

25

years
of
Wealth Creation

Knowledge First



ANNUAL REPORT 2011-2012



25 years of Wealth Creation

2012 marks the completion of 25 years of Wealth Creation for Motilal Oswal. What began as a 3-member sub-broking firm in 1987 has today grown into a 1000 plus team and one of India's leading financial services companies; having successfully ventured into new lines of businesses.

The past 25 years has also seen Motilal Oswal Financial Services pioneer successful business models, build rewarding relationships with clients, introduce innovative products and develop valuable partnerships across multiple stakeholders. Our high-quality service, value-driven offerings and strong business ethics have helped us become one of the most recognizable and respected brands in India.

The guiding force behind our wealth creation journey of the past 25 years has been our 'Knowledge First' philosophy. This has been supported by employee friendly HR practices, effective planning, innovative technology applications, efficient operations, robust risk management, prudent financial systems and customer centric marketing.

While we look back at our past 25 years with pride, it only acts as a motivator for even bigger and better achievements over the next 25.

1987



Starts as a Sub Broking Outfit - Prudential Portfolio Services

1996



Starts Wealth Creation Study to identify the biggest, fastest and the most consistent wealth creating companies

2000



Promoters honoured with Rashtriya Samman Patra



Receives the Asiamoney Award for the Best Domestic Equity House

2006

Enters into Investment Banking, Private Equity and Wealth Management

aban

Investment Banking Business advises on one of the largest investment banking deals of 2006 and tops Bloomberg M&A league table for India



Places 10.75% with 2 leading Private Equity Investors- Bessemer Venture and New Vernon Private Equity valuing the company @ ₹ 1200 Cr (post money)

Issues about 13% of equity to employees as ESOPs

Private Equity business launches its maiden fund of USD 125 million

2008

Hits Billion Dollar Market Capitalisation



Awarded 'Best Franchisor in Financial Services' by Franchising World Magazine for the second time in succession



Mr. Oswal awarded the 'Excellent Business Achiever in Financial Services' Award by the Institute of Chartered Accountants of India



Awarded the NASSCOM-CNBC TV18 IT User Award

DP Assets cross ₹ 5,000 cr

Group Profits cross ₹ 100 cr and Group revenues cross ₹ 500 cr

2010



Asset Management business hosts India's 1st Value Investing Forum



Asset Management launches its maiden mutual fund offering - India's first fundamentally enhanced ETF



Investment Banking Business wins the 'India M&A Investment Banker Award', and 'Asia Pacific Cross-Border Deal of the Year' at the Asia-Pacific M&A Atlas Awards



Launched Motilal Oswal Foundation

Wins QualTech Prize for Improvement in the Services Category at QIMPRO

DP Assets cross ₹ 10,000 cr

2012



Awarded 'Best Equity Broker' at Bloomberg UTV Financial Leadership Awards



Awarded the 'Retailer of the Year' (Banking & Financial Services) at the 'Award for Retail Excellence' organized by Asia Retail Congress



Adjudged 'Best Performing Equity Broker (National)' at the CNBC TV18 Financial Advisor Awards - two years in a row

Awarded the 'Best Public Relations in the Financial Services Sector' at the India PR & Corporate Communication Awards



MOST Shares Nasdaq 100 ETF bags the 'Most Innovative ETF - Asia Pacific 2011' at the 8th Annual Global ETF Awards 2012



MOFSL shifts into its own corporate headquarters spread over 2,70,000 square feet

MOSL acquires B.S.E. membership



1990

Gets N.S.E. membership



MOTILAL OSWAL

Enters Institutional Equities Business

1994

Reach expands to over 100 business locations Customer base crosses 10,000

FI Client base crosses 100

2003

asia money awards

Awarded Best Local Brokerage, Most Independent Research Brokerage and Best in Sales & Service

DP assets cross ₹ 1,000 crore

2005



Features as a case study in Harvard Business School



Goes public. The IPO was oversubscribed 26.4 times

2007



Rated as No. 1 Broker at the ET Now-Starmine Analyst Awards



Enters the Limca Book of Records for creating India's Largest Dealing Room

Reach expands to over 1,000 business locations Customer base crosses 5,00,000

2009



Mr Agrawal honoured with an award for Special Contribution to Indian Capital Market at 'India's Best Market Analyst Awards'



Wins 'Best Capital Markets & Related NBFC' Award at CNBC TV18 India Best Banks and Financial Institutions Awards



Asset Management Company (AMC) becomes India's 1st AMC to ring the NASDAQ Stock Market Opening Bell

2011

Reach expands to over 1,500 business locations Customer base crosses 7,00,000 Group net worth crosses ₹ 1,000 crore



Bags two awards for 'Excellence in HR through Technology' & 'Managing Health at Work' at the 2nd Asia's Best Employer Brand Awards

Awarded 'Best Equity Broking House' at BSE - Dun & Bradstreet Equity Broking Awards

Maiden mutual fund offering bags the 'Most Innovative Fund of the Year' at the CNBC TV18-CRISIL Mutual Fund Awards

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Board of Directors

Mr. Motilal Oswal
Chairman & Managing Director
Chief Executive Officer

Mr. Raamdeo Agrawal
Joint Managing Director

Mr. Navin Agarwal
Director

Mr. Balkumar Agarwal
Independent Director

Mr. Vivek Paranjpe
Independent Director

Mr. Praveen Tripathi
Independent Director

Chief Financial Officer
Mr. Sameer Kamath

Company Secretary and Compliance Officer
Mr. Samrat Sanyal

Bankers

Citibank N.A.
HDFC Bank
Standard Chartered Bank
State Bank of India
HSBC
ICICI Bank
Yes Bank

Auditors

M/s Haribhakti & Co., Chartered Accountants

Registrars and Share Transfer Agent

Link Intime India Private Limited
C- 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai – 400 078.

Registered Office

Palm Spring Centre, 2nd Floor,
Palm Court Complex, New Link Road,
Malad (West), Mumbai- 400 064.



Dear Shareholders,

Over the past year, we have been put to the test through a very challenging business environment. The India growth story faced tough macro and global headwinds which put corporate earnings under pressure and impacted investor sentiments towards equities. While the markets saw negative returns in the first three quarters, a rebound in the fourth saw it decline by a moderate 10% for the fiscal. FIIs remained net sellers for most part of the year, in contrast to the strong inflows seen in the prior two years. Retail participation remained depressed due to the market performance and lackluster showing of many recent IPO stocks post-listing. Market volatility and muted investor sentiments saw a number of primary issues being deferred, which put pressure on demat account growth and investment banking business. Although average daily equity market volumes touched a high of ₹ 1.43 tn in FY12, high-yield cash volumes continued to decline, which put broking revenues under pressure this year too.

Our consolidated revenues declined 22.5% to ₹ 4.66 bn in FY12, and reported PAT declined 24% to ₹ 1.04 bn. Broking-related revenues fell 26% to ₹ 3.20 bn, in line with the 24% decline in cash market volumes. With an increase in the loan book, fund based income grew 8% to ₹ 822.2 mn. Asset management fees increased 17% to ₹ 503.5 mn on the back of our new mutual funds and private equity fund launched this year. Investment banking business was adversely impacted by lackluster market performance, high borrowing costs and slow down in corporate expansion plans. Investment banking fees saw a 78% decline to ₹ 86.3 mn. However, strong focus on efficiency and costs helped your company maintain EBITDA and Net Profit margins in line with the long term trends.

Despite this difficult operational environment in FY12, we worked actively to strengthen our position further in the market by focusing on following key areas, so that we can tap the opportunities once the market tide turns favourable :-

- Building our distribution reach by focusing on quality business partners and untapped pools of wealth across India
- Given our emphasis on Knowledge, we introduced innovative funds and equity strategies, as well as conducted investor education seminars
- Leveraging technology to provide an enhanced service experience to our clients across the entire customer engagement process
- Using our funds and strategies, a wide product bouquet, trading platforms and strong on-ground relationships across all our verticals to build client assets
- Effectively managing those costs that can be controlled and deliver consistent profit margins despite these challenging times
- Using capital judiciously to ensure a strong, risk-free balance sheet, which gives us the ability to tap any viable opportunities that arise

These efforts and initiatives saw us deliver on many fronts. Our cash market share – our main focus area, continues to hold firm despite the pressures on cash market volumes. Our flagship PMS strategy – Value, continues to outperform the benchmark across short and long time periods. All our new mutual funds and private equity fund launched this year have seen good investor interest. Some holdings of our existing private equity fund are evincing good interest for subsequent rounds of financing. We successfully created synergies across our business segments to cross-sell products and source deals and investor monies.

In recognition of our value-driven services and customer-centric approach, we won several industry accolades this year as well. Each of these is testimonial to the hard work put in by our employees. The awards included 'Best Performing National Equity Broker' at the CNBC TV18 Financial Advisor Awards 2012; 'Best Equity Broker' at the Bloomberg UTV Financial Leadership Awards 2012; 'Retailer of the Year (Banking & Financial Services)' at the Retail Excellence Awards 2012 and 'Best Equity Broking House' at the BSE IPF-D&B Equity Broking Awards 2011.

Despite the near-term headwinds, there is a clear, long-term opportunity for financial intermediation as the growth in Indian GDP and savings pans out. During the year, we continued our efforts in laying a strong foundation in our businesses to scale up and grab a meaningful share of these opportunities. We remain focused on building a customer focused organization with low financial leverage, which has helped us deliver reasonable performance across market cycles.

I would like to express my gratitude to our Board of Directors for their support and guidance. I am also grateful to all our stakeholders who have reposed their trust in us and given us constant support.

With best wishes,

Sincerely,



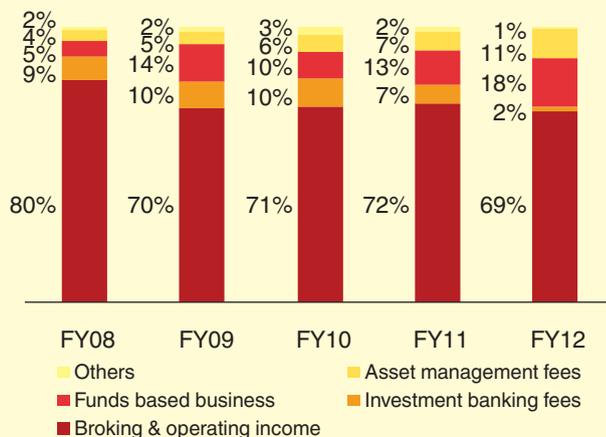
Motilal Oswal
Chairman and Managing Director
Mumbai, 20 June, 2012

Performance at a Glance

Consolidated Revenues (₹ Mn)

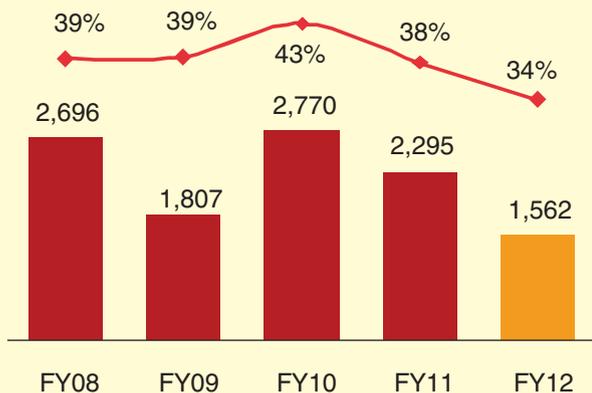


Revenue Composition %

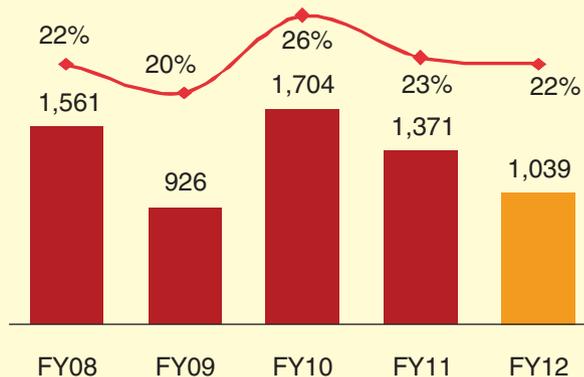


Figures may not always sum to 100% due to rounding

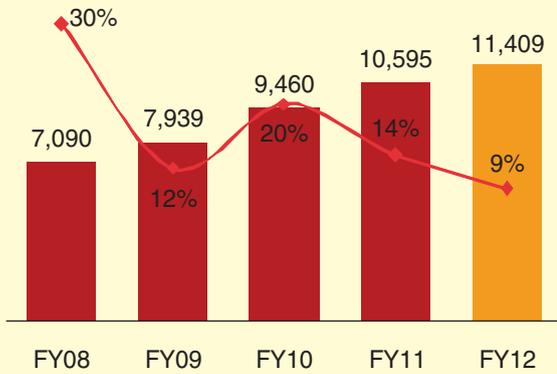
EBITDA (₹ Mn); EBITDA Margin %



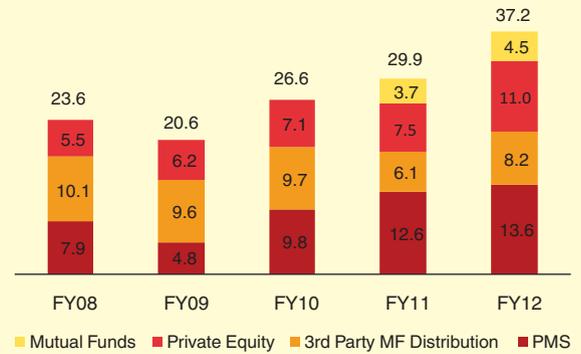
Profit After Tax (₹ Mn); PAT Margin %



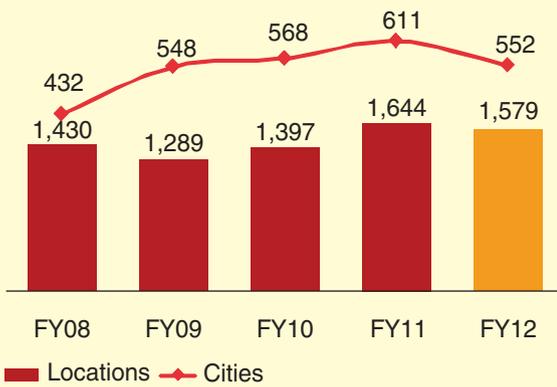
Net Worth (₹ Mn); Return on Avg Net Worth%



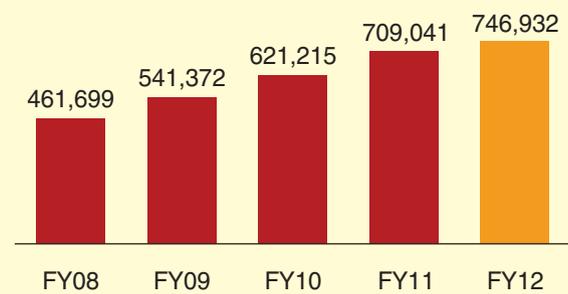
Assets under Management/Advice/Distribution (₹ Bn)



Number of Locations and Cities



Total number of Registered Clients



Business Snapshot

BROKING & DISTRIBUTION

- Distribution reach at 1,579 business locations across 552 cities
- More than 746,000 total registered customers
- Depository assets at ₹ 115.4 bn
- About 400 training and investor education seminars conducted in FY12; including the multi-city seminar series - 'Investor Ki Kahani Usi Ki Zubani'

INSTITUTIONAL EQUITIES

- Over 500 institutional clients
- Research covering over 200 companies in over 20 sectors and 25 commodities
- Research products across the entire spectrum - India Strategy, Thematic (Eco Scope, Expert Speak, Policy Maker); Sector (mPower, Auto Dashboard, Tele Talk Time, Industry Updates) and Company (ICR, Company Updates, InSites) research

INVESTMENT BANKING

- 88 deals in 6 years across the sector and product spectrum
- Cumulative revenues since inception of ₹ 2.6 bn
- Lead Sponsor for the 'Latin America India Investors Forum' in Mumbai
- Won the 'Asia Pacific Cross-Border Deal of the Year' and Mr Ashutosh Maheshvari, CEO - Investment Banking won the 'India M&A Investment Banker' award at the Asia Pacific M&A Atlas Awards 2010 for the transaction of Shree Renuka Sugar's acquisition of Brazil's Equipav SA

ASSET MANAGEMENT

- PMS AUM of ₹ 13.6 bn
- Mutual Funds AUM of ₹ 4.5 bn across 5 products
- Launched MOST 10Year Gilt Fund in Dec 2011 - India's 1st fund providing access to 10Year benchmark Government Bond
- Launched MOST Shares Gold ETF in March 2012 - India's 1st Gold ETF of its kind which seamlessly enables investment as well as consumption of pure gold for retail investors
- Organized the 1st edition of the Motilal Oswal MOST Shares ETF Conclave in June 2011
- MOST Shares Nasdaq 100 ETF won the 'Most Innovative ETF - Asia Pacific 2011' award at the 8th Annual Global ETF Awards 2012 in USA
- MOST Shares M50 ETF was adjudged the 'Most Innovative Fund of the Year' at the CNBC TV18-CRISIL Mutual Fund Awards 2011

PRIVATE EQUITY

- India Business Excellence Fund has funds under management of US\$ 125 million (₹ 5.5 bn) and has committed ~83% across 13 companies
- India Realty Excellence Fund has funds under management/advice of ₹ 2 bn and has committed ~74% of its funds under management across 6 deals
- Announced the first closing of its 2nd growth capital PE fund - India Business Excellence Fund-II. Achieved an equivalent of ₹ 3.5 bn raised through a combination of domestic and offshore investors

WEALTH MANAGEMENT

- AUM of ₹ 14.7 bn
- Presence in Mumbai, Delhi, Kolkata, Pune and Ahmedabad
- Unique Wealth Management offering (Purple) based on financial profiling and client need analysis
- Launched FA Workstation - an online platform for advisors to track wealth portfolios, research etc and improve operational efficiency

All data as of March 31, 2012



Motilal Oswal
Chairman and Managing Director



Raamdeo Agrawal
Joint Managing Director



Navin Agarwal
Director & CEO, Institutional Equities



Ashutosh Maheshvari
CEO, Investment Banking Business



Vishal Tulsyan
CEO, Private Equity Business



Nitin Rakesh
CEO, Asset Management Business



Vijay Kumar Goel
CEO, Broking and Distribution Business



A V Srikanth
CEO, Private Wealth Management Business



Srikanth Iyengar
CEO, Principal Strategies Group



Rajat Rajgarhia
Head, Research



Ajay Kumar Menon
Chief Operating Officer &
Whole - time Director (MOSL)



Sameer Kamath
Chief Financial Officer



Harsh Joshi
Head, Corporate Affairs &
Whole-time Director (MOSL)



Sudhir Dhar
Head, HR & Administration



Ramnik Chhabra
Head, Marketing

Financial Statements

To the Members

Your Directors have pleasure in presenting their 7th Report together with the audited Accounts of your Company for the year ended 31st March, 2012.

Financial Highlights

Summary of Financial results for the year is as under: -

Motilal Oswal Financial Services Limited (Standalone)

	₹ in million	
	Year ended 31st March, 2012	Year ended 31st March, 2011
Income	819.48	643.41
Profit before Finance Cost and Taxation	671.17	576.80
Finance Cost	(8.97)	(11.42)
Profit before Taxation	662.20	565.38
Less : Provision for Taxation		
Current Tax	88.85	126.65
Deferred Tax Asset	11.72	11.50
For previous year (s)	(1.33)	0.63
Profit for the year	562.96	426.60
Balance brought forward from previous year	414.85	351.30
Profit Available for appropriation	977.81	777.90
Less: Appropriations		
Transfer to Statutory Reserve	(112.59)	(85.32)
Proposed dividend/Interim Dividend	(217.68)	(202.26)
Dividend Distribution Tax	20.86	(32.81)
Transfer to General Reserve	(45.04)	(42.66)
Balance of Profit carried forward	623.36	414.85

Summary of Consolidated Financial results of the Company and its subsidiaries for the year is as under: -

	₹ in million	
	31st March, 2012	31st March, 2011
Income	4655.27	6,007.57
Profit before Finance cost, Depreciation and Taxation and Exceptional Items	1561.99	2,294.98
Finance Cost	(35.99)	(56.64)
Depreciation	(129.70)	(131.28)
Profit before Taxation and Exceptional Items	1396.30	2,107.06
Exceptional Items	129.87	-
Profit before Taxation	1,526.17	2,107.06
Less : Provision for Taxation		
Current Tax	442.26	672.47
Deferred Tax	45.16	32.97
Tax for the prior year	(2.98)	6.57

DIRECTORS' REPORT

	31st March, 2012	31st March, 2011
Profit after tax before Minority Interest	1041.72	1395.05
Minority Interest in profits	(2.86)	(24.44)
Profit after tax and Minority Interest	1038.86	1370.60
Profit brought forward from previous year	5,029.57	4189.77
Profit available for the Appropriations	6,068.42	5560.37
Less: Appropriations		
Transfer to Statutory Reserve & Capital Redemption Reserve	(112.59)	(91.32)
Proposed Dividend /Interim Dividend	(217.77)	(215.44)
Distribution tax on proposed/Interim Dividend	(14.45)	(67.60)
Transfer to General Reserve	(126.56)	(156.45)
Balance of Profit carried to Balance Sheet	5597.06	5029.57

Dividend

The Company at the Meeting of its Board of Directors held on 16th January, 2012, had declared an interim dividend of ₹ 1.00 per Equity Share, out of the profits of the Company for the nine months ended 31st December, 2011 on 14,51,19,469 Equity Shares of ₹ 1.00 each aggregating to ₹ 14,51,19,469/- .

Keeping in view the overall performance during the year, your Directors are pleased to recommend a final dividend of ₹ 0.50 per Equity Share on the face value of ₹ 1.00 each aggregating to ₹ 72,561,435, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The dividend distribution tax will absorb a sum of ₹ 11,771,279.

Results of Operations (MOFSL Standalone)

The standalone revenues for the year were ₹ 819.48 million, a growth of 27% compared to ₹ 643.41 million last year. Interest income went up by 14% to ₹ 452.60 million, on account of an increase in the average loan book size. Income from arbitrage operations was lower as compared to last financial year due to non deployment of surplus fund in arbitrage business. Other income includes dividend from subsidiaries (including interim dividend declared in current year) ₹ 346.29 million compared to ₹ 134.06 million in the last year.

Due to higher operating expenses and provision created for Sub-Standard Assets, the total expenses (before depreciation and interest) registered a 109% jump to ₹ 139.04 million this year. Profit before depreciation, interest, and taxation (EBITDA) increased by 18% this year, from ₹ 576.88 million to ₹ 680.44 million. With a reduction in the Company's average borrowing this year, interest and finance charges fell by 21%. The Company's net profit increased by 32% to ₹ 562.96 million.

The detailed results of operations of the Company are given in the Management Discussion & Analysis forming part of this Report.

Consolidated Results of Operations

The Consolidated Revenues of the Company for the year were ₹ 4,655.27 million, a decline of 22.51% as compared to the previous year.

- Broking and related revenues declined by 25.7% to ₹ 3,201.13 million this year. The dramatic shift towards the low-yield options segment continues through this year as well, contributing to 68% of total volumes, as compared to 57% a year back. The cash segment of the market (which is also the most profitable) registered a decline of 24% in the average daily volume at ₹ 139.7 billion as compared to last year whereas the overall market volumes actually saw a growth of 7% in the same period. This disproportionate rise of low yielding options segment has resulted in a drop of our overall market share from 2.5% to 1.9% this year. As on 31st March, 2012, total client base has increased to 746,932 while Pan-India distribution reach stood at 1,579 business locations across 552 cities. Despite challenging market conditions we remain committed to building a strong franchise in the broking space and our efforts were recognized at several industry platforms.

- Investment banking fees fell by 78.4% to ₹ 86.33 million this year. Poor performance of equity markets adversely impacted equity raising activities by both IPO and QIPs in the market. The global slowdown and uncertainty in the government policies clubbed with high borrowing costs, has had an adverse impact on the decision making by the corporates and investors, causing a slowdown in deal activities in the current year. However, the business is well aligned to arising market opportunities and the execution pipeline remains robust.
- Fund-based income for the year was ₹ 822.2 million, a growth of 7.5%. This is attributable to growth in interest income due to higher average loan book this year.
- Asset management fees increased by 17.4% to ₹ 503.53 million. The total assets under management/advice across mutual funds, PMS and private equity businesses was ₹ 29.1 billion of which mutual funds AUM was ₹ 4.5 billion, private equity AUA was ₹ 11.0 billion and PMS AUM was ₹ 13.6 billion. During the current year, the mutual fund business launches two new schemes - Gilt Fund and Gold ETF, which saw good investor participation. The private equity business announced the first closing of its new fund - India Business Excellence Fund II raising ₹ 3.5 billion through a combination of domestic and offshore investors.
- Other income declined by 61.0% to ₹ 42.08 million as compared to last year.

