



## **Nifty Linked Debenture**

Series KMPL - N11/36

## KMPL PROFILE

Kotak Mahindra Prime limited (KMPL) is a subsidiary of Kotak Mahindra Bank Limited primarily formed to finance all passenger vehicles. KMPL is India's Leading car finance company. The company is dedicated to financing and supporting automotive manufacturers, dealers and retail customers. The company offers financing in the form of loans for the entire range of passenger cars, multi utility vehicles and pre-owned cars. The company also offers Inventory funding and infrastructure funding to car dealers. KMPL has preferred financier relationship with various car manufacturers in India such as General Motors, Honda, Hyundai, Maruti, Toyota, M&M, Volkswagen, Skoda, Audi etc. KMP has a robust delivery platform, which is critical for sustained growth. As on Jan 31, 2010 KMPL had a retail distribution network comprising 56 branches (including representative offices) in 15 states in the country and a wide network of Direct Marketing Associates, brokers and agencies supporting its distribution network.

## INTRODUCTION

Kotak Mahindra Prime Limited offers a variety of reference linked products, A reference linked debenture is the product where the return on investment is linked to movement in underlying reference. The reference could be based on a single security, a basket of securities, indices like Nifty etc. Reference Linked products are an ideal investment tool to meet specific investment needs. As part of the asset allocation process reference linked debentures help in greatly reducing the exposure to risk.

## PRODUCT DESCRIPTION

- Aimed at providing NIFTY participation
- Lock - in of NIFTY returns in multiples of 5% every quarter after 12 months from the date of allotment
- Maximum coupon capped at 65%

## PLACEMENT FEES

The placement fees will be 1% of the facevalue.

## PRODUCT NOTE

Kotak Mahindra Prime Limited ("the Issuer or Company which is used interchangeably") proposes to issue upto 400 (Four Hundred only) Secured Redeemable Non Convertible Debentures of face value Rs. 5,00,000/- (Rupees Five Lacs Only) each, in Series - KMP - N11/36, for cash, aggregating to Rs. 20 Crores (Rupees Twenty Crores Only) on a private placement basis in one tranche. The information/disclosures pertaining to the offer as per the requirement of Schedule I of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 is attached herewith and marked as Annexure B. The interest on the said debentures is based on difference in S&P CNX Nifty (Nifty) and henceforth in this Letter of Offer where the context so require is referred to as "Nifty Linked Debentures".

## FEATURES OF THE ISSUE

Nature of Debenture	Non Convertible Debentures : Sr. N11/ 36- (1 to 400 )
Face Value	Rs. 5,00,000/- per Debenture
Opening Date of the Issue	28 <sup>th</sup> July 2011
Closing Date of the Issue	17 <sup>th</sup> August 2011
Subscription Date	17 <sup>th</sup> August 2011
Date of Allotment (DA)	26 <sup>th</sup> August 2011
Minimum application amount	Rs. 5,00,000/- and in multiples thereof
Minimum No of Debentures to be applied for and in Multiples of	1(One)
Redemption Value	At Par
Issuance mode	In Dematerialised Form
Listing	The Company will list the debentures at a later date on the Bombay Stock Exchange Limited (BSE)
Underlying Index	S&P CNX Nifty (Nifty)
Entry Nifty	The Entry Nifty is average of closing Nifty Price on 26th August 2011, 29th September 2011 and 27th October 2011.

