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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

|                          |                |
|--------------------------|----------------|
| OMB APPROVAL             |                |
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**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 4/1/2015 AND ENDING 3/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Kotak Mahindra, Inc.

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO.      |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
369 Lexington Ave, 28th Floor

New York City New York 10017  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gijo Joseph (212) 600-8850  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Citrin Cooperman & Company, LLP

(Name -- if individual, state last, first, middle name)

290 West Mt. Pleasant Ave. Livingston New Jersey 07039  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

|                       |
|-----------------------|
| FOR OFFICIAL USE ONLY |
|-----------------------|

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

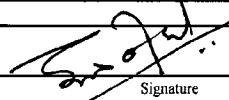
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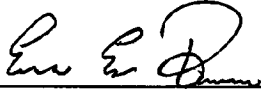
OATH OR AFFIRMATION

I, Gijo Joseph, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kotak Mahindra, Inc., as of March 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_

  
Signature

G I J O J O S E P H  
Title  
P R E S I D E N T & C E O



Notary Public

**EVERON E BROWN**  
**Notary Public - State of New York**  
**No. 01BR6284302**  
**Qualified in Nassau County**  
**My Commission Expires June 17, 2017**

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit pursuant to Rule 171-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **KOTAK MAHINDRA, INC.**

**MARCH 31, 2016**

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**CITRINCOOPERMAN**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders  
Kotak Mahindra, Inc.

We have audited the accompanying statement of financial condition of Kotak Mahindra, Inc. as of March 31, 2016. This financial statement is the responsibility of Kotak Mahindra, Inc.'s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Kotak Mahindra, Inc. as of March 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

  
CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey  
April 15, 2016

# KOTAK MAHINDRA, INC.

## STATEMENT OF FINANCIAL CONDITION

**March 31, 2016**

### ASSETS

|   |                            |
|---|----------------------------|
| Cash and cash equivalents                                     | \$ 834,564                 |
| Loan to affiliate   | 1,000,000                  |
| Receivable from affiliates                                    | 115,222                    |
| Other receivables   | 7,585                      |
| Advance to employee   | 7,359                      |
| Office equipment, net of accumulated depreciation of \$21,057 | 54,500                     |
| Investments, at fair value                                    | 868,041                    |
| Prepaid expenses and other assets                             | <u>121,789</u>             |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 3,009,060</u></b> |

### LIABILITIES AND STOCKHOLDERS' EQUITY

|   |                            |
|---|----------------------------|
| <b>Liabilities</b>  |                            |
| Accrued expenses  | <u>\$ 217,312</u>          |
| <b>Commitments and Contingencies (Notes 8 and 9)</b>  |                            |
| <b>Stockholders' equity</b>   |                            |
| Common stock - \$0.01 par value, authorized 2,000,000 shares, issued and outstanding 1,530,621 shares | 15,306                     |
| Additional paid-in capital  | 757,325                    |
| Retained earnings   | <u>2,019,117</u>           |
| Total stockholders' equity  | <u>2,791,748</u>           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b><u>\$ 3,009,060</u></b> |

See accompanying notes to statement of financial condition.

# KOTAK MAHINDRA, INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

MARCH 31, 2016

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### 1. Organization and nature of business

Kotak Mahindra, Inc. (the "Company"), a majority owned subsidiary of Kotak Mahindra Bank Limited (the "Parent"), is broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist primarily of chaperoning trades executed on the Indian exchanges by its India affiliate, Kotak Securities ("KS") under Rule 15a-6 of the Securities Exchange Act. The Company also distributes research reports prepared by KS under the same Rule. Additionally, it engages in private placements for funds in the U.S. that are available only to 3c7 investors. These funds are managed by its affiliates Kotak Mahindra (UK) Limited and Kotak Mahindra (International) Limited.

### 2. Summary of significant accounting policies

#### *Basis of Presentation*

The statement of financial condition has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on April 15, 2016. Subsequent events have been evaluated through this date.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### *Fixed Assets*

Fixed assets are stated at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over estimated useful lives for office equipment and computers over five years and furniture over seven years. For leasehold improvements, depreciation is provided over the lesser of the economic use of the improvement or the term of the lease.

#### *Income Taxes*

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

# KOTAK MAHINDRA, INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### *Income Taxes (continued)*

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more-likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce stockholders' equity. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company files its income tax returns in the U.S. federal and various state and local and foreign jurisdictions. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for years before 2012. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local and foreign tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next 12 months.

#### *Valuation of Investments in Securities at Fair Value - Definition and Hierarchy*

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

# KOTAK MAHINDRA, INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### *Valuation of Investments in Securities at Fair Value - Definition and Hierarchy (continued)*

The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy. Money market funds approximate fair value due to the short term nature of the investment. Investments in common stock and mutual funds that are freely tradeable on national stock exchanges are valued at their last reported sales price as of valuation date.