Total expenses for the year (before interest and depreciation) at ₹ 3,093.29 million registered a 16.7% decline over last year. The decline in brokerage commission earned reduced the brokerage shared with intermediaries by 19.9% to ₹ 1,164.33 million. People costs at ₹ 1,138.57 million declined by 17.0% as compared to last year. Other operating costs which include facilities, marketing, communication, travel and other costs declined by 10.8% to ₹ 790.38 million. The profit before depreciation, interest, exceptional items and taxation (EBITDA) decreased by 31.9% to ₹ 1,561.99 million. EBITDA margin reduced from 38% to 34%.

Towards consolidation of office premises at the Corporate Headquarters at Prabhadevi, some of the existing office premises in South Mumbai area were sold during the current quarter for a profit of ₹ 129.87 million.

Reported net profit for the year after minority interest stood at ₹ 1,038.86 million, a decline of 24.2%.

The Consolidated Financial Statements of the Company and its subsidiaries prepared in accordance with 'Accounting Standard - 21' prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report and the Accounts. The Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company as per the general exemption provided under Section 212(8) of the Companies Act, 1956 by the Ministry of Corporate Affairs, issued vide General Circular No. 2/2011 dated 8th February, 2011.

The Company hereby undertakes that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders in the registered office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

The detailed results of operations of the Company and its subsidiaries are given in the Management Discussion & Analysis forming part of this report.

Future Outlook

Indian Stock Markets had a muted year in 2011-12, due to rupee depreciation, high inflation and high interest rates. FII and retail participation have been weak due to un-exciting outlook. The valuations have corrected significantly and are at a reasonable level. Global equity markets had a better year, but India turned out to be the worst performing market in dollar terms.

Corporate earnings growth still looks to be in single digit for the current year. Lot of hope is built on the possibility of interest rate cuts in the quarters ahead. At our end, we are building-up all our businesses relentlessly, in such a way that we are ready to en-cash on any up-turn in the market.

Credit Rating

The Company enjoys the highest rating of 'A1+' assigned by CRISIL Limited to the Short-term Debt Programme of ₹ 1.5 billion of your Company. The rating indicates the highest degree of safety with regard to timely payment of interest and principal on the instrument.

CRISIL Limited also reaffirmed the rating of 'A1+' to the Short-term Debt Programme of ₹ 1 billion of Motilal Oswal Securities Limited, a subsidiary of the Company.

DIRECTORS' REPORT

Finance

During the year under review, to meet the working capital requirements, the Company had issued Commercial Papers.

Employees' Stock Option Schemes (ESOS)

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure to this Report.

Directors

Mr. Praveen Tripathi was appointed as an Additional Director on 22nd July, 2011 by the Board of Directors. It would be required to appoint him as a Director by the Members at the forthcoming Annual General Meeting. The credentials of Mr. Praveen Tripathi is given in the Corporate Governance Report annexed herewith.

The Company has received a notice from a Member signifying his intention to propose the name of Mr. Praveen Tripathi for appointment as a Director of your Company at the forthcoming Annual General Meeting of the Company.

Mr. Navin Agarwal and Mr. Balkumar Agarwal retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the Profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Audit Committee

The Audit Committee presently comprises of Mr. Balkumar Agarwal (Chairman of the Committee), Mr. Raamdeo Agrawal, Mr. Vivek Paranjpe and Mr. Praveen Tripathi.

Remuneration/Compensation Committee

The Remuneration/Compensation Committee of the Board of Directors presently comprises of Mr. Vivek Paranjpe (Chairman of the Committee), Mr. Balkumar Agarwal and Mr. Motilal Oswal.

Shareholders/Investors' Grievance Committee

The Shareholders/Investors Grievance Committee of the Board of Directors presently comprises of Mr. Balkumar Agarwal (Chairman of the Committee), Mr. Motilal Oswal and Mr. Raamdeo Agrawal.

Nomination Committee

The Nomination Committee of the Board of Directors presently comprises of Mr. Motilal Oswal and Mr. Raamdeo Agrawal.

Risk Management Committee

The Risk Management Committee of the Board of Directors presently comprises of Mr. Motilal Oswal and Mr. Navin Agarwal.

Asset Liability Management Committee (ALCO)

Asset Liability Management Committee (ALCO) of the Board of Directors presently comprises of Mr. Motilal Oswal (Chairman of the Committee), Mr. Raamdeo Agrawal, Mr. Navin Agarwal and Mr. Ajay Menon.

ESOP Committee

The ESOP Committee of the Board of Directors presently comprises of Mr. Motilal Oswal and Mr. Raamdeo Agrawal.

Corporate Governance

A report on the Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement are annexed to this Report.

Auditors

Messrs. Haribhakti & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members will be required to appoint Auditors for the current year and fix their remuneration.

Subsidiaries

The Company has the following subsidiary companies:

- 1 Motilal Oswal Securities Limited (MOSL).
- 2 Motilal Oswal Investment Advisors Private Limited
- 3 Motilal Oswal Private Equity Advisors Private Limited
- 4 Motilal Oswal Commodities Broker Private Limited
- 5 Motilal Oswal Insurance Brokers Private Limited
- 6 Motilal Oswal Capital Markets Private Limited (Subsidiary of MOSL)
- 7 Motilal Oswal Asset Management Company Limited (Subsidiary of MOSL)
- 8 Motilal Oswal Trustee Company Limited (Subsidiary of MOSL)
- 9 Motilal Oswal Wealth Management Private Limited (Subsidiary of MOSL)
- 10 Motilal Oswal Securities International Private Limited. (Subsidiary of MOSL) (incorporated during FY 2011-12 in India)
- 11 Motilal Oswal Capital Markets (Hong Kong) Private Limited (Subsidiary of MOSL) (incorporated during FY 2011-12 in Hong Kong)
- 12 Motilal Oswal Capital Markets (Singapore) Pte. Limited. (Subsidiary of MOSL) (incorporated during FY 2011-12 in Singapore)

The Statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's subsidiaries is attached herewith.

Fixed Deposits And Loans/Advances

The Company has not accepted any deposits from the public or employees during the year under review.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the Company, are furnished separately.

DIRECTORS' REPORT

Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgo

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 concerning conservation of energy and technology absorption respectively are not applicable to the Company.

There was no inflow of foreign exchange during the year under review. Details of the foreign exchange outflow are given in the notes to Accounts.

Particulars of employees as required under section 217(2A) of the Companies Act, 1956 and Rules framed thereunder

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the Rules framed thereunder, the names and other particulars of employees are set out in the Annexure to the Directors' Report. In terms of the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the Shareholders of the Company excluding the aforesaid Annexure. The Annexure is available for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the said Annexure may write to the Company Secretary & Compliance Officer at the Registered Office of the Company.

Acknowledgments

Your Directors take this opportunity to thank the Authorities, Bankers, Shareholders and the Customers of the Company for their continued support to the Company. The Directors also place on record their sincere appreciation of the contributions made by every member of the MOFSL family for their dedicated efforts that made these results achievable.

For and on behalf of the Board

Motilal Oswal

Chairman & Managing Director

Mumbai, 25th April, 2012

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies.

Particulars	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Total
The Financial year of the Subsidiary ended on	Motilal Oswal Securities Ltd.	Motilal Oswal Commodities Broker Pvt. Ltd.	Motilal Oswal Private Equity Advisors Pvt. Ltd.	Motilal Oswal Investment Advisors Pvt. Ltd.	Motilal Oswal Insurance Broker Pvt. Ltd.	Motilal Oswal Capital Markets Pvt. Ltd.	Motilal Oswal Wealth Management Pvt. Ltd.	Motilal Oswal Asset Management Company Ltd.	Motilal Oswal Trustee Company Ltd.	Securities International Pvt. Ltd.	Capital Markets (Singapore) Pte. Limited.	Capital Markets (HongKong) Pvt. Limited	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012
Number of Shares in the Subsidiary Company held by Motilal Oswal Financial Services Limited at the above date																
Equity	1,318,218	400,000	50,000	937,500	9,000,000	350,000	3	30,000,000	100,000	37,85,200	250,000	6,000,000				
Extent of holding	99.95%	97.55%	85.00%	93.75%	99.00%	99.95%	99.95%	99.95%	99.95%	99.95%	99.95%	99.95%				
The net aggregate of profits/(losses) of the Subsidiary Company for its financial period so far as they concern the member of Motilal Oswal Financial Services Limited	14.50	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL				14.50
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2012 (₹ in Crores)	66.98	5.63	1.73	(2.88)	(0.18)	0.06	0.33	(3.09)	(0.00)	(0.52)	(0.13)	(0.27)				67.66
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2012 (₹ in Crores)																
The net aggregate of profits/(losses) of the Subsidiary Company for its previous financial periods so far as they concern the member of Motilal Oswal Financial Services Limited	10.94	NIL	NIL	9.19	NIL	NIL	0.97	(13.03)	(0.01)	NIL	NIL	NIL				20.13
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2012 (₹ in Crores)	542.93	4.52	6.48	5.44	(0.40)	0.14	0.97	(13.03)	(0.01)	(0.52)	(0.12)	(0.59)				545.81
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2012 (₹ in Crores)																

For and on behalf of Board of
MOTILAL OSWAL FINANCIAL SERVICES LIMITED
Samrat Sanyal Chairman & Managing Director
Motilal Oswal Joint Managing Director
Raamdeo Agrawal Joint Managing Director

Place : Mumbai
Dated : 25th April, 2012

Annexure to the Directors' Report

Loans and advances in the nature of loans to subsidiaries disclosed pursuant to Clause 32 of the Listing Agreement:
(₹ in Crores)

Name of the Company	Balance as on 31st March, 2012	Maximum Outstanding during the year
Motilal Oswal Securities Limited	-	45.50
Motilal Oswal Commodities Broker Private Limited	45.44	58.55
Motilal Oswal Asset Management Co. Ltd.	-	0.70
Motilal Oswal Capital Markets Pvt. Ltd.	-	0.10
Motilal Oswal Investment Advisors Private Limited	-	10.50
Motilal Oswal Private Equity Advisors Private Limited	-	2.90

Annexure to the Directors' Report

Information disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as at 31st March, 2012:-

S. No.	Particulars	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 2) – III' (ESOS – III)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 5) – IV' (ESOS – IV)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 1) – V' (ESOS – V)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 1) – VI' (ESOS – VI)
a)	Options granted	12,61,500	2,00,000	58,17,500	50,84,000
b)	The pricing formula	Price at which shares are issued to Private Equity Investor i.e. at the Rate of ₹ 518.90 per share.	Price arrived at with reference to the expected Issue Price i.e. at ₹ 775 per share.	The closing price of the Company's Equity Shares quoted on the Bombay Stock Exchange Limited immediately preceding the date of Grant of the Stock Options, which for this purpose shall be the date on which the Committee grant the Stock Options, discounted by such percentage as may be determined by the Committee in the best interest of the various stakeholders in the prevailing market conditions.	The closing price of the Company's Equity Shares, prior to the date of grant of the Options, on the Stock Exchanges where the highest trading volume is recorded, discounted / increased by such percentage as may be determined by the Committee.
c)	Options vested	10,15,975	10,000	4,80,500	4,34,750
d)	Options exercised	6,43,175	5,000	54,500	40,750
e)	The total number of shares arising as a result of exercise of option	12,86,350	25,000	54,500	40,750
f)	Options lapsed (as at 31.03.12)	6,07,375	1,90,000	37,15,250	9,43,250
g)	Variation of terms of options	N. A.	N. A.	N. A.	N. A.
h)	Money realised by exercise of options	₹ 13,34,97,403	₹ 38,75,000	₹ 90,82,238	₹ 67,43,375
i)	Total number of options in force (as at 31.03.12)	10,950	5,000	20,47,750	41,00,000
j)	Employee-wise details of options granted to:				
	(i) Senior managerial personnel	N.A.	N.A.	Nil	Nil
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	N. A.	N. A.	N. A.	N. A.
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	N. A.	N. A.	N. A.	N. A.
k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	₹ 3.89	₹ 3.89	₹ 3.89	₹ 3.89

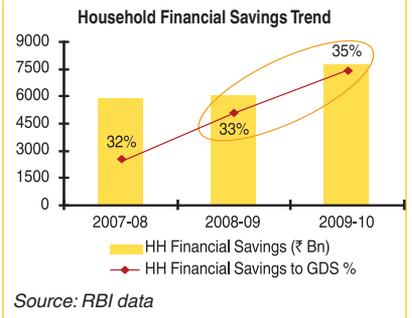
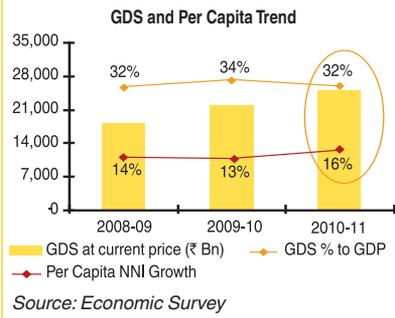
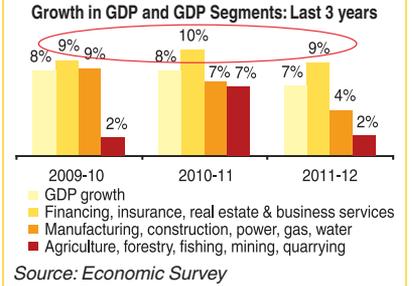
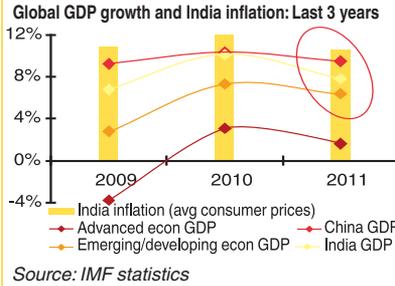
Annexure to the Directors' Report

S. No.	Particulars	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 2) – III' (ESOS – III)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 5) – IV' (ESOS – IV)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 1) – V' (ESOS – V)	'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme (₹ 1) – VI' (ESOS – VI)
l)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Nil	Nil	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted under ESOS – V and ESOS - VI, the employee compensation cost would have been higher by ₹ 8,82,15,048/- Profit after tax lower by ₹ 8,82,15,048/- and the basic earnings per share would have been lower by ₹ 0.61.	
m)	Weighted-average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	N. A.	N. A.	N.A.	N.A.
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:-				
	(i) risk-free interest rate,	N. A.	N. A.	N. A.	N. A.
	(ii) expected life,	N. A.	N. A.	N. A.	N. A.
	(iii) expected volatility,	N. A.	N. A.	N. A.	N. A.
	(iv) expected dividends	N. A.	N. A.	N. A.	N. A.
	(v) the price of the underlying share in market at the time of option grant.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price at which Shares were issued to Private Equity Investor i.e. ₹ 518.90 per share.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price which was determined with reference to the expected Issue Price.	N. A.	N. A.

The last year was tough, but the long-term historic trend reaffirms India's economic strength
 The immediate year gone by saw India caught between conflicting challenges of managing economic growth vs inflation. Nevertheless, the long-term historic trend, signified by the last 25 years, has seen India deliver strong economic growth over the years.

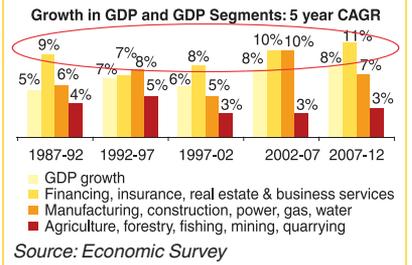
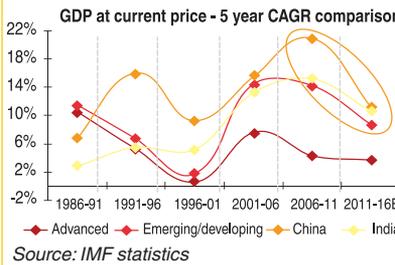
FY12 saw interest rate hikes to rein in inflation, slowdown in corporate investments, supply-side constraints like poor infrastructure and public utilities and global economic crises resulting in weak industrial growth. Thus, the economic growth momentum saw a pause this year. Lower growth in government receipts, industry slowdown and high commodity costs kept fiscal deficit under pressure. Exports, which picked up in H1 FY12, slowed down in H2 FY12.

Despite the headwinds, certain observations show the outlook to be positive. Inflation, though still elevated, showed some signs of slowing by FY12-end. A reversal in rate hikes should encourage investments and enhance growth. Despite a dip in FY12, the financing and business services GDP outperformed. Services growth is expected to continue. RBI stress tests in FY12 showed banks to be reasonably resilient. Schemes like MNREGA helped boost rural incomes. The low median age should add to the labour force and demand levels.

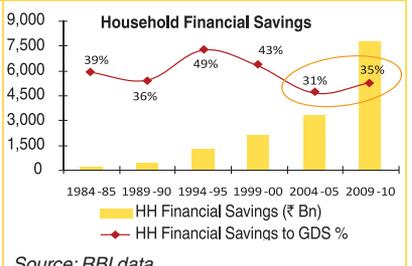
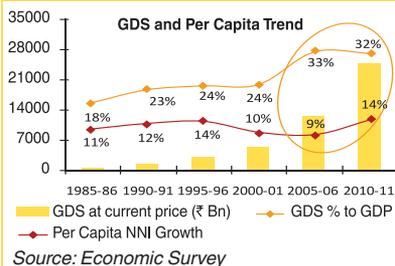


With the per capita income growing and the momentum in savings growth largely intact, the allocation towards financial savings by households has picked up. Given the recent headwinds impacting the Indian economy, the GDP is now expected to grow by a slightly lower rate this year than the earlier estimates. Nevertheless, India still remains amongst the high-growth economies globally for the coming years. Key challenges are adequate infrastructure, skill levels, financial inclusion, governance, technology to enhance productivity and the consumption-investment balance.

Indian GDP's 5 year CAGR across the last 25 years has outperformed global peers since the 1990s, second only to China. IMF projections till 2016 shows the gap between China and India to narrow further and the gap between India and emerging economies group to widen slightly. This indicates the relative performance of India would make it attractive over the next 5 years.



Since the 1990s, the outperformance of financing and business services GDP relative to traditional manufacturing and agriculture segments stands out. Over the last 25 years, India's per capita net national income has also grown at a strong rate comparable to the GDP growth.



The last 25 years saw India emerge as a savings-oriented country. While its GDS (Gross Domestic Savings) showed strong growth, the proportion of GDS to GDP has also gradually increased.

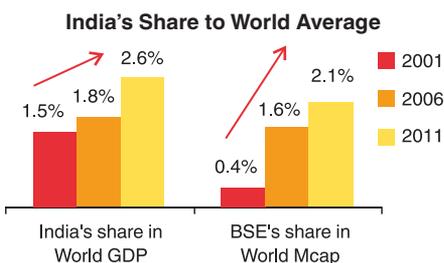
Household financial savings have also picked up. Indian households have increasingly allocated towards financial savings in the last 5 years itself, coinciding with a sharp growth in the 5-year CAGR in per capita income in the same period. Growth in the proportion of financial savings to GDS indicates a higher allocation for financial investments, which bodes well for financial services companies.

Management Discussion and Analysis

Key observations that emerge from the recent performance of the Indian equity markets

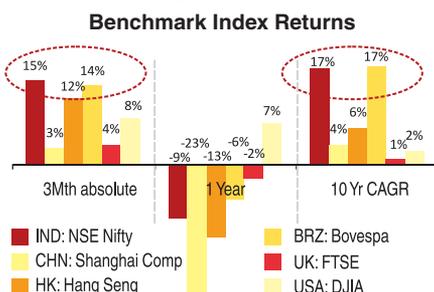
Indian equity markets were amongst the worst performers globally this year, delivering negative returns in the first three quarters. During CY11, Consumption was the only sector with positive returns. Government sponsored schemes, the 6th Pay Revision and increase in asset prices like land and gold buoyed a sense of affluence amongst the masses and drove incomes and demand. Thus, 2011-12 was the year of Consumption. Given the freeze in industrial capex and infrastructure slowdown, Capital Goods was amongst the worst performing sectors. Sectors with high gearing underperformed due to rising interest rate climate and concerns over refinancing. Positive initiatives like allowing entry of QFIs into India, uniform KYC norms and lowering of STT from 0.125% to 0.1% on cash delivery trades should have a positive impact on future equity participation.

India's economic growth has had a higher than proportionate impact on the market performance, in terms of share to world averages. BSE market cap's share to world m-cap went up from 0.4% to 2.1% over the last decade, while its GDP share went up from 1.5% to 2.6%.



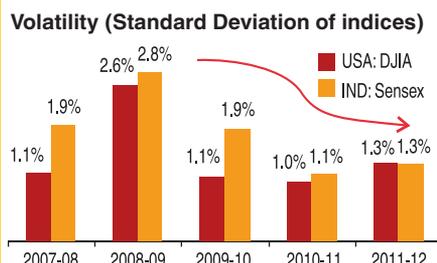
Source: IMF, WFE data

Benchmark index performance shows emerging markets like India, Brazil have outperformed the major markets in the long-term and also during the immediate recovery of the last 3 months, despite the drop seen during FY12.



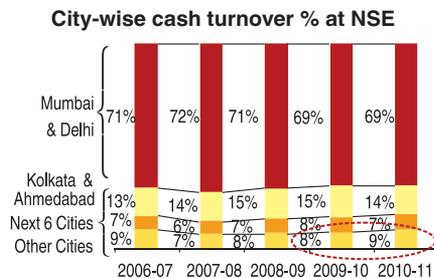
Source: Yahoo finance indices data

Market volatility has been declining in India since 2008. FY 2012 did see an increase, given the market conditions. However, the volatility in India did not exceed US this time, as has traditionally been the case. This bodes well for investor confidence.



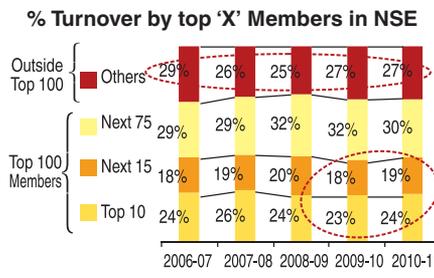
Source: Yahoo finance indices data

Mumbai and Delhi hold strong as prime cities of equity participation. Last two years saw an increase in the proportion of participation from towns outside the Top 10 cities. Many of these are seeing growing pools of wealth given their recent economic prosperity, and the allocation of this wealth towards equities is increasing.



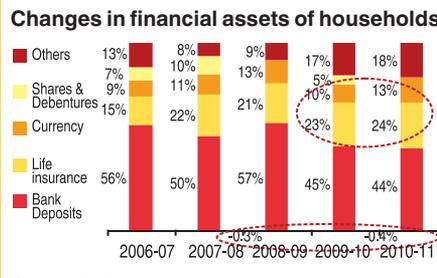
Source: NSE Factbook

Although the industry continues to remain largely fragmented, the last 5 years have seen a gradual concentration of cash volumes with the Top 25 and Top 100 brokers, which peaked during 2008-09. This slight shift in the proportion of cash volumes towards the top brokers indicates a slow but definite process of consolidation.



Source: NSE Factbook

RBI data on changes in financial assets of households in FY11 shows that the focus was on life insurance and currency, while shares and debentures were out of favour. Considering this had been 5% during the market upswing of FY10, it reaffirms that the proportion held in shares will pick up once the market performance picks up.



Source: RBI data

Business Streams and Outlook:

Motilal Oswal Financial Services Limited (MOFSL), is a non-banking financial company (NBFC), registered under the Reserve Bank of India Act, 1934. The company's standalone operations have two critical elements:

- Build on a financing infrastructure that can best customize risk adjusted products, have simple and compliant documentation, and prompt loan approval procedures; and
- A strong structure in place that can most efficiently source funds and manage resources.

Management Discussion and Analysis

There is a clearly defined set of procedures for evaluating the creditworthiness of customers that extends from initial evaluation to loan approval. Funds are advanced after due process of evaluation and upon providing the necessary documentation. A lot of emphasis is placed on tailoring finance to customer needs. MOFSL's objective is to ensure appraisal and disbursement within the shortest possible time, without compromising on asset quality.

The company also raises resources through short-term borrowings. During FY12, the company enjoyed the highest rating of 'A1+' assigned by CRISIL Limited to its short-term debt programme of ₹ 1.5 billion. The rating indicates the highest degree of safety with regard to timely payment of interest and principal on the instrument. CRISIL Limited also reaffirmed the rating of 'A1+' to the short-term debt programme of ₹ 1 billion of Motilal Oswal Securities Limited, a subsidiary of the Company.