<p>Interest Calculation for each Debenture</p>	<p>The Interest on the debenture shall be calculated as follows-</p> <ul style="list-style-type: none"> <li>• Step I: The Entry Nifty is average of closing Nifty Price on 26<sup>th</sup> August 2011, 29<sup>th</sup> September 2011 and 27<sup>th</sup> October 2011.</li> <li>• Step II: The closing Nifty Price would be noted on all Observation Dates as mentioned below.</li> <li>• Step III: In case the Closing Nifty Price on any Observation Date as mentioned below is equal to or greater than any Lock-in Barrier, then the corresponding Lock-in Level would be deemed to have been attained. On the Date of Allotment (DA) i.e. 26<sup>th</sup> August 2011, the initial Lock-in Level is considered as zero and none of the Lock-in Levels are deemed to have been attained.</li> <li>• Step IV: The interest payout is calculated as follows: <ul style="list-style-type: none"> <li>A) All the Lock-in Levels ever attained are compared and the highest Lock-in Level attained is considered for interest payout as follows: <p style="margin-left: 40px;">Interest payout = Highest Lock-in Level attained * Face value of debenture</p> </li> <li>B) In case no Lock-in Level is attained, the interest payout shall be NIL.</li> </ul> </li> <li>• Step V: The total payout will be the sum of the face value of the debenture and the interest payout</li> </ul> <p>Note: Examples included in Annexure</p> <p>Observation Dates</p> <ul style="list-style-type: none"> <li>• 30<sup>th</sup> August 2012</li> <li>• 29<sup>th</sup> November 2012</li> <li>• 28<sup>th</sup> February 2013</li> <li>• 30<sup>th</sup> May 2013</li> <li>• 29<sup>th</sup> August 2013</li> <li>• 28<sup>th</sup> November 2013</li> <li>• 27<sup>th</sup> February 2014</li> <li>• 29<sup>th</sup> May 2014</li> <li>• 28<sup>th</sup> August 2014</li> </ul> <table border="1" data-bbox="609 1182 1224 1751"> <thead> <tr> <th>Lock-in Barrier (as a percentage of Entry Nifty)</th> <th>Lock-in Level</th> </tr> </thead> <tbody> <tr><td>115%</td><td>15%</td></tr> <tr><td>120%</td><td>20%</td></tr> <tr><td>125%</td><td>25%</td></tr> <tr><td>130%</td><td>30%</td></tr> <tr><td>135%</td><td>35%</td></tr> <tr><td>140%</td><td>40%</td></tr> <tr><td>145%</td><td>45%</td></tr> <tr><td>150%</td><td>50%</td></tr> <tr><td>155%</td><td>55%</td></tr> <tr><td>160%</td><td>60%</td></tr> <tr><td>165%</td><td>65%</td></tr> </tbody> </table>	Lock-in Barrier (as a percentage of Entry Nifty)	Lock-in Level	115%	15%	120%	20%	125%	25%	130%	30%	135%	35%	140%	40%	145%	45%	150%	50%	155%	55%	160%	60%	165%	65%
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<p>Net Payout on Redemption</p>	<p>Face Value of Debenture + Interest Calculation for each Debenture</p>																								
<p>Redemption Date</p>	<p>26<sup>th</sup> November 2014</p>																								

Lock-in Barrier means any of the 11 levels determined at 115%, 120%, 125%, 130%, 135%, 140%, 145%, 150%, 155%, 160% and 165% of the Entry Nifty. Example: For an Entry Nifty of 5000, the 11 Lock-in Barriers would be 5750, 6000, 6250, 6500, 6750, 7000, 7250, 7500, 7750, 8000 and 8250 respectively.

Lock-in Level means the rate of interest applicable for the purpose of "Interest Calculation" which corresponds to the Lock-in Barrier attained on the Observation Dates. In case the Closing Nifty Price is equal to or greater than any of the Lock-in Barriers on any Observation Date then the corresponding Lock-in Level on the said Observation Date shall be deemed to have been attained as per Schedule 1 hereunder. There is one Lock-in Level corresponding to each of the 11 Lock-in Barriers.

Schedule 1:

Lock In Barrier	115%	120%	125%	130%	135%	140%	145%	150%	155%	160%	165%
Corresponding Lock-in Level	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%

