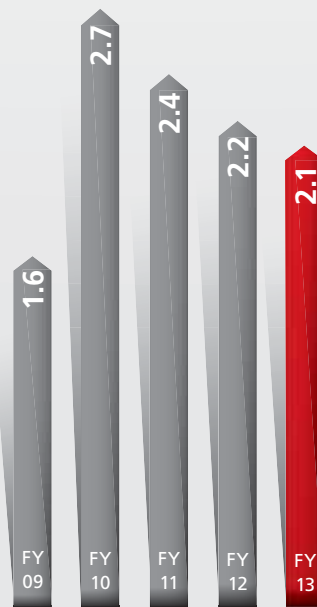


Excludes acquired stressed assets.

All figures are consolidated.

## RETURN ON ASSETS

(%)



## NET INTEREST MARGIN

(%)





**BOOK VALUE PER SHARE**

(`)

**KOTAK SECURITIES AVERAGE DAILY VOLUME**

(` CR)

**TOTAL ASSETS UNDER MANAGEMENT**

(` CR)

**TOTAL INSURANCE PREMIUM**

(` CR)



*Book Value per Share and Total Assets under Management are consolidated.*



## Kotak Mahindra Bank launches Kotak Presidium with President Bill Clinton

Kotak Presidium, a thought leadership speaker series, will feature some of the most influential achievers from India and around the world. The inaugural Kotak Presidium was addressed by President Bill Clinton at the National Centre for Performing Arts (NCPA), Mumbai on 10th April, 2013.

Addressing a 700-strong eclectic gathering comprising business leaders, policy makers and thinkers, President Clinton's speech covered issues as diverse as philosophy and sustainable behaviours, built around the moral necessity of developing the ability to relate to an identity that reflects all of humanity's shared hopes and aspirations.

### Uday Kotak

Executive Vice Chairman  
and Managing Director, Kotak Mahindra Bank, says,

*"Globalisation has significantly altered the paradigms of business, policy and national thought, as they are increasingly being cross-pollinated by transnational ethic and experience. Kotak Presidium is a forum for global leaders and India's business elite to share experiences to make the most of this dynamic environment. President Clinton is one of the most eminent men of our time, and has played a significant role in reshaping the global order. We could not have picked a better icon of globalisation and humanity to deliver the inaugural keynote address at the first Kotak Presidium."*