Besides the financing business directly carried out through MOFSL, we offer a range of financial products and services such as Broking and Distribution, Institutional Equities, Wealth Management, Investment Banking, Private Equity and Asset Management business through various subsidiaries:

	Name of the Company	Business	MOFSL's Shareholding
1	Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail) and Wealth Management	99.95%
2	Motilal Oswal Investment Advisors Private Limited (MOIA)	Investment Banking	93.75%
3	Motilal Oswal Asset Management Company (MOAMC)	Mutual Funds, PMS, Offshore Funds	99.95%*
4	Motilal Oswal Private Equity Advisors Private Limited (MOPE)	Private Equity Management and Advisory	85.00%
5	Motilal Oswal Commodities Broker Private Limited (MOCB)	Commodities Broking	97.55%
6	Motilal Oswal Capital Markets Private Limited (a subsidiary of MOSL)	Stock Broking (membership of NSE)	99.95%*
7	Motilal Oswal Insurance Brokers Private Limited (MOIB)	Insurance Brokers (has applied to IRDA for Insurance Broker License)	99.00%
8	Motilal Oswal Wealth Management Pvt. Ltd. (a subsidiary of MOSL)	Wealth Management Activities & Lease Rental	99.95%*
9	Motilal Oswal Trustee Company Limited (MOTC) (subsidiary of MOSL)	Trustee to Mutual Fund	99.95%*
10	Motilal Oswal Securities International Pvt. Ltd.	Applied for broker dealer license in US**	99.95%*
11	Motilal Oswal Capital Markets (Hong Kong) Private Limited	Applied for Type 1/4 license in Hong Kong**	99.95%*
12	Motilal Oswal Capital Markets (Singapore) Pte Limited	Applied for Exempt Financial Advisor Status in Singapore**	99.95%*

* through MOSL; ** Application made to respective regulators

Business streams

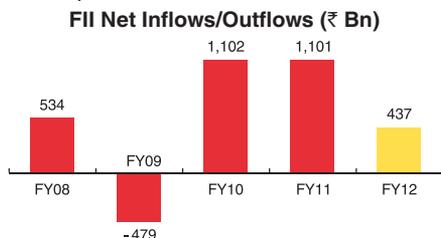
Business Stream	Primary products and services
Broking & Distribution Wealth Management	<ul style="list-style-type: none"> Equity (cash and derivatives) and commodity broking Distribution of financial products like Mutual Funds, PMS, IPO and Insurance Depository services Financing (through MOFSL)
Institutional Broking	<ul style="list-style-type: none"> Equity (cash and derivatives) broking Advisory
Investment Banking	<ul style="list-style-type: none"> Capital raising M&A Advisory Domestic IPOs Private Equity placements Corporate Finance Advisory Restructuring FCCBs and GDRs
Private Equity	<ul style="list-style-type: none"> Private equity investment management and advisory
Asset Management	<ul style="list-style-type: none"> Portfolio Management Services Mutual Funds Offshore Funds

Management Discussion and Analysis

Broking Business

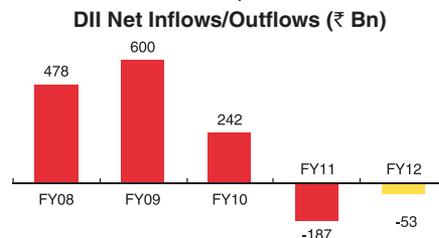
Following negative returns in the first three quarters, a rebound of 13% in the fourth saw the benchmark BSE Sensex decline by a moderate 10% in FY12, as compared to the 11% growth seen in FY11. BSE market capitalization stood at ₹ 62.1 tn in March 2012, a decline of 9% for the year. Given the appreciation in the exchange rates, the dollar loss in the market cap was much steeper at 19%.

FII net inflows dipped this year, though 4th quarter recovery helped
 FY12 was a contrast as compared to the earlier two years. The first nine months saw net outflows from equities by FIIs in as many as four months. Jan and Feb saw a market rally and FIIs posted strong net inflows. This helped boost aggregate net inflows for the fiscal year to a respectable ₹ 437 bn.



Source: SEBI

Net outflows by DIIs this year, despite inflows in first 3 quarters
 DII participation, which had been positive from last quarter of FY11 to the third quarter of FY12, saw significant net outflows in January and February on the back of profit booking and concerns over macro issues. As a result, DIIs ended the year with net outflows from Indian equities.



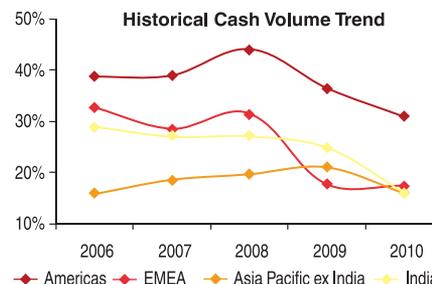
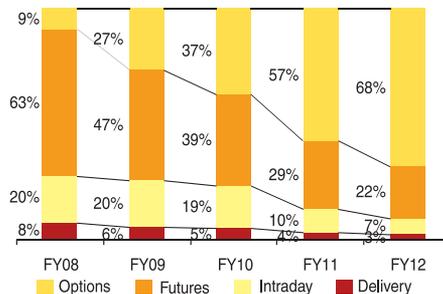
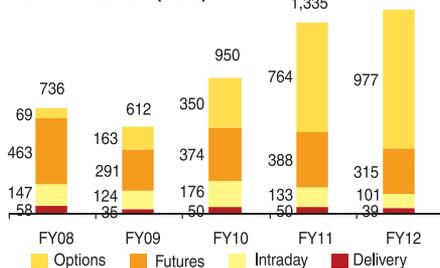
Source: BSE, NSE

Growth in equity market volumes continue to be boosted by options, however growth rates were much more moderate this year

Equity average daily volume (ADTO) continued its uptrend and touched a high of ₹ 1,431 bn in FY12. However, the growth rate of 7% was moderate than the phenomenal 41% growth seen in FY11. The main contributor to the growth continued to be the options segment, albeit moderated at 28% as compared to 118% in FY11. Options comprised 68% of total volumes in FY12, up from 57% in FY11. Given the relative growth in options, the proportion of F&O to total volumes increased to 90% in FY12, as compared to 86% in FY11. This trend towards low-yield options continued to put brokerage revenues under pressure this year.

Within the cash segment, the proportion of high-yield delivery picked up marginally to 28% of cash ADTO, as compared to 27% in FY11. Cash volume proportions have been declining across all the major geographies since 2008. As the macro climate improves, retail and DII participation picks up and public issues increase, the cash volumes in India are expected to return to their historical averages.

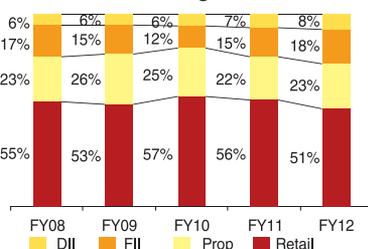
Market Volumes (₹ Bn)



Source: WFE

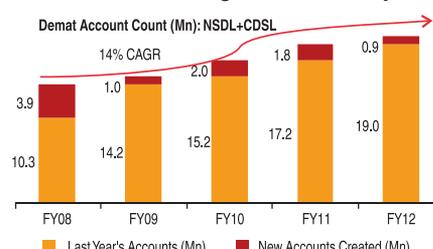
Cash volume participation across all categories declined in FY12

Absolute cash volumes across all participants registered a drop, though the decline in retail segment was higher. As a result, in proportionate terms, the proportion of retail reduced from 56% to 51%, while that of the other segments increased marginally.



Incremental growth in demat accounts slowed as IPOs dried up

Growth in demat accounts tapered down this year, coinciding with a slowdown in the primary issue market. The incremental number of demat accounts created each year was the lowest in FY12, from amongst the last five years.



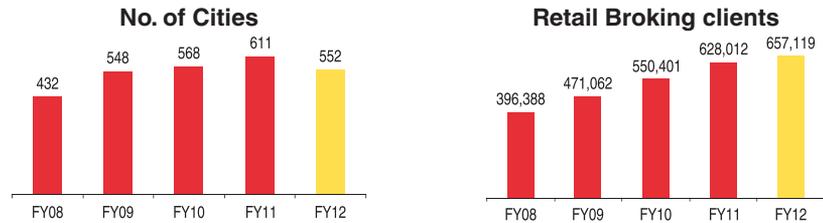
Source: CDSL & NSDL

Our Broking Business

Backed by award winning research capabilities, the broking business under Motilal Oswal Securities Ltd. (MOSL) covers distinctly positioned units - Retail Broking & Distribution and Institutional Equities. They address a diversified client base covering FIIs, domestic institutions, HNIs and retail.

Retail Segment:

Services offered under the “Retail Broking and Distribution business” include equities, derivatives, commodities, depository services, distribution of portfolio management services, mutual funds, primary equity offerings and insurance products.



As of 31st March, 2012, MOFSL had over 746,000 registered customers, which included over 657,000 broking clients with almost 577,000 having depository accounts. The company serves its clients through a strong branch and franchisee network. The distribution network of 1,579 locations across 552 cities, is one of the largest in India. It remains focused on building a Pan-India distribution reach, while maintaining good quality locations. This extensive network provides opportunities to cross-sell products as the company diversifies into new business streams.

In line with its Knowledge First mantra, MOSL developed innovative equity trading strategies this year, which saw good response from investors. It continued its investor education efforts with a multi-city seminar series ‘Investor Ki Kahani Usi Ki Zubaani’ which saw a sizable retail investor turnout of ~2,600. With a focus on technology to enhance the customer experience, the company has developed feature-rich online and mobile platforms, an enhanced version of its unique, widget-based web service-My Motilal Oswal and also its industry first feature - Online Account Opening which offers prospective customers the facility to apply for a trading account online. Following its membership of NSEL (commodity spot exchange), the company has successfully entered the commodity spot business.

The company’s superior quality of broking and advisory services was recognized yet again this year when it won the ‘Best Performing National Equity Broker’ award at the CNBC TV18 Financial Advisor Awards, for the second year in a row. In addition, MOSL won the ‘Best Equity Broker’ award at the Bloomberg UTV Financial Leadership Awards 2012 and the ‘Best Equity Broking House’ award at the BSE IPF-D&B Equity Broking Awards 2011. MOSL was also honoured with the ‘Retailer of the Year (Banking & Financial Services)’ award at the Retail Excellence Awards 2012 organised by Asia Retail Congress. Lastly, BSE felicitated MOSL for being ‘Amongst the Top Five Performers in BSE Star - Mutual Fund’ and ‘Amongst the Top Ten Performers in Equity segment’ for the period Nov. 2010 - Sep. 2011.

With its core strength of providing excellent research and advisory, the company continues to focus on the high-yielding cash segment. As the market performance and retail participation picks up, the company will be best poised to capture the resultant upside.

Institutional Broking

The company offers Institutional Broking services in cash and derivatives segment to a large institutional clientele in India and abroad. As on 31st March, 2012, we were empanelled with over 500 institutional clients. The Institutional Team comprises Sales and Dealing, Research and Corporate Access. The research team consisting of 30 analysts covers over 200 companies across 20 sectors and 25 commodities and provides a complete bouquet covering Thematic, Sectoral and Company updates.



MOSL won two ‘Best Market Analyst’ awards at the ‘India’s Best Market Analyst’ awards 2011. The company conducted the 7th Annual Global Investor Conference in Mumbai during August 2011, with almost 100 corporate participants and over 500 investors.

India is projected to deliver relatively stronger economic performance over the next two years. MOSL’s strong global clientele base and its constant endeavour to provide best in-class research, advice, corporate access and execution support will help to tap the emerging opportunities and gain a higher market share across the institutional client segments.

Management Discussion and Analysis

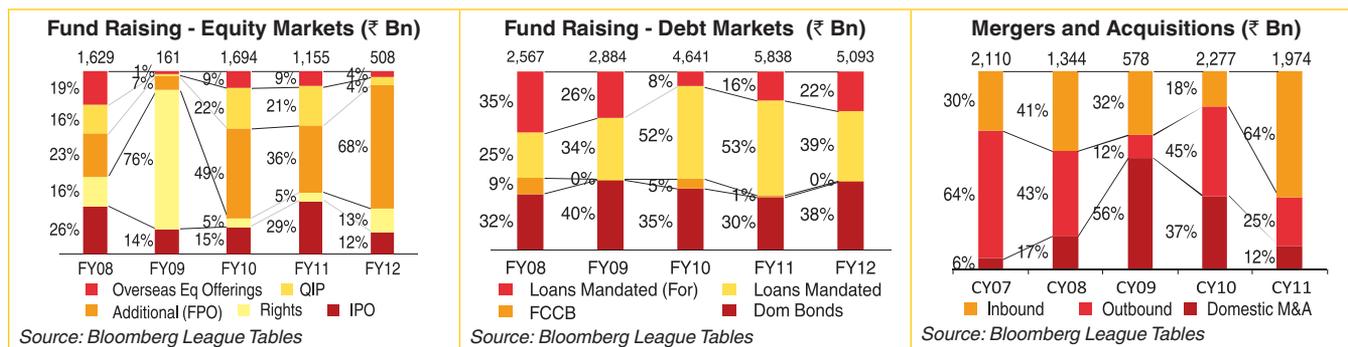
Investment Banking

Industry Facts

Equity markets dropped for most part of the year, which impacted equity raising activity. As corporates put expansion plans on hold, the IPO market dried up. About 30 odd companies stalled their IPO plans to raise over ₹ 330 bn due to the volatile markets. The main saviors for ECM were the L&T Finance, Muthoot and MCX IPOs, the Power Finance follow-on issue and the ONGC auction. The QIP market also dried up in FY12. Given the growing concerns with many companies trading below issue prices post-listing, SEBI has made it mandatory for bankers to make public the track record of their previous issues during any new IPO.

Debt fund raising declined 13% during FY12. High interest rates impacted demand for loans, with rupee loans declining 36% to comprise ~40% of the debt funds raised. Domestic bonds issues went up 13%. However, the high borrowing costs and growing investor concerns over high-leveraged companies led to some finance and infrastructure companies putting on hold their debt raising plans.

M&A deal value fell by 13% this year, led by a 73% fall in domestic deals. With a less than proportionate decrease in deal count, the average value per deal declined only 5% to ₹ 3.3 bn. The year saw a phenomenal rise in inbound deals, led by the BP-Reliance, Intelnet-Serco and Vedanta-Cairn transactions. Inbound deals comprised 64% of M&A deal value in CY11.



Going forward, recent taxation proposals concerning the Vodafone-Essar deal may impact deal sentiments, especially for large deals.

Our Investment Banking Business

Select deals of FY12

 Dewan Housing Finance Corporation Ltd. Qualified Institutions Placement ₹ 3,043 Million Book Running Lead Manager February 2012	 Triveni Engineering & Industries Ltd. Demerger of Steam Turbine Business Advisor October 2011	 Ind-Barath Power Infra Ltd. Acquisition Finance ₹ 1,200 Million Sole Arranger September 2011
 Tree House Education and Accessories Ltd. Initial Public Offer ₹ 1,121 Million Book Running Lead Manager August 2011	 Arkay Energy (Rameshwaram) Ltd. Structured Debt ₹ 3,500 Million Sole Advisor June 2011	 Karvy Computershare Pvt. Ltd. Acquisition of Bahrain Shares Registering Company WLL Bahrain Sole Strategic & Financial Advisor June 2011

The team at Motilal Oswal Investment Advisors (MOIAPL) comprises multi-disciplinary professionals with a collective experience of more than twelve decades. An extensive understanding of different sectors within the team underpinned by the strong research pedigree of the Group enables it to provide customized financial solutions to clients across industries. Poor performance of equity markets adversely impacted equity raising activities for both IPO and QIPs in the market. The two other key business segments, outbound M&A and capital raising by Infrastructure sector have been a dominant source of income for the company for the past few years. The global slowdown and uncertainty in the government policies clubbed with high borrowing costs has had an adverse impact on the decision making by the respective corporate and investors. There was good business available in PE syndication and debt refinancing in the last year, however the company was not well geared to take advantage of the same. On a positive note, the distribution company MOSL consolidated its position in retail IPO distribution market and has closed the year with a ranking of 4th as reported by Prime Database.

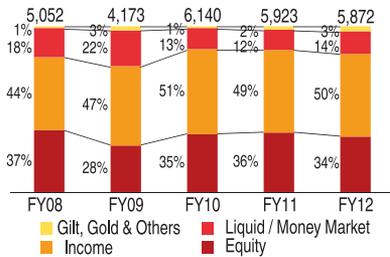
Despite macro headwinds causing a slowdown in the economy and investment climate, we believe that the India growth story remains intact and the company is re-orienting itself to capture the opportunities that arise from them. There is a large inventory of significant work completed in lot of assignments undertaken by the company in the previous years which could materialize into income this year.

Asset Management

Industry Facts

The mutual funds industry witnessed another challenging year. Given the market sentiments, equity funds remained out of favour and gilt and gold were relatively more attractive for retail investors. Liquid funds saw an inflow in assets, driven by banks and corporates. However, in the later part of FY12, liquid funds were impacted following RBI's cap on banks' investments in them to 10% of networth. This is visible from the decline between Dec. 11 and Mar. 12 AUM figures. Going forward, regulations like tightening of valuation norms by SEBI and savings account interest de-regulation are expected to impact liquid fund assets. The Budget announcement of allowing mutual funds to accept subscriptions for equity schemes from foreign investors who meet KYC norms should help widen the investor base. SEBI's recent ruling to charge transaction fee from investors should incentivize distributors and bring them back into the market.

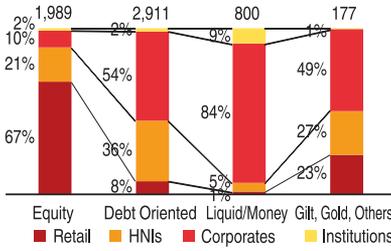
Mutual Fund AUM by Asset Class (₹ Bn)



Source: AMFI

Mutual funds AUM declined 0.8% YoY to ₹ 5,872 bn, as on March 2012, the lowest since June 2009. This is mainly attributable to the ₹ 154 bn decline in equity assets, impacted by the market performance. On the other hand, liquid and gilt, gold and other ETFs saw an increase of ₹ 67 bn and ₹ 48 bn in assets respectively.

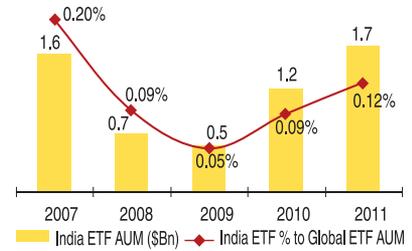
Mutual Fund AUM by Participants (₹ Bn)



Source: AMFI

Retail investors comprised the largest participant group within equity funds, holding 67% of AUM as of Mar 2012. Conversely, corporates remain the largest investor group in liquid and income funds. In gold, gilt and ETF fund segment, retail and HNIs combined hold about half the assets, with the remaining held by corporates.

Share of ETF assets in the AMC industry



Source: Bloomberg

ETFs continue to grow in popularity, with a flurry of product launches this year. Indian ETF assets increased 41% YoY to US\$ 1.7 bn in 2011, comprising 0.12% of World ETF AUM. Share of Indian ETF assets to World ETF AUM have been increasing steadily since the last 3 years. This reaffirms the strong performance of this still nascent fund category in India.

Our Asset Management Business

Mutual funds AUM across all the fund products were ₹ 4.5 bn in March 2012, up 20% YoY. Motilal Oswal Asset Management (MOAMC) launched 2 funds in FY12. In line with its earlier funds, the new ones were also based on innovative investment strategies which would enjoy a product differentiation in the market.

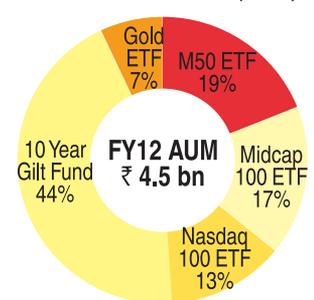
MOAMC launched MOST 10 Year Gilt Fund, India's 1st fund giving access to the 10 Year Benchmark Government Bond. The fund saw good response in its NFO. It also launched MOST Shares Gold ETF, India's 1st Gold ETF of its kind which enables investment as well as consumption of gold for retail investors, who can redeem the ETF units for physical gold. These 2 products marked the company's foray into asset classes beyond the traditional equities.

MOAMC also organized the 1st edition of the Motilal Oswal MOST Shares ETF Conclave in FY12. It is envisaged as an annual event to educate investors, increase awareness about the ETF opportunity, strategies, advantages and outlook and address popular myths.

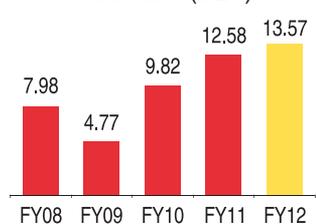
The PMS business managed assets of ₹ 13.6 bn as of March 2012, up from ₹ 12.6 bn in March 2011. As per SEBI's data on discretionary-listed equity PMS assets, MOAMC's PMS business had a market share of 8% in terms of assets managed, as of Aug. 2011 (last available data by SEBI).

The strong investment culture entrenched within the Group has helped to deliver superior returns to the investors. MOAMC continued to see net additions to PMS client assets, an achievement given the challenging equity markets currently. The PMS product is empanelled as an approved product across several banks, national distributors, third party distributors and niche wealth platforms for selling the PMS products on their platforms, thus widening our customer reach.

Mutual Funds AUM (₹ Bn)



PMS AUM (₹ Bn)



Management Discussion and Analysis

Private Equity

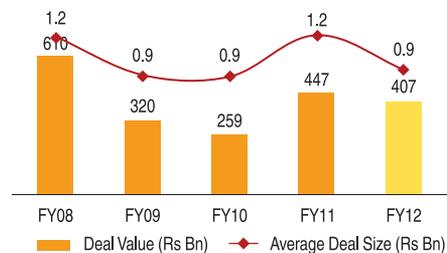
Industry Facts

With public markets drying up and debt route becoming costly, Indian corporates have increasingly turned towards private equity for fund raising. This is indicated by the increase in the number of deals this year, from 387 in FY11 to 448 in FY12. The average value per deal declined 21% to ₹ 0.9 bn in FY12, indicating a reduced appetite for high-value deals. Only 19 deals saw values over US\$ 100 mn in FY12, as compared to 23 in the previous year.

Despite private equity finding favour as a fund raising option, overall deal value slipped in FY12 as many companies froze expansion plans and differences in valuation perceptions arose. Although, on a CY basis, CY11 had seen higher deal values, the fourth quarter of FY12 was a major drag, which impacted the total tally for FY12. Q4 FY12 saw much lower deal value, although the same quarter last year had been boosted by the Bain-Hero deal.

As a result, deal value declined by 9% to ₹ 407 bn in FY12, as compared to ₹ 447 bn in FY11. Most of the deal interest was in healthcare, ITES, e-commerce/mobile services, engineering, foods, logistics, thermal and renewable energy.

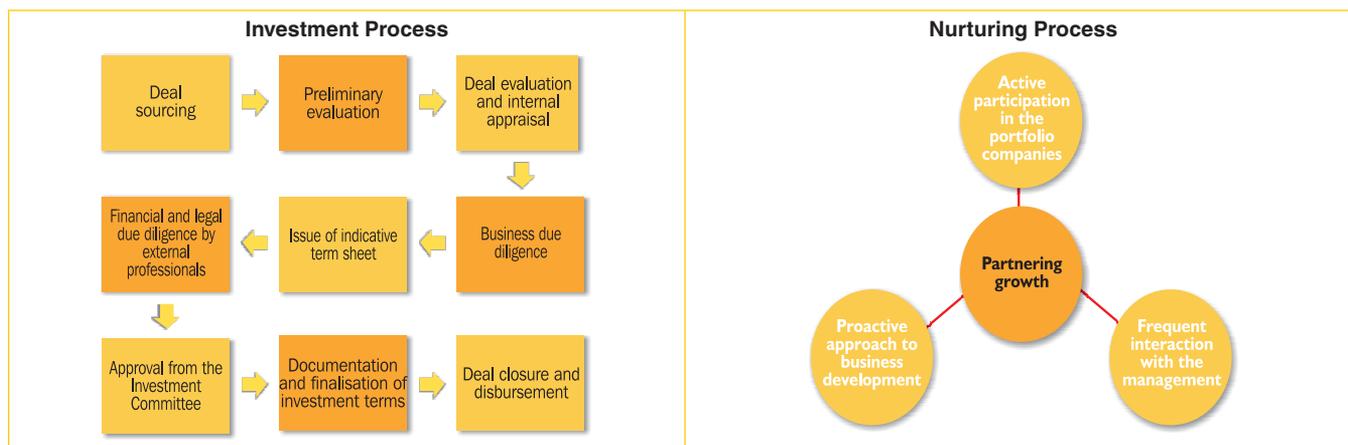
Exits have been a concern this year, owing to the lackluster primary markets, volatile stock markets and less than anticipated economic performance. Funds are now increasingly looking at secondary sales as a potential exit route.



Source: Venture Intelligence

Our Private Equity Business

The private equity subsidiary, MOPE currently manages and advises funds in the growth capital and the real estate space.



The strong investment culture within the Group of identifying companies with sustainable business models and strong management teams has helped Motilal Oswal Private Equity (MOPE) identify companies which can deliver good returns for the stakeholders. MOPE is an investment manager to India Business Excellence Fund (IBEF), which has commitments of US\$ 125 mn from investors in India and overseas. The fund is aimed at providing growth capital to Indian SMEs, with investments typically in the range of US\$ 5 mn to US\$ 15 mn. As of March 2012, it had made investments in 13 companies and has committed 83% of its funds under management.

MOPE was appointed as investment manager to India Realty Excellence Fund (IREF), a domestic real estate fund in FY09. IREF had its final closing in December 2009 with total assets under management/advice at ₹ 2 bn. The fund had already made investments across 6 deals till 31st March, 2012, committing 74% of its funds under management. MOPE has been able to build a strong deal pipeline for IREF and is evaluating several investment opportunities.