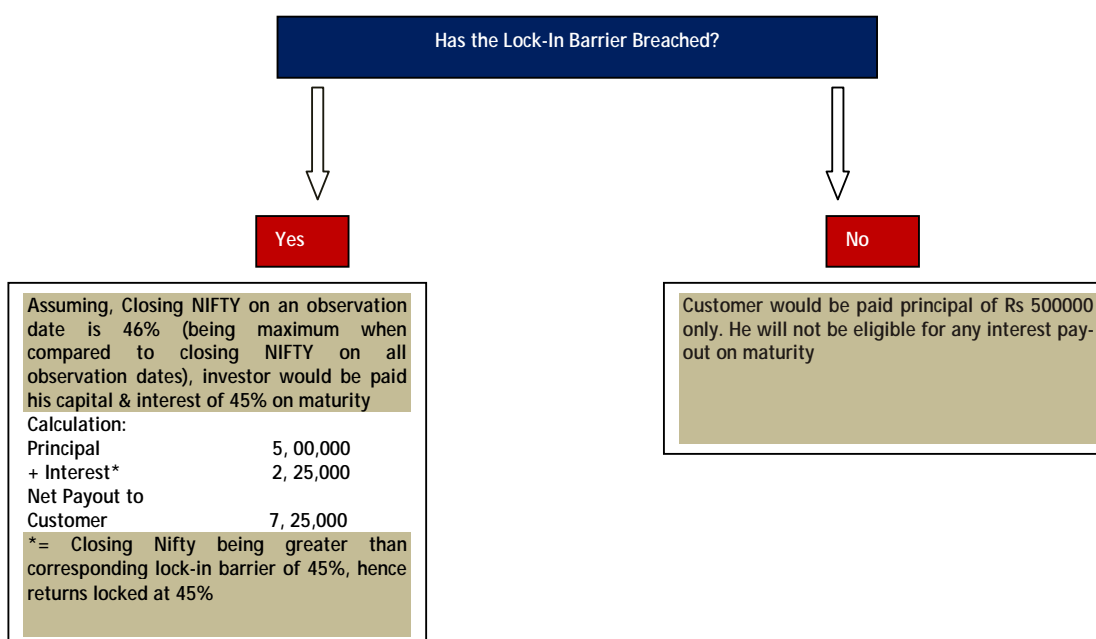
## ANNEXURE – A

Scenario analysis for calculation of Redemption Value

Scenario	Entry Nifty	Closing Nifty on Observation Dates	Closing Nifty on Observation Date as a percentage of Entry Nifty	Highest Lock-in Barrier reached (if any)	Lock-in Level
1	5000	5300	106%	-	0.0%
		5550	111%	-	0.0%
		6000	120%	120%	20.0%
		6200	124%	120%	20.0%
		6400	128%	125%	25.0%
		7000	140%	140%	40.0%
		7600	152%	150%	50.0%
		8050	161%	160%	60.0%
		8500	170%	165%	65.0%
Interest Payout is Maximum Lock-in Level Ever attained					65.0%
2	5000	5400	108%	-	0.0%
		5700	114%	-	0.0%
		6200	124%	120%	20.0%
		6600	132%	130%	30.0%
		6000	120%	130%	30.0%
		5200	104%	130%	30.0%
		4800	96%	130%	30.0%
		4000	80%	130%	30.0%
		3400	68%	130%	30.0%
Interest Payout is Maximum Lock-in Level Ever attained					30.0%
3	5000	5200	104%	-	0.0%
		5400	108%	-	0.0%
		5600	112%	-	0.0%
		5700	114%	-	0.0%
		5100	102%	-	0.0%
		5000	100%	-	0.0%
		4500	90%	-	0.0%



The following diagram illustrates the interest calculation on a Debenture assuming an investment of Rs.5, 00,000.



### Key Risk Factors

- Investors should have prior knowledge or experience in equities and products with pay offs linked to variable benchmarks or should take steps to familiarize themselves with these financial products. They must understand the product and its associated risks before making the decision to invest so as to be sure that the product suits their investment objective and financial profile.
- Market Risk: There is no guarantee on whether the reference index will appreciate or depreciate. The value of the Debenture, prior to the Redemption and Maturity Date, may be affected by a number of factors, including but not limited to the level of the Underlying Reference Index, option volatility of Underlying Reference Index, interest rates and time remaining to Maturity. Movements in the index will not necessarily result in corresponding movements in the market value of the Debenture.
- Potential Loss of Interest Income: It is possible that the prospective investor may receive no interest over the Investment period. The Debenture is Principal Protected.
- Credit risk of the Issuer: The Debenture holder carries the credit risk of the issuer. The market value of Debenture may change as the result of changes in the actual or perceived credit standing of the Issuer.
- Early Termination Risk: If the Debenture is early redeemed by the Issuer prior to Maturity Date, the value of the Debenture is exposed to prevailing market conditions. As a result, by early redeeming the Debenture prior to the Maturity Date, the investor may receive a distribution much lower than the initial amount invested.
- Event Risk: The Underlying Reference Index is subject to certain event risks including but not limited to certain events such as Market Disruption, etc. Determination Agent may in such case adjust the terms at its sole discretion to reflect the new market conditions. This may even include redeeming the Debenture prior to the Redemption and Maturity Date.

### Disclaimer:

The role of KSL is only to the extent of conveying the information provided by the Issuer and client shall solely be responsible for product due-diligence, understanding risk factors, taxation and the profit/loss on the investment made. KSL cannot be held liable for the same. KSL does not guarantee the accuracy, adequacy or completeness of any information in the Draft discussion note or the Debenture Information Memorandum and is not responsible for any errors or omissions or for the results obtained from the use of such information in the Draft discussion note or the Debenture IM. Also, any contents of this email should not be construed as an invitation or an offer for sale from issuer or KSL and information has been sent purely on request of the clients.