#### *Use of Estimates*

The preparation of a statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



# KOTAK MAHINDRA, INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

### 2. Summary of significant accounting policies (continued)

#### *Employee Incentive*

The Company also grants to certain employees cash incentive bonuses. Such bonuses are initially measured in certain number of shares of the Parent's stock and are valued at the fair value of the shares on the grant date. The bonuses are only payable to the employees in cash and their rights to the bonuses vest over a period of time. Unvested bonuses due at March 31, 2016, amounted to \$157,242.

In addition, the Parent has an Employee Stock Option Plan ("ESOP") which allows certain employees of the Company to acquire shares of the Parent Company. The fair value of options granted is recognized as compensation expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

### 3. Fair value measurements

The Company's investments recorded at fair value have been categorized based upon a fair value hierarchy as described in the Company's significant accounting policies in Note 2.

The following table presents information about the Company's assets measured at fair value as of March 31, 2016:

|  | In Active Markets<br>for Identical Assets<br>(Level 1) | Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) | Balance as of<br>March 31, 2016 |
|--|--|---|---|---------------------------------|
| <b>Assets (at fair value)</b>              |  |   |   |                                 |
| <b>Cash and cash<br/>equivalents:</b>      |  |   |   |                                 |
| Money market funds                         | \$41,755   |   |   | \$41,755                        |
| <b>Investments in<br/>securities:</b>      |  |   |   |                                 |
| Common stocks                              | \$19,914   | -                                       | -   | \$19,914                        |
| Mutual fund                                | 848,127  | -                                       | -   | 848,127                         |
| <b>Total Investments in<br/>securities</b> | <b>\$868,041</b>                                       | <b>-</b>                                | <b>-</b>  | <b>\$868,041</b>                |

The Company has an investment in the Alps Kotak India Growth Fund for which, Kotak Mahindra (UK) Limited, a subsidiary of the Parent, acts as a sub advisor. The investment is carried at a fair value of \$848,127 as of March 31, 2016, which is included in investments in the statement of financial condition.

# KOTAK MAHINDRA, INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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### 4. Related-party transactions

The Company received referral fees from two affiliates who managed accounts referred to them by the Company. Amounts due from these affiliates for referral fees at March 31, 2016, were \$45,417.

In December 2015, the Company advanced a \$1 million one year loan to Kotak Mahindra International, a stockholder. This note was provided at interest rate of 1.85%. Amount due from affiliate for interest at March 31, 2016 was \$1,542.

During the year, the Company received service fee income from its affiliate Kotak Securities Limited, for providing chaperoning services under Rule 15a-6 of the Securities Exchange Act, 1934, for trades executed by its clients through Kotak Securities Limited in India. At March 31, 2016, the amount due from this affiliate for service fees was \$68,264.

### 5. Income taxes

At March 31, 2016, the Company had net operating loss carry forwards of approximately \$2,300,000 and \$4,300,000 for federal and state income tax purposes, respectively, which resulted in a deferred tax asset of approximately \$1,157,000. The net operating loss carry forwards begin to expire in 2031. Based upon the projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will not realize the benefits of these carry forwards, and therefore, a full valuation allowance has been recorded for federal and state purposes. The change in the valuation allowance for the year ended March 31, 2016, was approximately \$203,000.

The effective rate differs from the statutory rate due to the change in the valuation allowance on the deferred tax asset.

### 6. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph (k)(2)(i), and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

### 7. Net capital requirement

The Company is a member of FINRA, and is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At March 31, 2016, the Company's net capital was \$1,355,087, which was \$1,105,087 in excess of its required net capital of \$250,000.

# KOTAK MAHINDRA, INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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### 8. Commitments and Contingencies

#### *Office space*

The Company leases its New York City office facility under an operating lease which expires in October 2023.

The Company's lease provides for a period of free rent. Pursuant to Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 840, Accounting for Leases, the aggregate of the total minimum lease payments under the lease is being amortized on the straight-line basis over the lease term. The difference between rent expense calculated on the straight-line basis and amounts paid in accordance with the terms of the leases (deferred rent) amounted to \$10,964 at March 31, 2016.

#### *Contingencies*

The Company is subject to various regulatory examinations that arise in the ordinary course of business. In the opinion of management, results of these examinations will not materially affect the Company's financial position or results of operations.

### 9. Off-balance-sheet risk and concentrations of credit risk

From time to time, the Company maintains its cash in a financial institution that may exceed the Federal Deposit Insurance Corporation coverage of \$250,000. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.