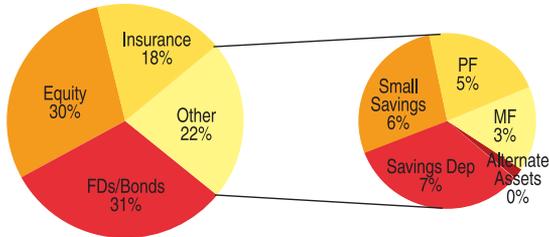
The track record established through successful advisory mandates of these two funds has given the company the confidence to grow the private equity business to much bigger scale. During FY12, MOPE concluded the first closing of its 2nd sector-agnostic growth capital fund - India Business Excellence Fund II (IBEF-II), achieved at an equivalent of ₹ 3.50 bn raised through a combination of domestic and offshore investors.

Wealth Management

Industry Facts

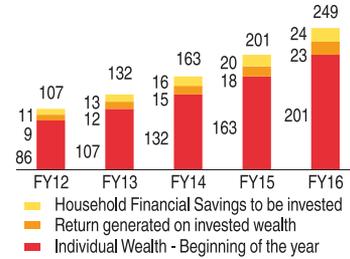
India offers a large untapped pool of wealth, presenting an exciting opportunity for financial advisory. HNI count in India grew 20% to 153,000 in 2010. India features amongst the top 12 countries in terms of HNI count. With economic performance expected to hold strong over the next few years relative to global peers, HNI wealth is expected to remain on an upward trend, from ₹ 86 tn in FY11 to ₹ 249 tn in the next five years. The proportion of equities to HNI wealth is estimated to increase further. In terms of HNI categories, a higher proportion of wealth into equities is held by professionals, as compared to inheritors and self-made businessmen who favour realty.

Individual wealth in India estimated at ₹ 86.4 tn in FY11, led by the fixed deposit/bonds, equity and insurance sectors



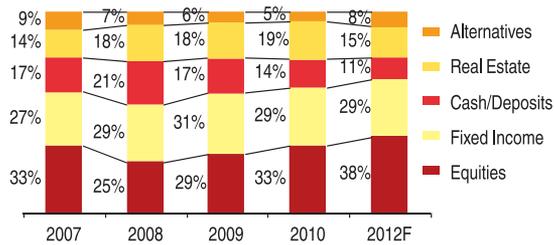
Source: Karvy Wealth report 2011

It is expected to reach ₹ 249 tn over the next 5 years



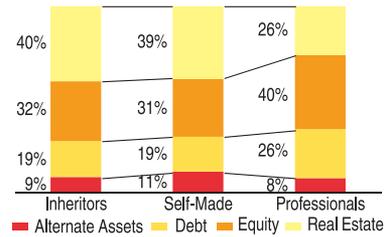
Source: Karvy Wealth report 2011

Breakdown of HNWI Financial Assets from 2007 to 2012F shows the share of equities is set to increase



Source: Capgemini Merrill Lynch World Wealth Report 2011

Amongst Indian HNIs, proportion of equity assets held is highest by Professionals (%)

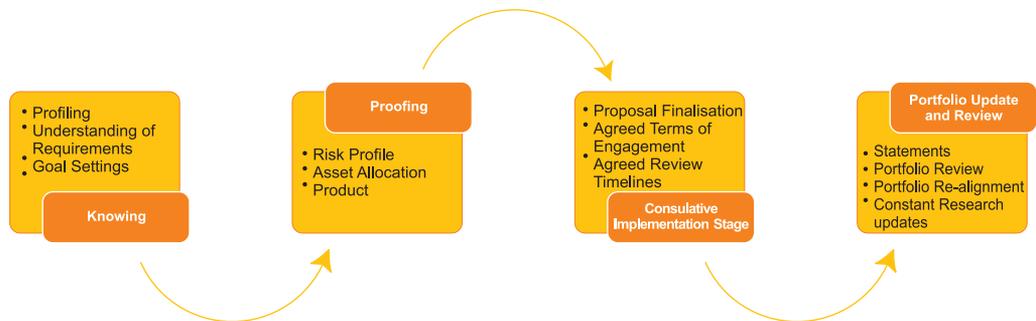


Source: Top of the Pyramid Report by Kotak Wealth-CRISIL

Our Wealth Management Business



Wealth Management from Motilal Oswal



The Wealth Management platform caters to High Networth and mass affluent clients through an offering called 'Purple' providing a complete range of financial products best suited to clients. The focus is on advisory and product mix, deepening relationships with clients and providing strong advisory as per individual client's risk-return profile. The existing offerings of PMS, Private Equity, mutual funds, insurance, debt and broking were enhanced with the inclusion of structured products this year.

With assets under management of ~₹ 14.7 bn, as of 31st March 2012, and a presence across Mumbai, Delhi, Kolkata, Pune and Ahmedabad, the company believes that its holistic wealth management offering and strong relationship management skills will enable it to build a scalable and profitable wealth management business.

Management Discussion and Analysis

Opportunities and Threats

Opportunities

- Economy is growing at healthy rate leading to investment / capital requirement
- Growing Financial Services industry's share of wallet for disposable income.
- Huge market opportunity for wealth management service providers as Indian wealth management business is transforming from mere wealth safeguarding to growing wealth.
- Regulatory reforms would aid greater participation by all class of investors
- Leveraging technology to enable best practices and processes
- Corporates looking at consolidation / acquisitions / restructuring opens out opportunities for the corporate advisory business

Threats

- Execution risk
- Slowdown in global liquidity flows
- Increased intensity of competition from local and global players
- Unfavourable economic conditions

Strengths

Strong Brand name

'Motilal Oswal' is a well-established brand among retail and institutional investors in India. MOFSL believes that its brand is associated with high quality research and advice as well as corporate values like integrity and excellence in execution. The company has been able to leverage its brand awareness to grow its businesses, build relationships and attract and retain talented individuals.

Experienced top management

The promoters, Mr Motilal Oswal and Mr. Raamdeo Agrawal are qualified chartered accountants with over two decades of experience each in the financial services industry. The top management team comprises qualified and experienced professionals, with a successful track record. The company believes that its management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs provide it with a competitive strength, which will help to implement its business strategies.

Integrated financial services provider

The broad range of offerings under Broking and Distribution, Institutional Equities, Asset Management, Wealth Management, Investment Banking, Private Equity and Principal Strategies business, helps to foresee client requirements and provide full-fledged services under single platform. The production and distribution of all financial products and services helps the company's advisors and clients to attain client's financial objectives with best in class in-house services.

Independent and insightful research

MOFSL believes that its understanding of equity as an asset class and business fundamentals drives the quality of its research and differentiates it from its competitors. The research team is focused on equities, derivatives and commodities. MOFSL won 4 awards at the ET-Now Starmine Analyst Awards 2010-2011 putting it amongst the Top 3 award winning brokers at the awards. It was also ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage category.

One of largest distribution network - 1,579 outlets across 552 cities

MOFSL's financial products and services are distributed through a pan-India network. The business has grown from a single location to a nationwide network spread across 1,579 business locations operated by business associates or directly through own branches in 552 cities. This extensive network provides opportunities to cross sell products and services, particularly as the company diversifies into new business streams. In addition to the geographical spread, MOFSL also offers an online channel to service customers.

Established leadership in Franchisee business

One of the key strengths has been the successful establishment of the franchisee business. The company's relationship with the franchisees has become stronger as they grew, to become a key strength. MOFSL has multiple business partner models in franchising and is strongly committed to growth and profitability of each of its franchisee.

Strong risk management

Risk exposure is monitored and controlled through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. Risk management department analyses this data in conjunction with the company's risk management policies and takes appropriate action where necessary to minimize risk.

Financial prudence

MOFSL's operating margins continue to remain stable despite the fluctuations in market volumes and revenues. This is a result of creating a robust business model that can withstand the cyclical fluctuations in business volumes and simultaneously capture the opportunities provided by the structural growth of India.

The company has a low gearing ratio as at 31 March, 2012 which augers well to manage market volatilities. During FY12, the company enjoyed the highest rating of 'A1+' assigned by CRISIL Limited to its short-term debt programme of ₹ 1.5 billion. The rating indicates the highest degree of safety with regard to timely payment of interest and principal on the instrument. CRISIL Limited also reaffirmed the rating of 'A1+' to the short-term debt programme of ₹ 1 billion of Motilal Oswal Securities Limited, a subsidiary of the Company. This facility provides MOFSL the flexibility to avail funds at competitive rates when business opportunities arise.

Risks and concerns

The company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risks. Internally, it has constituted the Asset Liability Management Committee to manage these risks. This team identifies, assesses and monitors all principal risks in accordance with defined policies and procedures. The committee is headed by the Chairman & Managing Director.

The Board Level Committees viz. Audit Committee and Risk Management Committee oversee risk management policies and procedures. It reviews credit and operational risks while the Asset Liability Management Committee reviews policies in relation to investment strategy and other risks like interest rate risk and liquidity risk.

Internal control systems and their adequacy

The company's internal control systems are adequate and provide, among other things, reasonable assurance of recording transactions of operations in all material respects and of providing protection against significant misuse or loss of company assets.

Internal audit is conducted by M/s. Pricewaterhouse, to assess the adequacy of the internal controls procedures and processes, and their reports are reviewed by the Audit Committee of the Board. Policy and process corrections are undertaken based on inputs from the internal auditors.

Financial and operational performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

Table 1: Arbidged profit and loss account (₹ in millions) - Standalone

Particulars	2011-2012	% to Total income	2010-2011	% to Total income
Revenue				
Income from operations	464.30	56.66	496.00	77.09
Other income	355.18	43.34	147.41	22.91
TOTAL	819.48	100.00	643.41	100.00
Expenditure				
Finance Cost	8.97	1.09	11.42	1.77
Employee Cost	64.73	7.90	26.36	4.10
Depreciation	9.27	1.13	0.07	0.01
Other Expenses	74.31	9.07	40.18	6.24
TOTAL	157.28	19.19	78.03	12.13
Profit Before Tax	662.20	80.81	565.38	87.87
Tax	99.24	12.11	138.79	21.57
PAT	562.96	68.70	426.60	66.30
Earnings per share (Basic) ₹	3.89		2.96	
Earnings per share (Diluted) ₹	3.89		2.96	

Management Discussion and Analysis

Standalone Financials

During the year under review, the standalone revenues for the year were ₹ 819.48 mn, a growth of 27.37% as compared to ₹ 643.41 mn last year. Interest income went up by 13.90% to ₹ 452.60 mn, on account of an increase in the average loan book size. Income from arbitrage operations was lower as compared to last financial year due to lower deployment of surplus funds in arbitrage. Other income includes dividend from subsidiaries (including interim dividend declared in current year) ₹ 346.29 mn compared to ₹ 134.06 mn in the last year.

Due to higher operating expenses and provision created for Sub-Standard Assets, the total expenses (before depreciation and interest) registered a 108.98% jump to ₹ 139.04 mn this year.

Profit before depreciation, interest, and taxation (EBITDA) increased by 17.95% this year, from ₹ 576.88 mn to ₹ 680.44 mn. With a reduction in the Company's average borrowing this year, interest and finance charges fell by 21.44%. Profit before tax (PBT) increased by 17.12% to ₹ 662.20 mn. Profit after tax (PAT) went up 31.97% to ₹ 562.96 mn in the year under review.

As of March 31, 2012, the long-term investments increased to ₹ 987.02 mn, from ₹ 832.63 mn last year. Current assets mainly comprise of stock in trade, cash and bank balances, and other current assets. As of March 31, 2012, these increased to ₹ 3,519.81 mn, up from ₹ 3,177.93 mn last year. The cash and bank balances were ₹ 11.60 mn, out of which ₹ 10 mn were in bank fixed deposits.

Total loans and advances increased to ₹ 3,592.78 mn as of March 31, 2012, from ₹ 3,285.53 mn a year back. Current liabilities and Provisions principally consist of liabilities in respect of provision for expenses and tax deduction at source. Current liabilities (including short term provisions) increased from ₹ 360.61 mn to ₹ 657.09 mn as of March 31, 2012, on account of cheques issued but not cleared at the end of the year.

Consolidated Financials

Table 2: Abridge profit and loss account (₹ in millions)

Particulars	2011-2012	% to Total income	2010-2011	% to Total income
Revenue				
Income from operations	4613.19	98.88	5900.73	98.22
Other income	42.08	0.90	106.84	1.78
TOTAL	4655.27	100.00	6007.57	100.00
Expenditure				
Finance Cost	35.99	0.77	56.64	0.94
Employee Cost	1138.57	24.46	1372.40	22.84
Depreciation	129.70	2.79	131.28	2.19
Administrative & other Expenses	1954.72	41.99	2340.19	38.95
TOTAL	3258.98	70.01	3900.51	64.93
Profit Before Tax and Exceptional Items	1396.30	29.99	2107.06	35.07
Exceptional Items - Income (Exp)	129.87	2.79		
Profit Before Tax	1526.17	32.78	2107.06	35.07
Current Tax	442.26	9.50	672.47	11.19
Deferred Tax (Income)/Exp	45.16	0.97	32.97	0.55
Tax-Earlier years	(2.98)	(0.06)	6.57	0.11
Profit after Tax (PAT)	1041.72	22.58	1395.05	23.22
Earnings per share (Basic) ₹	7.17		9.52	
Earnings per share (Diluted) ₹	7.17		9.52	

Due to challenging market conditions, the consolidated revenues of the Company were ₹ 4,655.27 mn for the year under review, as compared to ₹ 6,007.57 mn in the previous year, a decline of 22.51%.

Total expenses for the year (before depreciation and interest) at ₹ 3,093.29 mn registered a 16.68% decline over last year. The decline in brokerage commission earned reduced the brokerage shared with intermediaries by 19.94% to ₹ 1,164.33 mn. People costs at ₹ 1,138.57 mn declined by 17.04% compared to last year. Other operating costs which include facilities, marketing, communication, travel and other costs declined by 10.78% to ₹ 790.38 mn. The profit before depreciation, interest, exceptional items and taxation (EBITDA) decreased by 31.94% to ₹ 1,561.99 mn. EBITDA margin reduced from 38% to 34%.

Management Discussion and Analysis

Towards consolidation of office premises at the Corporate Headquarters at Prabhadevi, some of the existing office premises in South Mumbai area were sold during the current quarter for a profit of ₹ 129.87 million. Reported net profit for the year after minority interest stood at ₹ 1,038.86 mn, a decline of 24.20%.

As of March 31, 2012, the long-term investments increased by ₹ 353.09 mn to reach ₹ 941.48 mn. Current assets mainly comprise of sundry debtors, stock in trade, cash and bank balances, and other current assets. As of March 31, 2012, the cash and bank balances were ₹ 2,710.48 mn, out of which ₹ 1,781.44 mn were in bank deposits (fixed deposits). Total loans and advances increased to ₹ 4,253.48 mn as of March 31, 2012, from ₹ 4,194.17 mn a year back.

Current liabilities mainly consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf we undertake trades as well as amounts payable to exchanges. Current liabilities (including short term provisions) decreased from ₹ 4,413.60 mn to ₹ 3,885.12 mn as of March 31, 2012. Total provisions, which mainly include provisions for taxation and for proposed dividend, decreased from ₹ 692.27 mn to ₹ 403.95 mn as of March 31, 2012.

Performance of Subsidiaries (₹ in millions)

Motilal Oswal Securities Limited (MOSL)

Particulars	FY12 As on March 31, 2012	FY11 As on March 31, 2011	Growth (YoY)
Total Revenues	3577.03	4873.83	(26.61)
EBIDTA	1181.57	1666.31	(29.09)
PBT	1031.24	1489.34	(30.76)
PAT	815.22	1008.02	(19.13)

Motilal Oswal Private Equity Advisors Pvt. Ltd. (MOPEAPL)

Particulars	FY12 As on March 31, 2012	FY11 As on March 31, 2011	Growth (YoY)
Total Revenues	193.64	127.53	51.84
EBIDTA	31.28	34.27	(8.71)
PBT	29.61	33.41	(11.38)
PAT	20.33	22.73	(10.57)

Motilal Oswal Investment Advisors Pvt. Ltd. (MOIAPL)

Particulars	FY12 As on March 31, 2012	FY11 As on March 31, 2011	Growth (YoY)
Total Revenues	115.90	417.58	(72.24)
EBIDTA	(45.49)	196.50	(123.15)
PBT	(46.95)	195.53	(124.01)
PAT	(31.07)	129.86	(123.92)

Motilal Oswal Commodities Broker Pvt. Ltd. (MOCBPL)

Particulars	FY12 As on March 31, 2012	FY11 As on March 31, 2011	Growth (YoY)
Total Revenues	213.42	96.31	121.60
EBIDTA	102.42	38.96	162.86
PBT	84.94	37.76	124.93
PAT	57.75	25.38	127.57

Motilal Oswal Asset Management Company Limited (MOAMC)

Particulars	FY12 As on March 31, 2012	FY11 As on March 31, 2011	Growth (YoY)
Total Revenues	318.11	195	62.75
EBIDTA	(9.14)	(84.23)	(89.14)
PBT	(11.32)	(85.47)	(86.75)
PAT	(30.94)	(85.47)	(63.80)

Management Discussion and Analysis

Segment with Performance (₹ in millions)

Particulars	31.03.2012	31.3.2011
1. Segment Revenue		
(a) Equity Broking & Other related activities	3662.6	4829.9
(b) Financing & Other activities	819.5	508.4
(c) Investment Banking	113.5	405.2
(d) Unallocated	779.8	493.1
TOTAL	5375.3	6236.6
Less: Inter Segment Revenue	590.1	229.1
Income From operations, Other Operating income & Other Income	4785.2	6007.5
2. Segment Results Profit/(Loss) before tax and interest from each segment		
(a) Equity Broking & Other related activities	1140.8	1495.5
(b) Financing & Other activities	315.7	431.4
(c) Investment Banking	(49.20)	183.2
(d) Unallocated	172.6	52
TOTAL	1579.9	2162.1
Less: Interest	53.7	55.1
Profit/(Loss) from Tax	1526.2	2107
3. Capital Employed (Segment Assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	5495.6	5184.2
(b) Financing & Other activities	5731.3	5414.9
(c) Investment Banking	59.5	105
(d) Unallocated	167.4	(109.0)
TOTAL	11453.7	10595.1

Human Resources

The company profoundly believes that an engaged employee is a productive and active employee. Hence a great deal of importance is given to recreational activities which serve as an indulgence during times of stress and monotony. We are also at the forefront with regards to employee health. Initiatives such as doctor@work i.e. availability of a doctor every day of the week, give the employees the benefit of having their health check up done in the office premises at their convenience. This also helps in saving employee's time and serves as an immediate treatment option; saving one from procrastination and delay. The doctor is provided by the company from Monday to Friday.

Many health camps were carried out during the year keeping the overall health of the employee in mind. A blood test camp, dental camp, and vision test camp were done for employee awareness and treatment. A very significant facility we continue to be a part of is the Employee Mental health - Wellness and Wellbeing programme. Under this program, a distress helpline is available 24 x 7 x 365 not only to the employee but also to his/her immediate family member to discuss and seek help with regards to mental stress or depression or any tormenting event which may mentally affect an individual thereby deteriorating his/her performance at work.

Numerous sports activities pump in the energy and vitality in employees. Cricket, Table Tennis, and Carrom competitions were held during the year. All major festival like Navratri, Christmas, and Diwali are celebrated with traditional jest and fervor. An evening of dance, music, and food gives way to a dazzling Navratri night. A dance session on a Jive; chocolate making workshop; mocktail making session provided a healthy and refreshing break from the tiresomeness work life.

In our endeavour to recognize and reward superior employee performance, employee awards are presented across various categories at the Foundation Day function. The process of deciding the winners is well evolved and democratic; one that gives each department a fair platform to recognize high performers. Furthermore a monthly reward system called the 'Super Achiever Awards' has been initiated to recognize high performers under every vertical across locations.

Goal - setting and performance evaluation are significant areas in an employee's professional life. The entire process was seamlessly carried out online and the bonus credited in the month of April itself.

Corporate Governance Philosophy

The Company believes that the management is the trustee of all investors' capital and is obligated to maximize shareholders value over the long term, while preserving the interests of all its stakeholders, such as employees, customers, business partners, vendors and the society at large. It is committed to high levels of ethics and integrity in all its business dealings that avoids all conflicts of interest.

Corporate Governance is the application of best management practices, compliance of laws, rules, regulations and adherence to standards to achieve the objects of the Company, enhance shareholder value and discharge of social responsibility. It essentially is the system by which companies are directed and controlled by the management in the best interest of the stakeholders and others. Corporate Governance ensures fairness, transparency and integrity of the management. Corporate Governance is a way of life, rather than a mere legal compulsion. It further inspires and strengthens investor's confidence and commitment to the Company.

This chapter, along with the chapters on Management Discussion and Analysis and General Shareholders' Information, reports the Company's compliance with the Clause 49 of the listing agreement with the Stock Exchanges.

Board of Directors

As on 31st March, 2012, the Board consists of six members, out of which two members hold Executive positions and four Members hold Non-executive positions. Out of the four Non-executive Directors, three are Independent Directors. The Company has an Executive Chairman, and thus, 50% of the total number of Directors are Independent. The management of the Company is headed by the Chairman & Managing Director who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholder value are met.

Mr. Motilal Oswal, Mr. Raamdeo Agrawal and Passionate Investment Management Private Limited are the Promoters of the Company.

Mr. Navin Agarwal, the Non-executive Director of your Company is in the whole time employment of Motilal Oswal Securities Limited (hereinafter referred to as MOSL), a material unlisted subsidiary of the Company, and draws remuneration from MOSL. Apart from the reimbursements of expenses incurred in discharge of their duties and the remuneration that the Independent Directors would be entitled to receive under the Companies Act, 1956, none of the Independent Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Management, its subsidiary and its Associates which in their judgment would affect their independence. There are no inter-se relationships amongst our Board of Directors.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

Number of Board Meetings

The Board of Directors met four times during the year ended 31st March, 2012, on 30th April, 2011, 22nd July, 2011, 17th October, 2011 and 16th January, 2012. The maximum gap between any two meetings was not more than four months. All Meetings were well attended.

Directors' Attendance Record and Directorships Held

As mandated by the Clause 49, none of the Directors are members of more than ten Board level Committees nor are they Chairman of more than five Committees in which they are members.

Composition of the Board

As at 31st March, 2012, the Company's Board comprised of six members. Mr. Motilal Oswal, Chairman of the Board is the Managing Director of the Company, Mr. Raamdeo Agrawal is the Joint Managing Director of the Company and four other members are Non-executive Directors. The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting (AGM) of the Company which was held on, 21st July, 2011 as also the number of Directorships and Committee positions held by them in companies are given herein below: -

Corporate Governance

Details of the composition of the Board, number of Board Meetings held and the attendance of the Directors thereat:

Name of the Directors	Category	Number of Board meetings		Attendance at the Previous AGM	Number of Directorships and Committee Membership / Chairmanship		
		Held	Attended		Directorships \$	Committee Membership \$\$	Committee Chairmanship \$\$
Mr. Motilal Oswal	Chairman & Managing Director (Promoter)	4	4	Yes	6	1	–
Mr. Raamdeo Agrawal	Joint Managing Director (Promoter)	4	4	Yes	6	2	–
Mr. Navin Agarwal	Non-independent Non-executive	4	4	Yes	3	–	–
Mr. Balkumar Agarwal	Independent	4	4	Yes	6	–	3
Mr. Vivek Paranjpe	Independent	4	3	Yes	1	1	–
Mr. Praveen Tripathi (appointed as Additional Director on 22.7.2011)	Independent	2	2	N.A.	1	1	–
Mr. Ramesh Agarwal (was Director till 21.7.2011)	Independent	1	0	N.A.	N.A.	N.A.	N.A.
Mr. Madhav Bhatkuly (was Director till 21.7.2011)	Independent	1	1	N.A.	N.A.	N.A.	N.A.

\$ Includes Directorships in Motilal Oswal Financial Services Limited (MOFSL) but excludes Directorships in private limited companies, foreign companies, companies registered under section 25 of the Companies Act, 1956. (Public Limited Companies include Private Limited Companies which are subsidiaries of Public Limited Companies).

\$\$ For the purpose of Clause 49, the Committees considered are Audit Committee and Shareholders/Investors Grievance Committee of Public Limited Companies including in MOFSL.

Information supplied to the Board

The Company sends a detailed agenda folder to each Director sufficiently before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director appraises the Board at every meeting on the overall performance of the Company, followed by the detailed presentation.

A detailed functional report is also placed at Board Meetings. The Board provides the overall strategic direction and periodically reviews strategy and business plans, annual operating and capital expenditure budgets and oversees the actions and results of the management to ensure that the long term objectives of enhancing shareholders' value are met. The Board also, *inter alia*, considers and reviews investment and exposure limits, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, minutes of meetings of the Audit and other Committees of the Board and information on recruitment of officers just below the Board level, including the Compliance Officer.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of your Company's subsidiaries and a statement of all significant transactions and arrangements entered into by the subsidiaries are also placed before the Board.

Remuneration Policy

The success of the organisation in achieving good performance and good governing practice depends on its ability to attract and retain individuals with requisite knowledge and excellence as Executive and Non-executive Directors. With this objective, the Board and the Remuneration/Compensation Committee decides on the remuneration to be paid to the Non-executive Directors.

While deciding on the remuneration to the Directors, the Board and Remuneration/Compensation Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

As per the provisions of section 309 of the Companies Act, 1956, and clause 49 of the Listing Agreement with Stock Exchanges, payment of commission to non Whole-time Directors of the Company requires the approval of the shareholders in a General Meeting.

The Shareholders at the Annual General Meeting dated 4th August, 2007 had authorised the payment of commission of upto 1% of the Net Profits of the Company, to the Directors of the Company other than the Managing Director, Executive Directors and such other Directors as may not desire to participate, for each of five years commencing from 1st April, 2007 for a period of 5 years.

Since the period of 5 years is over the payment of remuneration to the Non-Executive Directors would require a fresh approval by the shareholders at the forthcoming Annual General Meeting.

Remuneration paid to Non-executive Directors

The Non-executive Directors are paid a sitting fee of ₹ 20,000 for every Meeting of the Board and ₹ 10,000 for every meeting of the Committees of the Board attended by them. No sitting fee is paid to Mr. Navin Agarwal, the Non-Independent Non-executive Director of the Company.

During, 2011-2012 the Company did not advance any loans to any of its Directors.

Details of the sitting fees & Commission paid to the Non-executive Directors during the year ended 31st March, 2012: -

Name of the Directors	Category	Sitting Fees (₹)	Commission (₹)
Mr. Navin Agarwal	Non-independent Non-executive	Nil	Nil
Mr. Madhav Bhatkuly	Independent	30000	Nil
Mr. Balkumar Agarwal	Independent	140000	400000
Mr. Vivek Paranjpe	Independent	100000	400000
Mr. Praveen Tripathi	Independent	60000	300000

No Stock Option was granted to the Directors during the year ended 31st March, 2012.

Remuneration to the Chairman & Managing Director and to Joint Managing Director

Mr. Motilal Oswal, Chairman & Managing Director received a remuneration of ₹ 2,40,00,000 from the Company during the financial year 31st March, 2012.

Mr. Raamdeo Agrawal – Joint Managing Director received a remuneration of ₹ 2,40,00,000 from the Company during the financial year 31st March, 2012.

Shares held by the Non-Executive Directors

Details of the Equity Shares of the Company held by the Non-executive Directors as on 31st March, 2012.

Name of the Directors	Category	Number of Equity shares of ₹ 1 each held
Mr. Navin Agarwal	Non-independent Non-executive	78,04,010
Mr. Balkumar Agarwal	Independent	Nil
Mr. Vivek Paranjpe	Independent	Nil
Mr. Praveen Tripathi	Independent	Nil

Code of Conduct

The Board has laid down the Code of Conduct for its members and for designated Senior Management Personnel of the Company. The Code has been posted on the Company's website www.motilaloswal.com. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer, Chairman & Managing Director to this effect is enclosed at the end of this report.

CEO/CFO Certification

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, Mr. Motilal Oswal, Chief Executive Officer and Mr. Sameer Kamath, Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the financial year ended 31st March, 2012.

Risk Management

The Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in the Management Discussion and Analysis chapter of this Annual Report. The Board assesses the risk and the procedures being followed by the Company and steps taken by it to mitigate these risks.

The Board has also constituted a Risk Management Committee and Asset Management Liability Committee, which ensure that the management controls risks through means of a properly defined framework.

Committees of the Board

Your Company has five major Board level Committees –

- i) Audit Committee;
- ii) Shareholders/Investors Grievance Committee;
- iii) Remuneration/Compensation Committee;
- iv) Nomination Committee; and
- v) Risk Management Committee.

All decisions pertaining to the constitution of the Committees, appointment of members and fixing of terms of reference for the Committee is taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the attendance of the members at these meetings, are provided below:

i. Audit Committee

As on 31st March, 2012, the Audit Committee comprised of one Executive Director and three Non-executive Directors, of which all three are Independent. The Committee comprises of:-

- i) Mr. Balkumar Agarwal, Independent Director, (Chairman)
- ii) Mr. Vivek Paranjpe, Independent Director
- iii) Mr. Praveen Tripathi, Independent Director, and
- iv) Mr. Raamdeo Agrawal, Joint Managing Director.

The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory Auditors and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review, *inter alia*, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, Material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C of the Listing Agreement. Mr. Balkumar Agarwal, the Chairman of the Committee was present at the previous Annual General Meeting of the Company.

The Audit Committee met four times during the year on 30th April, 2011, 22nd July, 2011, 17th October, 2011 and 16th January, 2012. The time gap between any two meetings was less than four months. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors there at is given herein below:-

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Balkumar Agarwal	Independent	Chairman	4	4
Mr. Raamdeo Agrawal	Executive	Member	4	4
Mr. Vivek Paranjpe	Independent	Member	3	3
Mr. Praveen Tripathi	Independent	Member	2	2
Mr. Ramesh Agarwal (was a member of the Committee till 21.7.2011)	Independent	Member	1	0
Mr. Madhav Bhatkuly (was a member of the Committee till 21.7.2011)	Independent	Member	1	1

Mr. Motilal Oswal (Chairman & Managing Director, Chief Executive Officer), Internal Auditors and Statutory Auditors attended the Audit Committee meetings. The Company Secretary is the Secretary to the Committee.

All the members of the Audit Committee possess strong accounting and financial management expertise.

ii. Remuneration/Compensation Committee

As of 31st March, 2012, the Remuneration/Compensation Committee comprised of 3 members. The Committee comprises of:-

- i) Mr. Vivek Paranjpe, Independent Director (Chairman) and
- ii) Mr. Balkumar Agarwal, Independent Director; and
- iii) Mr. Motilal Oswal, Chairman & Managing Director

The terms of reference of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for the Executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company and to formulate and administer Employees' Stock Option Schemes.

The Committee met two times during the year under review on, 30th April, 2011, and 16th January, 2012. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors thereat is given herein below:-

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Vivek Paranjpe	Independent	Chairman	1	1
Mr. Balkumar Agarwal	Independent	Member	2	2
Mr. Motilal Oswal	Chairman & Managing Director	Member	2	2
Mr. Ramesh Agarwal (was the Member till 21.7.2011)	Independent	Member	1	0

iii. Shareholders / Investors Grievance Committee

The Company's Shareholders/Investors Grievance Committee comprises of the following 3 members:-

- i) Mr. Balkumar Agarwal, Independent Director, (Chairman)
- ii) Mr. Motilal Oswal, Chairman & Managing Director and
- iii) Mr. Raamdeo Agrawal, Joint Managing Director.

Mr. Samrat Sanyal, Company Secretary is the Compliance Officer.

The Committee meets as and when required, to deal with the investor related matters etc.

Corporate Governance

Details of queries and grievances received and attended to by the Company during the year 2011-2012 are given herein below: -

S. No.	Nature of complaint	Pending as on 1st April, 2011	Received during the year	Pending as on 31st March, 2012
i.	SEBI /Stock Exchange Complaints	–	4	1
ii.	Non-receipt of Dividend warrant	–	8	–
iii.	Non-receipt of Share Certificate	–	2	–
iv.	Non-receipt of Annual Report	–	–	–
v.	Others	–	–	–
	TOTAL	–	14	1

iv. Nomination Committee

The Nomination Committee comprises of 2 members - Mr. Motilal Oswal, Chairman & Managing Director and Mr. Raamdeo Agrawal, Joint Managing Director.

The Committee was constituted in accordance with the Corporate Governance guidelines promulgated by the Reserve Bank of India and is primarily responsible to assist the Board of Directors in fulfilling its responsibilities by recommending to the Board the composition and structure of the Board, criteria for Board membership, evaluation of the corporate policies relating to the recruitment of Board members and to establish, implement and monitor policies and processes regarding principles of corporate governance.

v. Risk Management Committee

The Risk Management Committee comprises of 2 members - Mr. Motilal Oswal, Chairman & Managing Director and Mr. Navin Agarwal, Non-executive Director.

The Risk Management Committee is required to manage the integrated risk and inform the Board from time to time the progress made in putting in place a progressive risk management system, risk management policy and strategy followed by the Company.

Subsidiary Companies

Clause 49 defines a "Material Non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, the Company has one 'Material Non-listed Indian subsidiary' i.e. Motilal Oswal Securities Limited (MOSL). As on 31st March, 2012 Mr. Balkumar Agarwal, an Independent Director on the Board of the Company is also a Director on the Board of MOSL.

Management

Management Discussion and Analysis

Annual Report has a detailed chapter on Management Discussion and Analysis.

Disclosures:

- i) There have been no materially significant transactions, pecuniary transactions or relationships between the Company and Directors, management, subsidiaries or related parties except those disclosed in the financial statements for the year ended 31st March, 2012. Further the details of the Related Party Transactions are presented in the Notes to Accounts.
- ii) The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.
- iii) The Company has complied with the mandatory requirements of Clause 49.
- iv) The Company has complied with the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement: -

- a) The Company has set up a Remuneration/Compensation Committee long before it got listed. Please see the section on Remuneration/Compensation Committee for details.
- b) The financial statements of the Company are unqualified.

Disclosure of Accounting Treatment in Preparation of Financial Statements

The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Code for Prevention of Insider-Trading Practices

In compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 (SEBI Regulations), the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

SHAREHOLDERS

Appointment of Mr. Praveen Tripathi as an Independent Director

Mr. Praveen Tripathi was appointed as an Additional Director by the Board of Directors on 22nd July, 2011. He would remain in office till the conclusion of the forthcoming Annual General Meeting of the Company. Therefore it is proposed to appoint Mr. Praveen Tripathi as the Director by the members of the Company in the forthcoming Annual General Meeting of the Company.

Mr. Praveen Tripathi has worked in market research, advertising and media planning. His longest stint was at MARG where he was involved with media research, consumer research and market modelling. He is also co-Chairman of National Consumer Classification System (NCCS) Committee set up jointly by (Media Research Users' Council) MRUC and Market Research Society of India (MRSI).

As Managing Director at Starcom India, Mr. Praveen Tripathi created an organization that delivered strategic planning led media solutions by building a unique team of people from diverse backgrounds and with equally diverse capabilities. He also led Starcom India to win Planning AOR of P&G – the very first Planning AOR awarded by P&G anywhere in the world, and the very first Planning AOR awarded by any advertiser in India. Mr. Praveen Tripathi led Starcom to win two other Planning AOR's for Dabur and ICICI and thus established the value of Planning in a buying-led Indian media services market.

He is presently the Chief Executive of Magic9 Media and Consumer Knowledge Private Limited

It is proposed to appoint Mr. Praveen Tripathi as the Director by the members of the Company in the forthcoming Annual General Meeting of the Company.

Name of Director	Mr. Praveen Tripathi
Date of Birth	4th June, 1957
Date of Appointment on the Board	22nd July, 2011
Expertise in specific functional area	Marketing and Research
Qualifications	B. Tech. from Indian Institute of Technology, Kanpur and PGDM from Indian Institute of Management, Ahmedabad
Directorships in Public Limited Companies	Motilal Oswal Financial Services Limited
Shareholding of Director in the Company	Nil

Membership of Committees in Public Limited Companies

Audit Committee	Motilal Oswal Financial Services Limited (Member)
Shareholders/Investors Grievance Committee	Nil

Re-appointment of Directors

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the rotational Directors retire by rotation.

Corporate Governance

Accordingly, Mr. Navin Agarwal and Mr. Balkumar Agarwal retire by rotation and being eligible, have offered themselves for re-appointment at the forthcoming Annual General Meeting. The details of Directors seeking re-appointment at the forthcoming Annual General Meeting is as under: -

Details of Directors seeking re-appointment to the Board

Name of Director	Mr. Navin Agarwal
Date of Birth	4th June, 1971
Date of Appointment on the Board	18th May, 2005
Expertise in specific functional area	Expertise in all the areas of Capital Markets
Qualifications	CA, ICWA, CS, CFA
Directorships in Public Limited Companies	i) Motilal Oswal Financial Services Limited. ii) Motilal Oswal Investment Advisors Private Ltd. iii) Motilal Oswal Capital Markets Private Limited
Shareholding of Director in the Company	78,04,010 Equity Shares of ₹ 1 each

Membership of Committees in Public Limited Companies : Nil

Mr. Navin Agarwal is responsible for business development of the Institutional Business of Motilal Oswal Securities Limited. He also holds Directorships in Motilal Oswal Investment Advisors Private Limited and Motilal Oswal Capital Markets Private Limited. He started his career as senior analyst with Insight Asset Management in 1994. In 1996 he was appointed as the Head of Research at Insight Asset Management and subsequently took up the additional responsibility of portfolio management services in 1998 in the same company. Mr Navin Agarwal joined our organization in June 2000. He has made immense contribution to the development of Institutional Business of the company over his tenure during the last decade. He is Member of the Institute of Chartered Accountants of India, Institute of Cost Accountant and Works Accountant of India, Institute of Company Secretaries of India and The Institute of Chartered Financial Analyst.

Details of Directors seeking re-appointment to the Board

Name of Director	Mr. Balkumar Agarwal
Date of Birth	23rd August, 1942
Date of Appointment on the Board	17th February, 2007
Expertise in specific functional area	Administrative State Affairs
Qualifications	Retired I.A.S ., B. Com., L.L.B.
Directorships in Public Limited Companies	Motilal Oswal Financial Services Limited, Motilal Oswal Securities Ltd., Dwarikesh Sugar Industries Limited, Sidhesh Capital Markets Ltd., ICEX Ltd. and UB Engineering Ltd.
Shareholding of Director in the Company	Nil

Membership of Committees in Public Limited Companies

Audit Committee	Motilal Oswal Financial Services Limited (Chairman) Sidhesh Capital Markets Ltd. (Chairman)
Shareholders/Investors Grievance Committee	Motilal Oswal Financial Services Limited (Chairman)
Remuneration/Compensation Committee	Motilal Oswal Financial Services Limited (Member)

Mr. Balkumar Agarwal is a commerce and Law Graduate from the University of Pune and is a retired officer of Indian Administrative Service of 1967 batch. He has held the post of Managing Director, Maharashtra State Warehousing Corporation from 1974 to 1977, the Managing Director of the Maharashtra Cooperative Cotton Growers Federation from 1984 to 1989 and as the Managing Director of Maharashtra State Financial Corporation from 1996 to 1999. Mr. Balkumar Agarwal has also held the position of Secretary (Housing), Secretary (Transport) and Secretary (Industries) to the Government of Maharashtra in the past. He was the Government of Maharashtra's Nominee as the Director of the Bombay Stock Exchange from 1994 to 1995. He retired in 2002 as Additional Chief Secretary, Government of Maharashtra.

Means of Communication with Shareholders

The Company publishes quarterly, half-yearly and annual results in national and local dailies. The Company's results and official news releases are displayed on the Company's website <http://www.motilaloswal.com>. Presentations made to the investors and analysts are also put-up on its website. The Company has also designated e-mail id, namely, shareholders@motilaloswal.com for the purpose of registering complaints by investors. This e-mail id is displayed on the Company's website.

General Body Meetings

The details of the Annual General Meetings held during past three years are given herein below:-

- The Fourth Annual General Meeting of the Company was held on Saturday 1st August, 2009 at 1.30 p.m. at Indian Education Society's Manik Sabhagriha, 'Vishwakarma' M.D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Bandra (West), Mumbai - 400 050.
- The Fifth Annual General Meeting of the Company was held on Saturday, 24th July, 2010 at 10.00 a.m. at Y. B. Chavan Centre, General Jagannathrao Bhosale Marg, Nariman Point, Mumbai - 400 021.
- The Sixth Annual General Meeting of the Company was held on Thursday, 21st July, 2011 at 4.00 p.m. at "Rama Watumull Auditorium, K. C. Law College", 124, Dinshaw Wachha Road, Churchgate, Mumbai - 400 020.

Year	Date	Time	Special Resolutions passed
2009	1st August 2009	1.30 p.m.	Issue of 989066 Equity Shares of ₹ 1 each at a premium of ₹ 137.74 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity Shares of Motilal Oswal Investment Advisors Pvt. Ltd.
2010	24th July, 2010	10.00 a.m.	Issue of 984463 Equity Shares of ₹ 1 each at a premium of ₹ 166.93 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity Shares of Motilal Oswal Investment Advisors Pvt. Ltd.
2011	21st July, 2011	4.00 p.m.	Issue of 700240 Equity Shares of ₹ 1 each at a premium of ₹ 130.37 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity Shares of Motilal Oswal Investment Advisors Pvt. Ltd.

No resolution is proposed to be passed through Postal Ballot.

General Shareholder Information

(i) Details of the 7th Annual General Meeting of the Company:-

Date : 28th July, 2012
 Time : 1.30 p.m.
 Venue : Motilal Oswal Towers, Junction of Gokhale & Sayani Road, Prabhadevi, Mumbai - 400 025.

(ii) Financial year of the Company

The financial year covers the period from 1st April to 31st March.

Tentative Calendar for the financial year ending 31st March, 2013:-

Financial reporting for the	Tentative dates of the Board Meeting
First quarter ending 30th June, 2012	Second fortnight of July 2012
Half year ending 30th September, 2012.	First fortnight of October 2012
Third quarter ending 31st December, 2012.	First fortnight of January 2013.
Year ending 31st March, 2013.	Second fortnight of April 2013.

- Annual General Meeting in the year 2013 is likely to be held in the second fortnight of July 2013.

(iii) Date of Book Closure

From 18th July, 2012 to 28th July, 2012, inclusive of both days.

Corporate Governance

(iv) Final Dividend Payment Date

The Company vide the approval of the Board of Directors has already declared and paid an Interim Dividend of ₹ 1.00 per equity share during the year 31st March, 2012.

Subject to the approval of the members, a final dividend of ₹ 0.50 per share recommended by the Board will be paid on or before 20th August, 2012.

(v) Listing on Stock Exchanges

The Company's Shares are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees for 2012-2013 have been paid in full to BSE and NSE.

(vi) Stock Code/ISIN No.

BSE : 532892
NSE : MOTILALOF5

Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity shares: INE338I01027.

(vii) Market Price Data

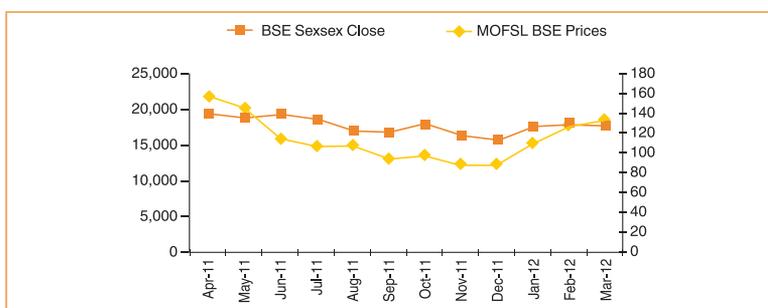
High, low during each month in the last financial year at BSE and NSE:-

Month	BSE (₹)		NSE (₹)	
	High	Low	High	Low
Apr-11	154.50	128.10	154.90	126.15
May-11	143.00	97.05	143.45	98.55
Jun-11	112.95	93.00	113.90	90.00
Jul-11	105.50	93.45	105.00	93.00
Aug-11	107.95	79.45	109.00	79.00
Sep-11	92.45	77.00	96.30	76.05
Oct-11	96.50	80.00	95.40	80.25
Nov-11	87.45	78.00	87.45	78.10
Dec-11	88.80	78.00	90.90	77.00
Jan-12	108.95	75.00	109.85	76.55
Feb-12	126.85	104.00	127.00	103.10
Mar-12	132.00	97.10	133.70	96.35

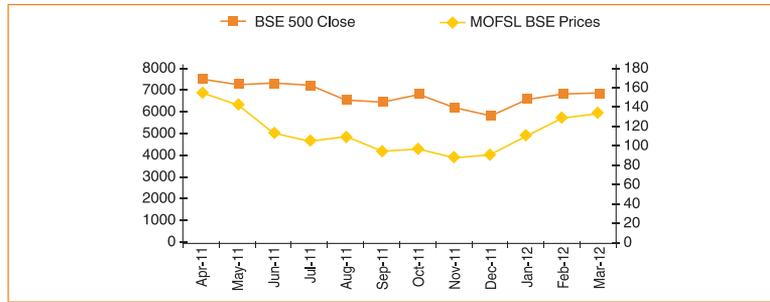
Performance in comparison to broad-based indices such as BSE Sensex, S&P CNX Nifty etc.:

The Company is the constituent of the BSE – 500. The performance of the Company's shares relative to the BSE Sensex, BSE – 500 and S&P CNX Nifty is given in the chart below:-

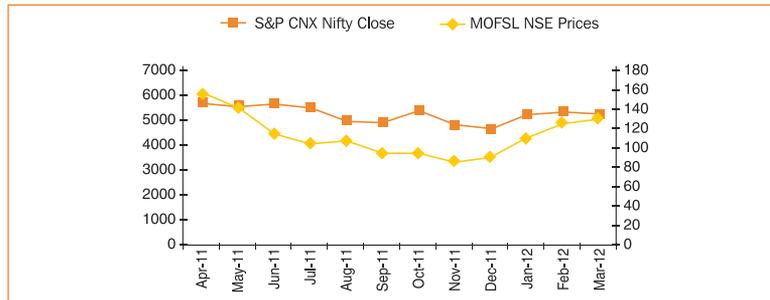
MOFSL Share performance versus BSE Sensex



MOFSL Share performance versus BSE – 500



MOFSL Share performance versus S&P CNX Nifty



(viii) Registrar and Transfer Agent

Link Intime India Private Limited
 (formerly Intime Spectrum Registry Limited)
 Unit: Motilal Oswal Financial Services Limited
 C- 13, Pannalal Silk Mills Compound, LBS Marg,
 Bhandup (West), Mumbai – 400 078.
 Tel: +91 22 2596 38 38
 Fax: +91 22 2594 69 69
 E-mail: isrl@linkintime.co.in
 Website: www.linkintime.co.in

The Registrars and Transfer Agent also have an office at:

Link Intime India Private Limited
 Unit: Motilal Oswal Financial Services Limited
 203, Davar House, 197/199 Next to Central Cameras,
 D. N. Road, Fort, Mumbai - 400 001.
 Tel.: +91 22 2269 41 27
 Fax: +91 22 2269 41 27.

(ix) Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers Mr. Motilal Oswal, Mr. Raamdeo Agrawal, Mr. Samrat Sanyal and Mr. Shalibhadra Shah are severally authorised to approve transfers of upto 50,000 equity shares per transfer, provided that the transferee does not hold 5,00,000 or more equity shares. The Shareholders/Investors Grievance Committee meets as and when required to consider the other transfer, transmission of shares etc. and attend to shareholder grievances.

(x) Distribution of Shareholding

Distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2012.

Corporate Governance

Shareholding pattern by size as on 31st March, 2012:-

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 – 500	12860	1114996	0.77
501 – 1000	303	227587	0.16
1001 - 2000	148	209323	0.15
2001 - 3000	72	182054	0.13
3001 - 4000	31	111156	0.08
4001 - 5000	27	129179	0.09
5001 - 10000	53	399708	0.28
10001 & Above	131	142748866	98.36
TOTAL	13625	145122869	100

Shareholding pattern by ownership class as on 31st March, 2012:-

Sr. No.	Description	Number of Shares (as at 31st March, 2012)	% to capital
(i)	Promoters & promoter group	101839987	70.18
(ii)	Mutual Funds / Financial Institutions / Banks / Foreign Institutional Investors	16631066	11.46
(iii)	NRIs / OCBs	9117329	6.28
(iv)	Bodies Corporate	469532	0.32
(v)	Public	9119747	6.28
(vi)	Directors	7804010	5.38
(vii)	Others	141198	0.10
	TOTAL	145122869	100.00

(xi) Dematerialisation of Shares

As on 31st March, 2012, 99.24% of the total equity share capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share as the trading in equity shares of the Company is permitted only in dematerialised form. Other than the capital, which is, locked for the specified periods, the stock is liquid.

(xii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

As on 31st March, 2012, the Company did not have any outstanding GDRs/ADRs/ Warrants or any Convertible instruments (excluding ESOPs).

(xiii) Plant Locations:

The Company is in the business of providing financial services, therefore, it does not have any manufacturing plants.

(xiv) Address for Correspondence

Shareholders may correspond with the Registrars and Transfer Agent, at the address mentioned hereinabove on all matters relating to non-receipt of share application money and non-credit of shares in demat account and any other query relating to shares of the Company. Shareholders would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters, Company Secretary & Compliance Officer can be contacted at the Registered Office of the Company at: -

Motilal Oswal Financial Services Limited
Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai-400 064.

Tel.: +91-22-3080 10 00 Fax: +91-22-2844 90 44. e-mail: shareholders@motilaloswal.com

The Company can also be visited at its website <http://www.motilaloswal.com>

Chief Executive Officer's Declaration on Code of Conduct

As required by Clause 49 of the Listing Agreement, the CEO declaration for Code of Conduct is given below:

To

**The Members of
Motilal Oswal Financial Services Limited**

I, Motilal Oswal, Chief Executive Officer, Chairman & Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct.

Motilal Oswal Financial Services Limited

Motilal Oswal

*Chief Executive Officer,
Chairman & Managing Director*

Mumbai, 25th April, 2012

Certificate from Chief Executive Officer and Chief Financial Officer

The Board of Directors
Motilal Oswal Financial Services Ltd.

Dear Sirs,

We have reviewed the financial statements and the cash flow statement of Motilal Oswal Financial Services Ltd. along with its subsidiaries for the year ended 31st March, 2012 and that to the best of my knowledge and belief:

- these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we might be aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Thanking you,

Yours faithfully,

Motilal Oswal
Chairman & Managing Director
Chief Executive Officer

Sameer Kamath
Chief Financial Officer

25th April, 2012

Auditors' Certificate on Corporate Governance

To

The Members of Motilal Oswal Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by Motilal Oswal Financial Services Limited, for the year ended on 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of **Haribhakti & Co.**

Chartered Accountants

FRN No. 103523W

Partner: **Sumant Sakhardande**

Membership No.: 034828

Place: Mumbai

Date: 11th June, 2012

Other Information

Unclaimed Equity Shares in the Suspense Account

As per Clause 5A(l) of the Listing Agreement, the Company reports the following details in respect of unclaimed equity shares that are kept in Specific Demat Accounts of Motilal Oswal Financial Services Limited.

	Number of Shareholders	Number of Equity Shares
Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on 1st April, 2011	6	615
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	0	0
Number of Shareholders to whom shares were transferred from the suspense account during the year	0	0
Aggregate Number of Shareholders and the outstanding shares in the suspense account lying as on 31st March, 2012	6	615

To

The Members of MOTILAL OSWAL FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of **MOTILAL OSWAL FINANCIAL SERVICES LIMITED** ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'the Companies Act, 1956' of India (the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm's Registration No.103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 25, 2012

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of MOTILAL OSWAL FINANCIAL SERVICES LIMITED on the financial statements for the year ended March 31, 2012

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) As informed to us, the inventories (securities) which are held in dematerialized form, have been verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of verification of inventories (securities) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory (securities) and no material discrepancies were noticed on physical verification between the dematerialized stocks and the book records carried out at the end of the year.
- (iii) (a) The Company has granted unsecured loan to six subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 1,182.57 millions and the year-end balance of loans granted to such parties was ₹ 454.45 millions.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (c) The loans are repayable on demand and whenever the loans are called for, the Company has received the principal amount and interest accordingly.
- (d) Since there is no stipulation as regards repayment schedule, clause 4(iii)(d) is not applicable.
- (e) The Company had taken loan from its subsidiary company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 1268.49 millions and the year-end balance of loans taken from such party was ₹ Nil.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (g) The loans are repayable on demand and whenever the loans are called for, the Company has paid the principal amount and interest accordingly.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory (securities), fixed assets and with regard to provision of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, wealth-tax, service tax, customs duty, and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in millions)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	0.66	AY 2007-08	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax	0.16	AY 2008-09	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax	1.30	AY 2009-10	Commissioner of Income Tax (Appeal)

- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) We are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, no debentures have been issued by the company during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm's Registration No.103523W

Place: Mumbai
Date: April 25, 2012

Rakesh Rathi
Partner
Membership No. 45228

Balance Sheet

Balance Sheet

	Note	As at 31-Mar-12 (₹ in Millions)	As at 31-Mar-11 (₹ in Millions)
I EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	145.12	144.42
Reserves and Surplus	2	5,439.32	4,981.33
		5,584.44	5,125.75
Non-Current Liabilities			
Deferred Tax Liabilities (Net)	3	34.76	23.04
Long-term Provision	4	1.66	0.89
		36.42	23.93
Current Liabilities			
Other Current Liabilities	5	510.10	84.44
Short-term Provision	6	146.99	276.17
		657.09	360.61
TOTAL		6,277.95	5,510.29
II ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	7	1,633.07	168.10
Capital Work-in-Progress		–	1,204.86
Non Current Investments	8	987.02	832.63
Long-term Loans and Advances	9	138.05	126.78
		2,758.14	2,332.36
Current Assets			
Inventories	10	–	2.88
Cash and bank balances	11	11.60	16.08
Short-term Loans & Advances	12	3,454.73	3,158.75
Other Current Assets	13	53.47	0.21
		3,519.81	3,177.93
TOTAL		6,277.95	5,510.29

Notes referred to above form an integral part of the financial statements

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 25th April, 2012

Statement of Profit & Loss

Statement of Profit and Loss

	Note	For the Year ended 31-Mar-12 (₹ in Millions)	For the Year ended 31-Mar-11 (₹ in Millions)
REVENUE			
Revenue from operations	14	464.30	496.00
Other Income	15	355.18	147.41
Total Revenue		819.48	643.41
EXPENSES			
Employee benefit Expenses	16	64.73	26.36
Finance Cost	16	8.97	11.42
Depreciation & Amortisation	7	9.27	0.07
Other Expenses	16	74.31	40.18
Total Expenses		157.28	78.03
Profit before Tax		662.20	565.38
Tax Expenses			
Current Tax		88.85	126.65
Deferred Tax		11.72	11.50
for Previous year(s)		(1.33)	0.63
Profit for the period		562.96	426.60
Earnings per share (₹)			
Equity share of par value ₹ 1 each			
Basic		3.89	2.96
Diluted		3.89	2.96

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 25th April, 2012

Cash Flow Statement

Cash Flow Statement

	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	662.20	565.38
Adjustment for		
Stock Option	0.20	0.23
Depreciation	9.27	0.07
Loss on sale of Investments (Non trade)	–	1.55
Provision on standard & sub standard Assets	24.01	7.39
Bad debts written off / (back)	0.02	(1.90)
Dividend Income	(354.85)	(144.61)
Adjustment for working capital changes		
1) Increase/(Decrease) In other long term provision	0.79	0.55
2) Increase/(Decrease) In Trade Payables	–	–
3) Increase/(Decrease) In Other Current Liabilities	430.32	61.29
4) Increase/(Decrease) In Short-term Provision	24.83	3.22
5) (Increase)/Decrease In Stock-in-trade	2.88	1,074.76
6) (Increase)/Decrease In Long-term Loans & Advances	(11.28)	(11.62)
7) (Increase)/Decrease In Short-term Loans & Advances	(324.80)	(657.96)
8) (Increase)/Decrease In Other Current Assets	(53.27)	(0.17)
CASH GENERATED FROM OPERATIONS	410.32	898.19
Taxes Paid (Net of Refunds)	(90.88)	(113.39)
NET CASH GENERATED FROM OPERATING ACTIVITIES	319.43	784.79
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of long term investments	(62.40)	(86.50)
Investment Fixed Deposits / Other non cash & cash equivalents	(0.13)	(5.13)
Purchase of tangible assets (including Capital Work-In-Progress)	(269.38)	(339.89)
Dividend Income	354.85	144.61
NET CASH GENERATED FROM INVESTING ACTIVITIES	22.94	(286.91)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share capital	0.00	0.26
Receipt of Securities Premium	0.35	33.57
Proceeds / (Repayment) of Borrowing	–	(593.21)
Dividend paid (including Dividend Distribution Tax)	(347.34)	(178.16)
NET CASH USED IN FINANCING ACTIVITIES	(346.98)	(737.54)

Cash Flow Statement

	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
NET CASH FLOW FOR THE YEAR ENDED	(4.61)	(239.66)
Cash & Cash Equivalents comprise of		
Cash on hand	–	–
Scheduled Bank - In Current Account	5.82	245.48
Fixed Deposit with Banks	5.00	5.00
Total Cash & Cash Equivalents as at beginning of year	10.82	250.48
Cash & Cash Equivalents as at end of period :		
Cash on hand	–	–
Scheduled Bank - In Current Account	1.20	5.82
Fixed Deposit with Banks	5.00	5.00
Total Cash & Cash Equivalents as at end of year	6.20	10.82

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Place : Mumbai
Date : 25th April, 2012

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Notes to Financial Statement

NOTE 1 : SHARE CAPITAL

	As at 31-Mar-12		As at 31-Mar-11	
	(Numbers)	(₹ in Millions)	(Numbers)	(₹ in Millions)
AUTHORISED				
Equity Shares, of ₹ 1/- par value	870,000,000	870.00	870,000,000	870.00
Preference Shares of ₹ 100/- par value	50,00,000	500.00	50,00,000	500.00
TOTAL	870,000,000	1,370.00	870,000,000	1,370.00
ISSUED, SUBSCRIBED & PAID-UP				
Equity Shares of ₹ 1 /- each fully paid up	145,122,869	145.12	144,419,229	144.42
Of the above 2,673,769 (Previous Year ₹ 1,973,529) equity shares, Fully paid up have been issued without payment being received in cash.				
TOTAL	145,122,869	145.12	144,419,229	144.42

Equity Shares :

The Company has one class of equity shares having a par value of ₹ 1/-. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting .

During the year ended March 31, 2011, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.4. The dividend for the year ended March 31, 2012 includes ₹ 0.5 Per share for final dividend & ₹ 1 per share for interim dividend. The total dividend appropriated amounts to ₹ 217.68 millions Including corporate dividend tax of ₹ 20.86 millions.

In the event of liquidation of Company, the holder of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Preference Shares :

The Company has one class of preference shares having a par value of ₹ 100/- and there are no preference shares issued & subscribed as on 31.03.2012 and 31.03.2011.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-12		As at 31-Mar-11	
	(Numbers)	(₹ in Millions)	(Numbers)	(₹ in Millions)
Number of share at beginning of the year	144,419,229	144.42	143,172,216	143.17
Add: Share issued on exercise of employee stock options	3,400	0.00	984,463	0.98
Add: Share issued to employees of subsidiary	700,240	0.70	262,550	0.26
Number of Share at the end of the year	145,122,869	145.12	144,419,229	144.42

1.3 Share holder having more than 5% equity share holding in the Company

Share Holder	As at 31-Mar-12		As at 31-Mar-11	
	(No. of Shares)	(% of Holding)	(No. of Shares)	(% of Holding)
HDFC Trustee Company Limited - HDFC Mutual Fund	11,368,380	7.83%	7,043,318	4.88%
New Vernon Private Equity Limited	8,630,296	5.95%	9,066,399	6.28%
Mr. Navin Agarwal	7,804,010	5.38%	7,804,010	5.40%
Passionate Investment Management Private Limited	52,957,650	36.49%	51,000,000	35.31%
Mr. Raamdeo Agrawal	23,428,100	16.14%	23,428,100	16.22%
Mr. Motilal Oswal	23,710,476	16.34%	23,683,140	16.40%

Notes to Financial Statement (Contd..)

1.4 Shares reserved for issue under options

The company has four Stock option plans

Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme -III' (ESOS-III)

The plan was approved by Board of Directors on 23.01.2006 and by the shareholders in EGM dated 03.02.2006 and EGM dated 28.04.2006 and is for issue of 1,167,275 options representing 1,167,275 Equity Shares of ₹ 2 each.

Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme -IV' (ESOS-IV)

The plan was approved by Board of Directors on 16.03.2007 and by the shareholders in EGM dated 16.03.2007 and EGM dated 09.07.2007 and is for issue of 200,000 options representing 200,000 Equity Shares of ₹ 5 each

Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme -V' (ESOS-V)

The plan was approved by Board of Directors on 18.10.2007 and by the shareholders on 4.12.2007 by postal ballot and is for issue of 2,500,000 options representing 2,500,000 Equity Shares of ₹ 1 each

Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme -VI' (ESOS-VI)

The plan was approved by Board of Directors on 21.04.2008 and by the shareholders in AGM dated 08.07.08 and is for issue of 5,000,000 options representing 5,000,000 Equity Shares of ₹ 1 each

The activity in the (ESOS-III), (ESOS-IV), (ESOS-V) and (ESOS-VI) during the year ended March 2012 and March 2011 is set below:

Particulars	As at 31-Mar-12 in numbers	As at 31-Mar-11 in numbers
The (ESOS-III) : (Face Value of ₹ 2 Each)		
Option outstanding, beginning of the period.	26,850	124,675
Less: Exercised	1,700	77,400
Lapsed	14,200	20,425
Option outstanding, end of the period.	10,950	26,850
The (ESOS-IV) : (Face Value of ₹ 5 Each)		
Option outstanding, beginning of the period.	5,000	7,500
Less: Exercised	-	2,500
Lapsed	-	-
Option outstanding, end of the period.	5,000	5,000
The (ESOS-V) : (Face Value of ₹ 1 Each)		
Option outstanding, beginning of the period.	2,410,500	2,500,000
Add Granted	-	275,000
Less: Exercised	-	54,500
Lapsed	362,750	310,000
Option outstanding, end of the period.	2,047,750	2,410,500
The (ESOS-VI) : (Face Value of ₹ 1 Each)		
Option outstanding, beginning of the period.	4,454,750	3,255,000
Add Granted	-	1,769,000
Less: Exercised	-	40,750
Lapsed	354,750	528,500
Option outstanding, end of the period.	4,100,000	4,454,750

Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted NIL (Previous Year 2,0,44,000) Employee Stock Options to various employees of the Company and its subsidiary Companies.

Notes to Financial Statement (Contd..)

The Company has adopted intrinsic value method of accounting Employee Compensation Cost in respect of ESOS. The intrinsic value of shares is excess of market price of the shares under ESOS over the exercise price. Employee Compensation Cost is accounted for by amortizing the intrinsic value on the straight line basis over the vesting period. The total amount to be amortized as at March 31, 2012 over the balance vesting period is ₹ 0.20 millions (Previous year- ₹ 0.22 millions).

Share allotted as fully paid-up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2012).

26,73,769 (9,89,066 in August 2009, 9,84,463 in August 2010 and 7,00,240 in August 2011) Equity Shares of ₹ 1 each issued under swap arrangement between Company and employees of its Subsidiary Company.

Shares reserved for issue under contracts/commitments

The shares of the company is reserved for issue on preferential basis in discharge of the purchase consideration for the acquisition of 62,500 equity shares of ₹ 10 each held by employees of subsidiary company Motilal Oswal Investment Advisors Private Limited. The price and no. of shares issue will be derived from the formula agreed between the Company and counter party.

NOTE 2: RESERVES & SURPLUS

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Capital Redemption Reserve		
Opening balance	0.00	0.00
Add: Transferred from Profit and Loss account	—	—
Balance as at end of the year	0.00	0.00
Securities Premium Reserve		
Opening balance	4141.85	3943.95
Add: Transferred from Profit and Loss account	91.64	197.90
Balance as at end of the year	4233.49	4141.85
ESOP Outstanding		
Opening balance	0.75	0.53
Addition during the period	0.20	0.22
Balance as at end of the year	0.95	0.75
Statutory Reserve (under Sec. 451C of RBI Act, 1934)		
Opening balance	297.22	211.90
Add: Transferred from Profit and Loss account	112.59	85.32
Balance as at end of the year	409.81	297.22
General Reserve		
Opening balance	126.67	84.00
Add: Transferred from Profit and Loss account	45.04	42.67
Balance as at end of the year	171.71	126.67
Profit & Loss Account		
Opening Balance	414.85	351.30
Add: Net Profit During the Year	562.96	426.60
Less: Transfer to Statutory Reserve	(112.59)	(85.32)
Less: Transfer to General Reserve	(45.04)	(42.66)
Less: Interim dividend	(145.12)	—

Notes to Financial Statement (Contd..)

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Less: Proposed Dividend	(72.56)	(202.26)
Add/less: Dividend Distribution Tax	20.86	(32.81)
Balance as at end of the year	623.36	414.85
TOTAL	5,439.32	4,981.33

NOTE 3 : DEFERRED TAX LIABILITIES (NET)

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Deferred tax Assets		
Gratuity provision	0.94	0.36
Provision on standard assets & sub standard asset	10.19	2.40
Tax on income from Private equity fund	4.72	–
Total (i)	15.85	2.76
Deferred tax Liability		
Interest Capitalised	–	25.55
Written Down Value of Fixed Assets	50.61	0.25
Total (ii)	50.61	25.80
Net (Total (ii) - Total (i))	34.76	23.04

NOTE 4 : LONG TERM PROVISION

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Provision for employee benefits		
Provision for Gratuity (also refer note 26)	1.66	0.89
TOTAL	1.66	0.89

NOTE 5 : OTHER CURRENT LIABILITIES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unpaid Dividend (Refer Note (a) below)	0.40	0.26
Other liabilities		
For Retention money	10.95	1.23
For capital expenses	8.62	4.11
For other expenses	4.67	1.00
Taxes Payable	3.46	5.41
Other Payables	1.66	1.57
Book overdraft from Banks	480.33	70.85
TOTAL	510.10	84.44

(a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

Notes

Notes to Financial Statement (Contd..)

NOTE 6 : SHORT TERM PROVISION

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Provision for Employee Benefits		
Provision for Leave Salary	0.38	0.11
Provision for Gratuity (also refer note 26)	1.23	0.22
Others		
Proposed Dividend	72.56	202.19
Provision for		
Ex-Gratia	1.92	2.37
Contingent Provisions against Standard Assets	8.28	7.39
Tax on Dividend	11.77	32.80
Taxation [Net of Advance Tax C.Y. ₹ 478.07 million (P.Y ₹ 391.50 million)]	27.73	31.09
Bad & doubtful debts	23.12	–
TOTAL	146.99	276.17

NOTE 7 : TANGIBLE ASSETS

No. Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01-Apr-11	Addition	Other Adjust- ments	Disposal	As on 31-Mar-12	As on 01- Apr-11	For the Year Ended 31- Mar-12	Deduc- tion	As on 31-Mar-12	As on 31-Mar-12	As on 31-Mar-11
1 Land	158.33		(0.03)*	–	158.30	–	–	–	–	158.30	158.33
2 Buildings	–	1326.88	92.10*	–	1418.98	0.00	6.01	–	6.01	1,412.97	0.00
3 Computer equipment	0.29	–	–	–	0.29	0.12	0.07	–	0.19	0.10	0.17
4 Plant and Machinery	–	42.30	–	–	42.30	0.00	0.50	–	0.50	41.79	0.00
5 Furniture and Fixtures	–	13.00	–	–	13.00	0.00	0.20	–	0.20	12.80	0.00
6 Vehicles	9.61	–	–	–	9.61	0.01	2.49	–	2.49	7.11	9.60
TOTAL	168.23	1382.17	92.07	–	1642.47	0.13	9.27	–	9.39	1633.07	168.10

* Allocation of cost to subsidiary company

** Capitalisation of borrowing cost

PREVIOUS YEAR

No. Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01-Apr-10	Addition	Other Adjust- ments	Disposal	As on 31-Mar-11	As on 01-Apr-10	For the Year Ended 31- Mar-11	Deduc- tion	As on 31-Mar-11	As on 31-Mar-11	As on 31-Mar-12
1 Buildings	158.33	–	–	–	158.33	–	–	–	–	158.33	158.33
2 Computer equipment	0.08	0.21	–	–	0.29	0.05	0.07	–	0.12	0.17	0.03
3 Vehicles	–	9.61	–	–	9.61	–	0.01	–	0.01	9.60	–
TOTAL	158.41	9.82	–	–	168.23	0.05	0.07	0.00	0.13	168.10	158.36

Notes to Financial Statement (Contd..)

NOTE 8 : NON-CURRENT INVESTMENTS - (AT COST)

Others (unquoted)

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV / Controlled Entity / Others	No. of Shares / Units		Quoted / Unquoted	Partly Paid / Fully paid	Amount In millions	
			As at 31-Mar-12	As at 31-Mar-11			As at 31-Mar-12	As at 31-Mar-11
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(a) Investment in Equity Instruments								
	Motilal Oswal Securities Ltd.	Subsidiary	1,318,218	1,318,218	Unquoted	Fully paid	13.18	13.18
	Motilal Oswal Commodities Brokers Pvt. Ltd.	Subsidiary	400,000	400,000	Unquoted	Fully paid	4.00	4.00
	Motilal Oswal Investment Advisors Pvt. Ltd.	Subsidiary	937,500	875,000	Unquoted	Fully paid	402.03	310.04
	Motilal Oswal Private Equity Advisors Pvt. Ltd.	Subsidiary	50,000	50,000	Unquoted	Fully paid	0.50	0.50
	Motilal Oswal Insurance Brokers Pvt. Ltd.	Subsidiary	990,000	990,000	Unquoted	Fully paid	9.90	9.90
(b) Investment in Private Equity Funds								
	India Business Excellence Fund	Others	450	450	Unquoted	Partly paid-up	381.40	405.00
	India Reality Excellence Fund	Others	340	300	Unquoted	Partly paid-up	136.00	90.00
	India Business Excellence Fund II	Others	400,000	–	Unquoted	Partly paid-up	40.00	–
TOTAL							987.02	832.63
Aggregate Value of Quoted Investments and market value			Nil					
Aggregate Value of Unquoted Investments			987.02					
Aggregate Provision for dimunition in value of investments			Nil					

NOTE 9: LONG TERM LOANS AND ADVANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unsecured, considered good		
Standard Assets	105.02	100.00
Capital Advances	3.76	–
Other loans and advances		
Balance with Government Authorities	27.97	25.04
Prepaid Expenses	1.03	1.47
Electricity and other deposits	0.27	0.27
TOTAL	138.05	126.78

NOTE 10 : INVENTORIES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Equity Shares (Value At Cost or Market Value Whichever is Less)	–	2.88
TOTAL	–	2.88
Aggregate value of Stock-in-Trade		
At book value	–	3.36
At Market Value	–	2.88

Notes

Notes to Financial Statement (Contd..)

NOTE 11: CASH AND BANK BALANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Cash and Cash Equivalents		
Bank Balances		
In Current Account	1.20	5.82
Fixed Deposit with Banks (with maturity less than 3 months).	5.00	5.00
	<u>6.20</u>	<u>10.82</u>
Other Bank Balances		
Fixed Deposit with Banks (with maturity more than 3 months).	5.00	5.00
Unpaid Dividend Account	0.40	0.26
	<u>5.40</u>	<u>5.26</u>
TOTAL	11.60	16.08

NOTE 12 : SHORT TERM LOANS AND ADVANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unsecured, considered good		
Loans to Subsidiaries	454.45	–
Loans to Others		
Standard Assets	7.49	299.33
Sub-Standard Assets		
Non Performing Assests	231.19	1.47
Other Loans & Advances		
Prepaid expenses	1.24	0.63
Balance with Government Authorities [Net of Liability C.Y. ₹ 4.80 millions (P.Y. ₹ Nil)]	6.59	0.44
Loans and Advances to employees	0.12	0.15
Others	9.02	300.69
Secured, considered good		
Loans to Others		
Standard Assets	2744.63	2557.51
TOTAL	3454.73	3158.75

NOTE 13: OTHER CURRENT ASSETS

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unsecured, considered good:		
Accrued interest on Fixed Deposits	0.20	0.21
Others	53.27	–
TOTAL	53.47	0.21

Notes to Financial Statement (Contd..)

NOTE 14 : REVENUE FROM OPERATIONS

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Interest	452.60	397.35
Income From Other Financial services	12.00	–
Income from Arbitrage	(0.30)	88.50
Other operating revenue	–	10.15
TOTAL	464.30	496.00

NOTE 15 : OTHER INCOME

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Dividend Income		
On Short Term Investment-Mutual Funds	8.56	10.55
On Long Term Investment-Subsidiary Companies	346.29	134.06
Other non operating income	0.30	2.80
Foreign Exchange Gain	0.03	–
TOTAL	355.18	147.41

Notes

Notes to Financial Statement (Contd..)

NOTE 16 : EXPENSES

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
EMPLOYEE BENEFIT		
Salary, Bonus and Allowances	61.55	25.16
Expenses on Employee Stock Option Scheme	0.20	0.23
Contribution to provident and other funds	0.37	0.32
Staff welfare expenses	0.65	0.10
Gratuity (refer note 26)	1.96	0.55
TOTAL	64.73	26.36
FINANCE COST		
Interest Cost	8.97	11.42
TOTAL	8.97	11.42
OTHER EXPENSES		
Fees & Other Operating Expenses	27.14	6.45
Rents	0.18	0.18
Rates and taxes	0.01	0.12
Insurance	0.27	0.36
Legal & Professional Fees	7.33	6.21
Remuneration to auditors (Refer note 21)	0.52	0.60
Advertisement Expenses	2.48	8.39
Marketing and Brand Promotion	3.38	4.48
Printing & Stationery	0.68	1.74
Communication expenses	0.80	0.53
Travelling Expenses & Conveyance Expenses	3.55	1.45
Electricity Charges	0.18	-
Miscellaneous Expenses	1.74	2.31
Bad Debts Written Off [Net of Provision for Doubtful Debt utilised C.Y. Nil (P.Y. 4.18 million)]	0.02	(1.90)
Provision on Standard Loan Assets & on Sub-Standard Assets	24.01	7.39
Loss on sale of Investments (Non-trade)	-	1.55
Computer Software charges	0.20	0.20
Donation	1.84	0.10
TOTAL	74.31	40.18

Significant Accounting Policies for the Year ended March 31, 2012

NOTE 17 NATURE OF BUSINESS

The Company is a Non-banking Financial Company registered with the Reserve Bank of India ("RBI") under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. The Company received the Certificate of Registration from the RBI on 5th April, 2006, enabling the Company to carry on business as a Non-banking Finance Company.

In accordance with the provisions of section 45- IC of the RBI Act, 1934, the Company has created a Reserve Fund & during the year, the Company has transferred an amount of ₹ 112.59 in millions (Previous Year ₹ 85.32 in millions) to Reserve Fund, it being 20% of the Profit After Tax.

NOTE 18 SIGNIFICANT ACCOUNTING POLICIES

18.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements are consistently prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles, the provisions of the Companies Act, 1956 and regulations of Reserve Bank of India to the extent applicable.

18.2 USE OF ESTIMATES

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual results to such estimates are recognized in the period in which the results are known / materialized.

18.3 FIXED ASSETS & DEPRECIATION

Fixed Assets are stated at cost less accumulated depreciation thereon. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. The Company provides pro-rata depreciation from the date on which asset is acquired / put to use. In respect of assets sold, prorata depreciation is provided upto the date on which the asset is sold. On all assets, except as mentioned below, depreciation has been provided using the Written Down Value method at the rates specified in Schedule XIV to the Companies Act, 1956.

- a) Assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.
- b) Improvements to leased Assets are depreciated over the initial period of lease. Expenditure which are attributable to Construction of a project are included as part of the cost of the construction project during construction period and included under capital work-in-progress which is allocated to the respective fixed assets on the completion of the construction period.

18.4 BORROWING COST

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition/ construction of qualifying fixed assets are capitalised up to the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

18.5 INVESTMENTS

Investments are classified into long-term investments and current investments. Investments that are intended to be held for one year or more are classified as long-term investments and investments that are intended to be held for less than one year are classified as current investments.

Long term investments are valued at cost. Provision for diminution in value of long term investments is made if in the opinion of management such a decline is other than temporary.

Current investments are valued at cost or market/fair value, whichever is lower.

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

18.6 REVENUE RECOGNITION

- a) Interest Income is recognized on the time proportionate basis starting from the date of disbursement of loan. In case of Non Performing Assets, interest income is recognized on receipt basis, as per NBFC Prudential norms.
- b) Dividend income is recognized when the right to receive payment is established.
- c) Income from investment in Private Equity Funds (“the fund”), is booked as and when the same is distributed by the Fund. Return of capital contribution is reduced from the original cost of investment.
- d) Income from arbitrage and trading in securities and derivatives comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments.

1. Profit/loss on sale of securities is determined based on the Weighted Average cost of the securities sold.

2. Profit/loss on equity derivative transactions is accounted for as explained below :-

- a. Initial and additional margin paid over and above initial margin, for entering into contracts for Equity Index/Stock Futures and or equity Index/stock options which are released on final settlement/squaring-up of underlying contracts are disclosed under Current Assets, Loans and advances. “Mark-to-market margin- Equity Index/ Stock Futures” representing the amounts paid in respect of mark to market margin is disclosed under Loans and Advances and amount received is shown under current liabilities.
- b. “Equity Index/Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- c. On final settlement or squaring up of contracts for equity index/ stock futures, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Profit and Loss Account. On settlement or squaring-up of equity index / stock options before expiry, the premium prevailing in “Equity Index/ Stock Option Premium Account” on that date is recognized in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index / stock futures or equity index/ stock options contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

As at the balance sheet date, the mark to market on all hedged transactions comprising of Securities and Equity Derivatives positions is determined on a Portfolio basis with net unrealized losses being recognized in the Profit and Loss Account. Unrealized gains (on portfolio basis) are not recognized in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard - 1, Disclosure of Accounting Policies.

In respect of other transactions, the unrealized losses on equity derivatives determined on scrip-basis are recognized in Profit and Loss account and unrealized gains are ignored; and in case of securities (shares, etc.) the net unrealized losses are recognized in Profit & Loss account and net unrealized gains are ignored.

3. In respect of other heads of income the Company accounts the same on accrual basis.

18.7 STOCK IN TRADE

1. Shares are valued at cost or market value, whichever is lower. The comparison of Cost and Market value is done separately for each category of Shares. Cost is considered on Weighted Average Basis.
2. Units of Mutual Funds are valued at cost or market value whichever in lower. Net asset value of units declared by mutual funds is considered as market value for non-exchange traded Mutual Funds.

18.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognized in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognized in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

18.9 EMPLOYEE BENEFITS

Provident Fund

Contribution payable to the recognized provident fund, which is a defined contribution scheme, is charged to the profit and loss account in the period in which they occur.

Gratuity:

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognized in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Compensated Absences

As per the policy of the company, an employee can carry forward maximum 50% of the leave annually. No leave is allowed to be encashed. An obligation arises as employees render service that increases their entitlement to future compensated absences. Provision is made for expected cost of accumulating compensated absences as a result of unused leave entitlement which has accumulated as at the balance sheet date.

Ex-gratia (Bonus)

The company recognizes the costs of bonus payments when it has a present obligation to make such payments as a result of past events and the reliable estimate of the obligation can be made.

18.10 TAXATION

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Current Tax: Provision for current tax is made on the basis of estimated taxable income for the accounting year in accordance with the Income Tax Act, 1961.

Deferred taxation: The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable / virtually certain (as the case may be) to be realised.

18.11 PRELIMINARY EXPENSES

Preliminary expenses are charged to the profit and loss account in the year in which they are incurred.

18.12 PROVISIONS AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

18.13 IMPAIRMENT OF ASSETS

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

NOTE 19 : Imports (Value On The Cost, Insurance And Freight Basis)

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Capital goods	22.70	11.39
	22.70	11.39

NOTE 20 : Segment Reporting

The Company is engaged in single segment of Fund based activities and there are no separate reportable segments as defined in AS – 17.

NOTE 21 : Auditor's Remuneration (Inclusive of Services Tax)

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
As Auditors:		
Audit Fees	0.40	0.40
Tax Audit Fees	0.03	0.03
Out of pocket expenses	0.02	0.01
In any other capacity, in respect of:		
Other Certification	0.08	0.17
Service Tax	0.05	0.06
TOTAL	0.58	0.67

NOTE 22 : Reconciliation of Basic And Diluted Shares Used In Computing Earning Per Share

	As at 31-Mar-12 in Numbers	As at 31-Mar-11 in Numbers
Number of shares considered as basic weighted average shares outstanding.	144,882,276	143,920,076
Add: Effect of dilutive issues of shares/stock options.	–	41,184
Number of shares considered as weighted average shares and potential shares outstanding.	144,882,276	143,961,260

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

NOTE 23 : Basic & Diluted Earnings/(Loss) per share:

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Net Profit attributable to equity shareholders [A] (₹)	562.96	426.60
Weighted Average of equity shares issued [B] (face value of ₹ 1 each)	144.88	143.92
Basic Earnings per share [A/B] (₹)	3.89	2.96
Weighted Number of equity shares outstanding for Diluted EPS [C]	144.88	143.96
Diluted Earnings per share [A/C] (₹)	3.89	2.96

NOTE 24 : Provisions made for the year ended 31st March, 2012 comprises of: (₹ in millions)

	Opening balance as on 01-Apr-2011	Provided for the Year F.Y 11-12	Provision reversed / paid for the year F.Y 11-12	Closing Balance as of 31-Mar-12
Ex-gratia	2.37	3.92	4.37	1.92
Provision for Gratuity	1.10	1.96	0.17	2.89

NOTE 25 : Related Party Disclosure :

I. Names of Related Parties :- (as certified by Management)

A) Enterprises where control exists

Subsidiary companies:

- Motilal Oswal Securities Limited
- Motilal Oswal Investment Advisors Private Limited
- Motilal Oswal Private Equity Advisors Private Limited
- Motilal Oswal Commodities Broker Private Limited
- Motilal Oswal Capital Market Private Limited
- Motilal Oswal Wealth Management Private Limited (Formally known as Antop Traders Private Ltd.)
- Motilal Oswal Insurance Brokers Private Limited
- Motilal Oswal Asset Management Company Limited
- Motilal Oswal Trustee Company Limited
- Motilal Oswal Capital Market (HongKong) Private Limited
- Motilal Oswal Capital Market (Singapore) Private Limited
- Motilal Oswal Securities International Pvt. Ltd.

B) Enterprises in which Key Managerial Personnel exercise Significant Influence:

- Passionate Investment Management Private Limited.
- Nagori Agro & Cattle Feeds Private Limited
- Rishabh Securities Private Limited
- Windwell Securities Private Limited
- Textile Exports Private Limited
- Raamdeo Agrawal (HUF)

C) Key Management Personnel:

- Mr. Motilal Oswal – Chairman & Managing Director
- Mr. Raamdeo Agrawal – Joint Managing Director

D) Relatives of Key Management Personnel

- a) Sunita Agrawal – Wife of Joint Managing Director
- b) Vimla Oswal – Wife of Chairman & Managing Director

Notes

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

II. Transactions with related parties: 31-03-2012

(₹ In million)

Transaction	Name of the related Party	Subsidiaries		Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel/Relative of Key Managerial Personnel		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Business Support Service	Motilal Oswal Securities Limited	(0.90)	(0.90)	-	-	-	-	(0.90)	(0.90)
	Motilal Oswal Securities Limited	0.60	0.60	-	-	-	-	0.60	0.60
Interest	Motilal Oswal Securities Limited	(1.08)	(6.25)	-	-	-	-	(1.08)	(6.25)
	Motilal Oswal Securities Limited	10.02	-	-	-	-	-	10.02	-
	Motilal Oswal Commodities Broker Private Limited	(16.76)	(0.01)	-	-	-	-	(16.76)	(0.01)
	Motilal Oswal Asset Management Co. Ltd.	(0.02)	(0.01)	-	-	-	-	(0.02)	(0.01)
	Motilal Oswal Insurance Brokers Private Limited	-	(0.00)	-	-	-	-	-	(0.00)
	Motilal Oswal Capital Markets Pvt. Ltd.	(0.00)	(3.49)	-	-	-	-	(0.00)	(3.49)
	Motilal Oswal Investment Advisors Private Limited	(0.18)	(0.01)	-	-	-	-	(0.18)	(0.01)
	Motilal Oswal Private Equity Advisors Private Limited	(0.74)	(0.01)	-	-	-	-	(0.74)	(0.01)
Managerial Remuneration	Motilal Oswal	-	-	-	-	24.00	-	24.00	-
	Raamdeo Agrawal	-	-	-	-	24.00	10.00	24.00	10.00
Referral Fees	Motilal Oswal Investment Advisors Private Limited	27.14	6.45	-	-	-	-	27.14	6.45
	Motilal Oswal Private Equity Advisors Private Limited	(12.00)	-	-	-	-	-	(12.00)	-
Rent	Motilal Oswal Securities Limited	0.18	0.18	-	-	-	-	0.18	0.18
Brokerage	Motilal Oswal Securities Limited	0.03	3.58	-	-	-	-	0.03	3.58
Redemption of Preference Shares	Motilal Oswal Commodities Broker Private Limited	-	(6.00)	-	-	-	-	-	(6.00)
Transfer of Fixed Assets	Motilal Oswal Securities Limited	(70.01)	-	-	-	-	-	(70.01)	-
	Motilal Oswal Investment Advisors Private Limited	(18.69)	-	-	-	-	-	(18.69)	-
	Motilal Oswal Private Equity Advisors Private Limited	(12.01)	-	-	-	-	-	(12.01)	-
	Motilal Oswal Asset Management Co. Ltd.	(15.84)	-	-	-	-	-	(15.84)	-
Dividend	Motilal Oswal Investment Advisors Private Limited	(91.88)	(134.06)	-	-	-	-	(91.88)	(134.06)
	Motilal Oswal Securities Limited	(254.42)	-	-	-	-	-	(254.42)	-
	Motilal Oswal	-	-	-	-	56.91	28.42	56.91	28.42
	Motilal Oswal-HUF	-	-	-	-	0.00	-	0.00	-
	Raamdeo Agarwal	-	-	-	-	56.23	28.11	56.23	28.11
	Raamdeo Agarwal (HUF)	-	-	-	-	1.56	0.78	1.56	0.78
	Suneeta Agrawal	-	-	-	-	0.71	0.35	0.71	0.35
	Vimla Oswal	-	-	-	-	0.30	0.15	0.30	0.15
Passionate Investment Management Private Limited	-	-	124.49	61.20	-	-	124.49	61.20	
Employee's Stock Option (In Nos.)	Motilal Oswal Securities Limited	-	1,979,000	-	-	-	-	-	1,979,000
Loans (Maximum balance)	Motilal Oswal Securities Limited	(1,268.49)	-	-	-	-	-	(1,268.49)	-
	Motilal Oswal Securities Limited	455.00	690.98	-	-	-	-	455.00	690.98
	Motilal Oswal Commodities Broker Private Limited	585.51	30.00	-	-	-	-	585.51	30.00
	Motilal Oswal Asset Management Co. Ltd.	7.00	7.00	-	-	-	-	7.00	7.00
	Motilal Oswal Insurance Brokers Private Limited	-	0.51	-	-	-	-	-	0.51
	Motilal Oswal Capital Markets Pvt. Ltd.	1.00	88.64	-	-	-	-	1.00	88.64
	Motilal Oswal Investment Advisors Private Limited	105.02	26.06	-	-	-	-	105.02	26.06
	Motilal Oswal Private Equity Advisors Private Limited	29.04	23.00	-	-	-	-	29.04	23.00
Outstanding Balances:									
Corporate Guarantees	Motilal Oswal Commodities Broker Private Limited	-	12.50	-	-	-	-	-	12.50
Loans & Advances	Motilal Oswal Commodities Broker Private Limited	454.45	-	-	-	-	-	454.45	-
Sundry Debtors	Motilal Oswal Investment Advisors Private Limited	17.78	-	-	-	-	-	17.78	-
	Motilal Oswal Private Equity Advisors Private Limited	12.91	-	-	-	-	-	12.91	-
	Motilal Oswal Asset Management Co. Ltd.	17.02	-	-	-	-	-	17.02	-

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

NOTE 26 :

The following table set out the gratuity plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

I Assumptions as at

	31-Mar-12	31-Mar-11
Mortality	L1C (1994-96) Ult.	
Interest / Discount Rate	8.00%	8.00%
Rate of increase in compensation	21.00%	15.00%
Rate of return (expected) on plan assets		
Employee Attrition Rate (Past Service (PS))	PS: 0 to 37 : 20% PS: 0 to 37 : 18.33%	
Expected average remaining service	3.39	

II Changes in present value of obligations

	(₹ In million)	(₹ In million)
PVO at beginning of period	1.10	0.56
Interest cost	0.08	0.04
Current Service Cost	1.70	0.37
Past Service Cost - (non vested benefits)	-	-
Past Service Cost - (vested benefits)	-	0.34
Benefits Paid	(0.17)	-
Actuarial (Gain)/Loss on obligation	0.17	(0.20)
PVO at end of period	2.89	1.10

III Changes in fair value of plan assets

Fair Value of Plan Assets at beginning of period	-	-
Expected Return on Plan Assets	-	-
Contributions	0.17	-
Benefit Paid	(0.17)	-
Actuarial Gain/(Loss) on plan assets	-	-
Fair Value of Plan Assets at end of period	-	-

IV Fair Value of Plan Assets

Fair Value of Plan Assets at beginning of period	-	-
Actual Return on Plan Assets	-	-
Contributions	0.17	-
Benefit Paid	(0.17)	-
Fair Value of Plan Assets at end of period	-	-
Funded Status (including unrecognised past service cost)	(2.89)	(1.10)
Excess of actual over estimated return on Plan Assets	-	-

V Experience History

(Gain)/Loss on obligation due to change in Assumption	0.19	Not Available
Experience (Gain)/ Loss on obligation	(0.01)	Not Available
Actuarial Gain/(Loss) on plan assets	-	-

Notes

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

VI Actuarial Gain/(Loss) Recognized

	(₹ In million)	(₹ In million)
Actuarial Gain/(Loss) for the period (Obligation)	(0.17)	0.20
Actuarial Gain/(Loss) for the period (Plan Assets)	–	–
Total Gain/(Loss) for the period	(0.17)	0.20
Actuarial Gain/(Loss) recognized for the period	(0.17)	0.20
Unrecognized Actuarial Gain/(Loss) at end of period	–	–

VII Past Service Cost Recognised

Past Service Cost - (non vested benefits)	–	–
Past Service Cost - (vested benefits)	–	0.34
Average remaining future service till vesting of the benefit	–	–
Recognised Past service Cost- non vested benefits	–	–
Recognised Past service Cost- vested benefits	–	–
Unrecognised Past Service Cost- non vested benefits	–	–

VIII Amounts to be recognized in the balance sheet and statement of profit & loss account

PVO at end of period	2.89	1.10
Fair Value of Plan Assets at end of period	–	–
Funded Status	(2.89)	(1.10)
Unrecognized Actuarial Gain/(Loss)	–	–
Unrecognised Past Service Cost- non vested benefits	–	–
Net Asset/(Liability) recognized in the balance sheet	(2.89)	(1.10)

IX Expense recognized in the statement of profit & loss account

Current Service Cost	1.70	0.37
Interest cost	0.08	0.04
Past Service Cost - (non vested benefits)	–	–
past Service Cost - (vested benefits)	–	0.34
Unrecognised Past Service Cost - non vested benefits	–	–
Expected Return on Plan Assets	–	–
Net Actuarial (Gain)/Loss recognized for the period	0.17	(0.20)
Expense recognized in the statement of P & L AIC	1.96	0.55

X Movements in the Liability recognized in Balance Sheet

Opening Net Liability	1.10	0.56
Expenses as above	1.96	0.55
Contribution paid	(0.17)	–
Closing Net Liability	2.89	1.10

XI Revised Schedule VI

Current Liability	1.23	0.22
Non-Current Liability	1.66	0.89

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

NOTE 27 : Disclosure as per guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms

CRAR

Particulars	2011-2012	2010-11
CRAR %	82.97	93.21
CRAR - Tier I Capital %	82.84	93.08
CRAR - Tier II Capital %	0.13	0.13

Exposure to real estate sector

Category	Current year	Previous Year
a) Direct exposure	NIL	NIL
(i) Residential Mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakh may be shown separately)		
(ii) Commercial Real Estate Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	NIL	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential,	NIL	NIL
b. Commercial Real Estate.	NIL	NIL
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

Note - The Company has invested ₹ 136 million (Previous Year 90 million) in Realty Excellence Trust.

Asset Liability Management

Maturity Pattern of Certain Items of assets and liabilities

(₹ In million)

	1 day to 30/31 days (One month)	Over One month to 2 Months	Over 2 month to 3 Months	Over 3 month to 6 Months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	–	–	–	–	–	–	–	–	–
Market Borrowings	–	–	–	–	–	–	–	–	–
Assets									
Advances	100.00	–	0.00	346.88	9.02	3099.78	–	–	3555.68
Investments	–	–	–	–	–	–	–	987.02	987.02

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

NOTE 28 :

During the year, CRISIL Limited assigned the Credit Rating of 'CRISIL A1+' (pronounced 'CRISIL A One Plus') to the Short Term Debt Programme of 1500 million of the Company.

NOTE 29 :

The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

NOTE 30:

During the current financial year 2011-12, the construction of the corporate headquarters 'Motilal Oswal Tower' was completed and the company has capitalized the amounts standing in the Capital Work-in-progress and related costs thereof incurred during the year. The Building construction cost has been apportioned between Company & its subsidiary Company "Motilal Oswal Securities Ltd." (MOSL) in the proportion of the 60:40 respectively (the acquisition ratio). Renovation costs are apportioned on the basis of floor-wise costs certified by project consultant specific to the floor area demarcated to the respective company. Pursuant to this arrangement company has recovered ₹ 70.01 million from its subsidiary company Motilal Oswal Securities Ltd.

The Company has capitalized the building and other cost thereof with effect from 1st March, 2012 amounting to ₹ 1474.33 million.

NOTE 31 :

The Company has, during the year, also capitalized interest of ₹ 13.37 millions (previous year ₹ 43.30 in millions) attributed to capital work-in-progress, which is in accordance with Accounting Standard on 'Borrowing Costs' (AS-16) issued by the Institute of Chartered Accountants of India. The said Accounting Standard specifies that interest on funds that are borrowed generally (for working capital) and used for the purpose of obtaining a qualifying asset are costs that are eligible for capitalization. The amount of borrowing costs (interest) attributable to the qualifying asset is determined by applying the weighted average rate of borrowings outstanding to the asset expenditures ('qualifying assets').

NOTE 32:

The company has charged to its subsidiaries Motilal Oswal Asset Management Company Ltd. at ₹ 15.84 million, Motilal Oswal Investment Advisors Pvt. Ltd at ₹ 18.69 million & Motilal Oswal Private Equity Advisors Pvt. Ltd. million at ₹ 12.01 million respectively towards the reimbursement of the Renovation costs incurred on their behalf for the area occupied by the respective subsidiaries.

NOTE 33 :

During the current year, Company has made a provision ₹ 8.28 millions (previous year ₹ 7.39 millions) being 0.25% of its standard assets as per the Notification No. DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.

NOTE 34 :

In the opinion of the board of directors, all current assets, loans & advances would be realizable at least of an amount equal to the amount at which they are stated in the balance sheet. Hence no impairment loss recognised on fixed assets.

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

Note 35 : Contingent Liability and Commitment (To the Extent Not Provided For)

35.1 Contingent Liabilities:

The company has given corporate guarantees (Net of Margins) of ₹ Nil. (Previous Year: ₹ 12.5 millions) to various banks for its subsidiary Motilal Oswal Commodity Brokers Pvt. Ltd.

Demand in respect of Income Tax matters for which appeal is pending is ₹ 4.1 millions (Previous Year ₹ 0.66 millions). This is disputed by the Company and hence not provided for in the books of accounts.

35.2 Capital Commitment

1. Out of the capital commitment of 10% (subject to maximum limit of ₹ 450 millions) is given by the Company in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 438.75 millions towards its capital contribution as per the draw down intimations received from the Fund. During the year company has received back ₹ 57.35 millions towards the capital return from the fund.
2. During the year, the Company has given total capital commitment of ₹ 400 millions respect of Business Excellence Trust II, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 40 millions as per the draw down intimations received from the Fund.
3. The Company has given a capital commitment of an amount of ₹ 170 millions to India Realty Excellence Fund launched by Realty Excellence Trust. In respect to this, the Company has contributed an amount of ₹ 136 millions as per the draw down intimations received from the Fund.
4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 86.96 millions (Previous Year: ₹ 259.09 millions).

35.3 Other Commitments

Proposed Dividend

The final dividend proposed for the year is as follows

	31-Mar-12 (₹ In Millions)	31-Mar-11 (₹ In Millions)
On Equity Shares of ₹ 1 each		
Amount of dividend proposed	72.56	202.26
Dividend per Equity Share	0.50	1.40

NOTE 36 : Quantitative information in respect of income from arbitrage

Cash Segment	31-Mar-12		31-Mar-11	
	Quantity	(₹ In Millions)	Quantity	(₹ In Millions)
Opening (A)	35,429	2.88	2,429,339	1.08
Purchase (B)	4,280	1.81	225,173,389	74.08
Sales (C)	39,709	4.81	227,567,299	75.16
Closing (D)	–	–	35,429	2.88

NOTE 37 : Corporate Social Responsibility

Recognizing the responsibilities towards society, as a part of on-going activities, the company has contributed towards various Corporate Social Responsibility initiatives like supporting underprivileged in education, medical treatments, etc. and various other charitable and noble aids.

Significant Accounting Policies for the Year ended March 31, 2012 (Contd..)

NOTE 38 :

The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification.

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai

Date : 25th April, 2012

ANNEXURE I

Schedule to the Balance Sheet of Motilal Oswal Financial Services Limited

(as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(₹ in millions)

PARTICULARS			
(1)	LIABILITIES SIDE : Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Debentures : Secured	NIL	NIL
	: Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	NIL	NIL
	(d) Inter-corporate loans and borrowing	NIL	NIL
	(e) Commercial Paper	NIL	NIL
	(f) Other Loans	NIL	NIL
	* Please see Note 1 below		
(2)	ASSETS SIDE : Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	Amount outstanding	
	(a) Secured	2744.63	
	(b) Unsecured	811.32	
		3,555.95	
(3)	Break-up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities		
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease	NIL	
	(b) Operating lease	NIL	
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	NIL	
	(b) Repossessed Assets	NIL	
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	NIL	
	(b) Loans other than (a) above	NIL	
(4)	Break-up of Investments : Current Investments :		
	1. Quoted : (i) Shares : (a) Equity	NIL	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	NIL	
	(iii) Units of mutual funds	NIL	
	(iv) Government Securities	NIL	
	(v) Others (please specify)	NIL	

(₹ in millions)

PARTICULARS	
(7) Other information	231.19
(i) Gross Non-Performing Assets	Nil
(a) Related parties	231.19
(b) Other than related parties	208.07
(ii) Net Non-Performing Assets	Nil
(a) Related parties	208.07
(b) Other than related parties	Nil
(iii) Assets acquired in satisfaction of debt	

Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/ fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

Auditors' Report

To

The Board of Directors of
Motilal Oswal Financial Services Limited

1. We have audited the Balance Sheet of MOTILAL OSWAL FINANCIAL SERVICES LIMITED ('the Company') as at March 31, 2012 and also Statement of Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto and issued our audit opinion dated April 25, 2012 thereon. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in the manner specified in paragraph 2 of the audit report.
2. As required by the "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Direction, 2008" issued by Reserve Bank of India (the Bank) and amended from time to time ('the Directions'), and based on our audit referred to in paragraph 1 above and on the information and explanations given to us which to the best of our knowledge and belief were necessary for this purpose, we report hereunder on the matters specified in paragraphs 3 and 4 of the Directions:
 - a) The Company is engaged in the business of Non-Banking Finance Institution ('NBFII') as defined in section 45-I(a) of the Reserve Bank of India Act, 1934 ('the Act') during the year ended March 31, 2012 and it has obtained Certificate of Registration No. N-13.01830 dated April 5, 2006 from Reserve Bank of India.
 - b) Based on the asset / income pattern as on March 31, 2012 determined by the Management in accordance with the audited financial statements for the year ended as on that date, and with reference to paragraph 15 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, the Company is entitled to continue to hold such Certificate of Registration;
 - c) Based on the criteria set forth by the Reserve Bank of India vide Circular No. DNBS.PD. CC No. 85 / 03.02.089 /2006-07 dated December 6, 2006 for classification of NBFCs as Asset Finance Company (AFC) and as per the information and explanations given to us and as appears from the books of accounts of the Company, the Company is not an Asset Finance Company (AFC) as defined in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 with reference to the business carried on by it during financial year 2011-12.
 - d) The Board of Directors in their meeting held on April 30, 2011 has passed a resolution for non-acceptance of any public deposits;
 - e) The Company has not accepted any public deposit during the financial year 2011-12;
 - f) In our opinion and as per the information and explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 for the year ended on March 31, 2012;
 - g) In our opinion and as per the examination of books of account and relevant records, the capital adequacy ratio as disclosed in the return submitted to the Bank in Form NBS- 7, has been correctly arrived at and such ratio is in compliance with the minimum CRAR prescribed by the Bank;
 - h) The Company has furnished to the Bank, the annual statement of capital funds, risk assets / exposures and risk asset ratio (Form NBS-7) within the stipulated period.
3. We have no responsibility to update this report for events and circumstances occurring after the date of our audit opinion mentioned in paragraph 1.
4. This report is issued solely for reporting on the matters specified in paragraphs 3 and 4 of the Directions, to the Board of Directors and is not to be used or distributed for any other purpose.

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm's Registration No.103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: 20th June, 2012.

To

The Board of Directors of
Motilal Oswal Financial Services Limited

1. We have audited the attached Consolidated Balance Sheet of MOTILAL OSWAL FINANCIAL SERVICES LIMITED ("the Company") and its subsidiaries (collectively referred to as "the Group") as at March 31, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.
3. We did not audit the financial statements of the following subsidiaries:
 - (a) The standalone financial statements of seven subsidiaries which reflects total assets of ₹ 1,312.52 millions as at March 31, 2012, total revenue of ₹ 654.52 millions and cash inflow of ₹ 128.33 millions for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.
 - (b) The standalone financial statements of two foreign subsidiaries which reflects total assets of ₹ 44.51 millions as at March 31, 2012, total revenue of ₹ 0.00 millions and cash inflow of ₹ 44.07 millions for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", as notified pursuant to the Companies (Accounting Standard) Rules, 2006 and on the basis of the separate financial statements of Motilal Oswal Financial Services Limited and its subsidiaries.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
 - b. in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - c. in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountants
Firm's Registration No.103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 25, 2012

Balance Sheet

Consolidated Balance Sheet

	Note No.	Consolidated As at 31-Mar-12 (₹ in Millions)	Consolidated As at 31-Mar-11 (₹ in Millions)
I. EQUITY & LIABILITIES			
1. Sources & Funds :			
Share Holders' Funds :			
Share Capital	1	145.12	144.42
Reserves and Surplus	2	11,264.19	10,450.66
2. Minority Interest	3	44.43	51.78
3. Non-Current Liabilities :			
(a) Deferred tax liabilities (Net)	4	46.66	1.50
(b) Long term provisions	5	63.28	39.28
4. Current Liabilities :			
(a) Trade payables	6	2,716.36	2,909.64
(b) Other current liabilities	7	828.10	850.97
(c) Short-term provisions	8	340.67	652.99
TOTAL		15,448.81	15,101.24
II. ASSETS :			
(1) Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		3,364.19	796.35
(ii) Intangible assets		80.93	99.91
(iii) Capital work-in-progress		–	1,996.03
(b) Non-current investments	10	941.48	588.39
(c) Long term loans and advances	11	316.25	277.04
(2) Current assets			
(a) Inventories	12	1,573.89	1,874.97
(b) Trade receivables	13	2,478.13	2,738.29
(c) Cash and bank balances	14	2,710.48	2,772.03
(d) Short-term loans and advances	15	3,937.24	3,917.12
(e) Other current assets	16	46.23	41.10
TOTAL		15,448.81	15,101.24

Notes referred to above form an integral part of the Consolidated Financial Statements

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 25th April, 2012

Statement of Profit and Loss

Consolidated Statement of Profit and Loss

	Note No.	For the Year ended 31-Mar-12 (₹ in Millions)	For the Year ended 31-Mar-11 (₹ in Millions)
INCOME			
Income from Operations	17	4,613.19	5,900.73
Other Income	18	42.08	106.84
TOTAL		4,655.27	6,007.57
EXPENDITURE			
Employee Benefits	19	1,138.57	1,372.40
Finance Cost	20	35.99	56.64
Depreciation and amortisation	9	129.70	131.28
Administrative & Other Expenses	21	1,954.72	2,340.19
TOTAL		3,258.98	3,900.51
Profit before Taxation and Exceptional Item		1,396.30	2,107.06
Exceptional Items Income		129.87	–
Profit before Taxation		1,526.17	2,107.06
Less: Provision for Taxation			
i) For current year			
Current tax		442.26	672.47
Deferred tax		45.16	32.97
ii) For Previous year(s)		(2.98)	6.57
		484.44	712.01
Profit after Tax before Minority Interests		1,041.72	1,395.05
Less : Minority interests (Profit)		(2.86)	(24.44)
Profit after Tax & Minority Interests		1,038.86	1,370.60
Consolidated Earnings Per share (₹)			
Basic Earnings per share before Extraordinary Items (Face Value of share ₹ 1 each)		7.17	9.52
Diluted Earnings per share before Extraordinary Items (Face Value of share ₹ 1 each)		7.17	9.52
Basic Earnings per share after Extraordinary Items (Face Value of share ₹ 1 each)		7.17	9.52
Diluted Earnings per share after Extraordinary Items (Face Value of share ₹ 1 each)		7.17	9.52

Notes referred to above form an integral part of the Consolidated Financial Statements

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 25th April, 2012

Cash Flow Statement

Consolidated Cash Flow Statement

	For the Year ended 31st March 2012 (₹ in Millions)	For the Year ended 31st March 2011 (₹ in Millions)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,526.17	2,107.06
Add : Employee Stock Option Compensation Cost	0.20	0.23
Depreciation	129.70	131.28
Provision on standard & sub standard Assets	41.38	9.31
Loss In Partnership	3.11	
Bad debts written off / (back)	31.26	5.04
Interest Paid	35.99	45.34
Less : Profit on sale of Investments	-	(15.56)
Profit on Sale of Fixed Assets	(117.53)	(33.03)
Interest Received	(1.05)	(9.04)
Dividend Received	(58.27)	(46.86)
Loss on translation	(3.17)	-
	1,587.79	2,193.76
Adjustment for working capital changes		
(Increase)/Decrease In Sundry Debtors	211.53	(233.07)
(Increase)/Decrease In Stock-in-trade	301.08	1,179.88
(Increase)/Decrease Short Term In Loans & Advances	(9.89)	(1,374.42)
(Increase)/Decrease In Long Term Loans & Advances	(26.58)	4.63
(Increase)/Decrease In Interest Accrued / Other Current Assets	(5.14)	7.61
Increase/(Decrease) in Other Trade Payable	(193.28)	(867.76)
Increase/(Decrease) in Other Current Liabilities	(22.87)	187.14
Increase/(Decrease) in Long Term Provision	12.87	4.61
Increase/(Decrease) in Short Term Provision	(146.14)	16.99
	1,709.38	1,116.12
CASH GENERATED FROM OPERATIONS		
Taxes Paid (Net of Refunds)	(454.37)	(750.70)
Net Cash generated from operation	1,255.01	365.42
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(716.83)	(643.38)
Purchase of Investments (Net of return of capital)	(356.20)	(83.14)
Sale of Investments	-	124.40
Purchase of Subsidiary	-	(100.00)
Investment in Fixed Deposit (More than 3 months)/ Non cash & cash equivalents	1,211.01	208.37
Sale of Fixed Assets	151.83	50.53
Interest received	1.05	9.04
Dividend Received	58.27	46.86
Net Cash Flow From Investing Activities	349.14	(387.33)

Cash Flow Statement

	For the Year ended 31st March 2012 (₹ in Millions)	For the Year ended 31st March 2011 (₹ in Millions)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/Repayment of Borrowing	–	(1,083.16)
Issue of Share capital	0.00	0.26
Receipt of Securities Premium Account	0.35	33.57
Payment of Dividend and Dividend Distribution Tax	(419.05)	(236.50)
Interest Paid	(35.99)	(45.34)
Net Cash Flow From Financing Activities	(454.69)	(1,331.17)
Net Cash Flow For The Period ended 31st March, 2012	1,149.46	(1,353.08)
Cash & Cash Equivalents as at beginning of year		
Cash Balance on Hand	1.86	1.85
Fixed Deposit with Banks (less than 3 month Maturity)	187.00	1,246.45
Scheduled Bank - Current accounts	914.75	1,208.39
Total Cash & Cash Equivalents as at beginning of year	1,103.61	2,456.69
Cash & Cash Equivalents as at end of year		
Cash Balance on Hand	1.50	1.86
Fixed Deposit with Banks (less than 3 month Maturity)	1,324.42	187.00
Scheduled Bank - Current accounts	927.15	914.75
Total Cash & Cash Equivalents as at end of year	2,253.07	1,103.61

As per our attached report of even date

For **Haribhakti & Co.**
Chartered Accountants

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Place : Mumbai
Date : 25th April, 2012

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Notes to Consolidated Financial Statements

NOTE 1 : SHARE CAPITAL

	Consolidated As at 31-Mar-12 (₹ in Millions)		Consolidated As at 31-Mar-11 (₹ in Millions)	
AUTHORISED				
870,000,000 Equity Shares of ₹ 1 each	870,000,000	870.00	870,000,000	870.00
50,00,000 Redeemable Preference Shares of ₹ 100 each	50,00,000	500.00	50,00,000	500.00
TOTAL	870,000,000	1,370.00	870,000,000	1,370.00
ISSUED, SUBSCRIBED & PAID-UP				
14,51,22,869 Equity Shares of ₹ 1/- each fully paid-up (PY 144,419,229 Equity Shares of ₹ 1/- each fully paid-up) [Includes allotment of 26,73,769 Equity Shares for consideration other than cash (Previous year - 19,73,529)]	145,122,869	145.12	144,419,229	144.42
TOTAL	145,122,869	145.12	144,419,229	144.42

Equity Shares :

The Company has one class of equity shares having a par value of ₹ 1/-. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2011, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.40. The dividend for the year ended March 31, 2012 includes ₹ 0.50 Per share for final dividend, ₹ 1 per share for interim dividend. The total dividend appropriated amounted to ₹ 232.22 Including corporate dividend tax of ₹ 14.45.

In the event of liquidation of Company, the holder of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Preference Shares :

The Company has one class of preference shares having a par value of ₹ 100/- and there are no preference shares issued & subscribed as on 31.03.2012 and 31.03.2011.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-12 (₹ in Millions)		As at 31-Mar-11 (₹ in Millions)	
	In numbers		In numbers	
Number of share at beginning of the year	144.42	144,419,229	143.17	143,172,216
Add : Share issued on exercise of employee stock options	0.00	3,400	0.98	984,463
Add: Share issued to employees of subsidiary	0.70	700,240	0.26	262,550
Number of Share at the end of the year	145.12	145,122,869	144.42	144,419,229

1.3 Share holder having more than 5% equity share holding in the Company

	As at 31-Mar-12 (₹ in Millions)		As at 31-Mar-11 (₹ in Millions)	
	In numbers	% holding	In numbers	% holding
HDFC Trustee Company Limited - HDFC Tax Saver Fund	11,368,380	7.83%	7,043,318	4.88%
New Vermon Private Equity Limited	8,630,296	5.95%	9,066,399	6.28%
Mr. Motilal Oswal	23,710,476	16.34%	23,683,140	16.40%
Mr. Raamdeo Agrawal	23,428,100	16.14%	23,428,100	16.22%
Passionate Investment Management Private Limited	52,957,650	36.49%	51,000,000	35.31%
Mr. Navin Agarwal	7,804,010	5.38%	7,804,010	5.40%

Notes to Consolidated Financial Statements (Contd..)

1.4 Shares reserved for issue under options

The company has six Stock option plans

Motilal Oswal Financial Services Limited -Employees' Stock Option Scheme -III' (ESOS-III)

The plan was approved by Board of Directors in 23.01.2006 and by the shareholders in EGM dated 03.02.2006 and EGM dated 28.04.2006 is for issue of 1,167,275 representing 1,167,275 Equity Shares of ₹ 2 each.

Motilal Oswal Financial Services Limited -Employees' Stock Option Scheme -IV' (ESOS-IV)

The plan was approved by Board of Directors in 16.03.2007 and by the shareholders in EGM dated 16.03.2007 and EGM dated 09.07.2007 and is for issue of 200000 options representing 200000 Equity Shares of ₹ 5 each.

Motilal Oswal Financial Services Limited -Employees' Stock Option Scheme -V' (ESOS-V)

The plan was approved by Board of Directors in 18.10.2007 and by the shareholders in 4.12.2007 by postal ballot and is for issue of 2500000 options representing 2500000 Equity Shares of ₹ 1 each.

Motilal Oswal Financial Services Limited -Employees' Stock Option Scheme -VI' (ESOS-VI)

The plan was approved by Board of Directors in 21.04.2008 and by the shareholders in AGM dated 08.07.08 and is for issue of 5000000 options representing 5000000 Equity Shares of ₹ 1 each.

During the year, the members of the Company approved the Motilal Oswal Asset Management Company Employee Stock Option Scheme – II (ESOS-II) to grant 5,000,000 stock options of face value of ₹ 10 each to the employees of the Company. During the year, the Company has granted totally 2,060,000 (Previous Year 1,450,000) Employee Stock Options to various employees of the Company (60,000 stock options under ESOS – I scheme and 2,000,000 under ESOS- II scheme).

The activity in the (ESOS-III), (ESOS-IV), (ESOS-V) and (ESOS-VI) during the year ended March 2012 and March 2011 is set below:

	As at 31-Mar-12 in numbers	As at 31-Mar-11 in numbers
The (MOFSL ESOS-III face value of ₹ 2) :		
Option outstanding, beginning of the year	26,850	124,675
Less: Exercised	1,700	77,400
Lapsed	14,200	20,425
Option outstanding, end of the year	10,950	26,850
The (MOFSL ESOS-IV face value of ₹ 5) :		
Option outstanding, beginning of the year	5,000	7,500
Less: Exercised	–	2,500
Lapsed	–	–
Option outstanding, end of the year	5,000	5,000
The (MOFSL ESOS-V face value of ₹ 1) :		
Option outstanding, beginning of the year	2,410,500	2,500,000
Add Granted	–	275,000
Less: Exercised	–	54,500
Lapsed	362,750	310,000
Option outstanding, end of the year	2,047,750	2,410,500
The (MOFSL ESOS-VI face value of ₹ 1) :		
Option outstanding, beginning of the year	4,454,750	3,255,000
Add Granted	–	1,769,000
Less: Exercised	–	40,750
Lapsed	354,750	528,500
Option outstanding, end of the year	4,100,000	4,454,750

Notes to Consolidated Financial Statements (Contd..)

	As at 31-Mar-12 in numbers	As at 31-Mar-11 in numbers
The (MOAMC ESOS-I face value of ₹ 10) :		
Option outstanding, beginning of the year	550,000	2,000,000
Less : Granted	60,000	1,450,000
Less: Exercised	-	-
Lapsed	145,000	-
Option outstanding, end of the year	635,000	550,000
The (MOAMC ESOS-II face value of ₹ 10) :		
Option available for grant	5,000,000	-
Less : Granted	2,000,000	-
Less: Exercised	-	-
Lapsed	-	-
Option outstanding, end of the year	3,000,000	-

Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted NIL (Previous Year 2,044,000) Employee Stock Options to various employees of the Company and its subsidiary Companies.

The Company has adopted intrinsic value method of accounting Employee Compensation Cost in respect of ESOS. The intrinsic value of shares is excess of market price of the shares under ESOS over the exercise price. Employee Compensation Cost is accounted for by amortizing the intrinsic value on the straight line basis over the vesting period. The total amount to be amortized as at March 31, 2012 over the balance vesting period is ₹ 0.20 in Millions (Previous year- ₹ 0.22 in Millions)

Share allotted as fully paid-up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2012).

2,67,3769 (9,89,066 in August 2009, 9,84,463 in August 2010 and 7,00,240 in August 2011) Equity Shares of ₹ 1 each issued under swap arrangement between Company and employees of its Subsidiary Company.

Shares reserved for issue under contracts/commitments

The shares of the company is reserved for issue on preferential basis in discharge of the purchase consideration for the acquisition of 62,500 equity shares of ₹ 10 each held by employees of subsidiary company Motilal Oswal Investment Advisors Private Limited. The price and no. of shares issue will be derived from the formula agreed between the Company and counter party.

NOTE 2 : RESERVES & SURPLUS

	As at 31-Mar-12 (₹ in millions)		As at 31-Mar-11 (₹ in millions)	
Statutory Reserve				
Opening balance	297.22		211.90	
Add : Transfer from Profit & Loss A/c for the Year	112.59	409.81	85.32	297.22
Capital Redemption Reserve				
Opening balance	96.00		90.00	
Addition during the year	-	96.00	6.00	96.00
Securities Premium				
Opening balance	4,141.85		3,943.95	
Addition during the year	91.64	4,233.49	197.90	4,141.85
Translation reserves				
Opening balance				
Addition during the year	(3.17)	(3.17)	-	-

Notes to Consolidated Financial Statements (Contd..)

	As at 31-Mar-12 (₹ in millions)		As at 31-Mar-11 (₹ in millions)	
ESOP Outstanding				
Opening balance	0.75		0.53	
Addition during the period	0.20	0.95	0.22	0.75
Capital Reserve				
Opening balance	591.46		743.08	
Addition / (Deduction) during the year	(81.78)	509.68	(151.62)	591.46
General Reserve				
Opening balance	293.82		137.36	
Addition during the year	126.56	420.37	156.46	293.82
Profit & Loss Account				
Opening balance	5,029.57		4,189.77	
Add:- Current Year	1,038.86		1,370.60	
Less:- Proposed Dividend	(72.58)		(215.44)	
Less:- Interim Dividend	(145.19)		-	
Less:-Dividend Distribution Tax	(14.45)		(67.60)	
Less:- Transfer to Statutory Reserve	(112.59)		(85.32)	
Less:- Transfer to translation Reserve	-		-	
Less:- Transfer to General Reserve	(126.56)		(156.45)	
Less:- Transfer to Capital Redemption Reserve		5,597.06	(6.00)	5,029.57
TOTAL		11,264.19		10,450.66

NOTE 3 : MINORITY INTEREST

	As at 31-Mar-12 (₹ in millions)		As at 31-Mar-11 (₹ in millions)	
Motilal Oswal Securities Limited				
Opening Balance	2.64		2.17	
Add: Share of Profit/(Loss) during the year	0.38	3.01	0.47	2.64
Motilal Oswal Commodities Broker Private Limited				
Opening Balance	1.24		0.61	
Add: Share of Profit/(Loss) during the year	1.41	2.65	0.62	1.24
Motilal Oswal Private Equity Advisors Private Limited				
Opening Balance	11.53		8.12	
Add: Share of Profit/(Loss) during the year	3.05	14.58	3.41	11.53
Motilal Oswal Investment Advisors Private Limited				
Opening Balance	36.22		29.98	
Add: Share of Profit/(Loss) during the year	(1.94)		19.99	
Add/(Less) : Investment/(sale) by Minority	(0.63)		(0.63)	
Less : Preacquisition Profits transferred on acquisition of minority investment	(9.58)	24.07	(13.13)	36.22
Motilal Oswal Capital Markets Private Limited				
Opening Balance	0.01		(0.00)	
Add: Share of Profit/(Loss) during the year	0.00	0.01	0.01	0.01

Notes

Notes to Consolidated Financial Statements (Contd..)

	As at 31-Mar-12 (₹ in millions)		As at 31-Mar-11 (₹ in millions)	
Antop Traders Private Limited				
Opening Balance	0.00		0.00	
Add: Share of Profit/(Loss) during the year	0.00	0.01	0.00	0.00
Motilal Oswal Asset Management Company Limited				
Opening Balance	0.08		0.08	
Add: Share of Profit/(Loss) during the year	(0.02)		(0.04)	
		0.07		0.08
Motilal Oswal Insurance Brokers Private Limited				
Opening Balance	0.06		0.08	
Add: Share of Profit/(Loss) during the year	(0.02)	0.04	(0.02)	0.06
Motilal Oswal Securities International Private Limited				
Opening Balance	–			
Add: Share of Profit/(Loss) during the year	(0.00)	(0.00)		
Motilal Oswal Capital Markets (HongKong) Private Limited				
Opening Balance	–			
Add: Share of Profit/(Loss) during the year	(0.00)	(0.00)		
Motilal Oswal Capital Markets (Singapore) Pte Limited				
Opening Balance	–			
Add: Share of Profit/(Loss) during the year	(0.00)	(0.00)		
Motilal Oswal Trustee Company Limited				
Opening Balance	0.00		0.00	
Add: Share of Profit/(Loss) during the year	(0.00)	0.00	(0.00)	0.00
TOTAL		44.43		51.78

NOTE 4 : DEFERRED TAXES AND LIABILITIES

	As at 31-Mar-12 ₹ in millions	As at 31-Mar-11 ₹ in millions
Deferred Tax Liability		
Difference in Net Block of Fixed Assets	116.59	15.23
Interest Capitalized on Capital Work-In-Progress	–	40.91
Deferred Tax Asset		
Disallowance under Section 43 B of the Income Tax Act, 1961	(14.08)	(14.08)
Business Loss	(14.33)	(20.31)
Provision for standard and doubtful debts	(15.83)	(3.02)
Preliminary Expenses	(0.03)	(0.24)
Short Term Capital Loss on sale of Investments	(0.83)	(1.73)
Gratuity Provision	(20.11)	(15.24)
On income from Private equity fund	(4.72)	–
Net	46.66	1.50

Notes to Consolidated Financial Statements (Contd..)

NOTE 5 : LONG TERM PROVISIONS

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Provision for Employee Benefits		
Gratuity Obligation	50.34	37.48
Others		
Provision For Taxation (Net of Advance Tax of ₹ 1612.45 millions (PY ₹ 1282.75 millions))	12.68	1.55
Other provisions	0.26	0.25
TOTAL	63.28	39.28

NOTE 6 : TRADE PAYABLES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Margin Money	541.46	499.46
Creditors	2,174.89	2,410.17
TOTAL	2,716.36	2,909.64

NOTE 7 : OTHER CURRENT LIABILITIES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Advance received from customers	15.09	25.47
Income received in advance	13.04	0.24
Accrued salaries & benefits	10.02	89.67
For other Liabilities		
– Other taxes payable	56.37	80.52
– For expenses	183.03	180.71
– For capital expenses	8.62	4.11
– Book overdraft from Banks	486.59	431.60
– Retention money	10.95	1.23
– Unpaid Dividend	0.40	0.26
– Other Payables	41.79	35.56
– Mark to Market Margin - Equity Index/Stock Futures	2.20	1.59
TOTAL	828.10	850.97

NOTE 8 : SHORT TERM PROVISIONS

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Provision for Employee Benefits		
– ExGratia Payable	166.03	317.40
– Gratuity Obligation	15.58	12.02
– Leave salary	4.06	2.39
Others		
– Provision for Contingent Provisions against Standard Assets	8.02	7.14
– Provision for Taxation (Net of Advance Tax of ₹ 478.07 millions (PY ₹ 391.50 millions))	27.73	31.09
– Proposed Dividend	72.58	215.36
– Provision for Proposed Dividend Distribution Tax	23.54	67.59
– Provision for bad & doubtful debts on non performing assets	23.12	–
TOTAL	340.67	652.99

Notes

Notes to Consolidated Financial Statements (Contd..)

NOTE 9 : CONSOLIDATED FIXED ASSETS

₹ in millions

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	As on 01-Apr-11	Addition	Deduction	Other Adju- stment*	As on 31-Mar-12	As on 01-Apr-11	During the Year	Deduction	As on 31-Mar-12	As on 31-Mar-12	As on 31-Mar-11
TANGIBLE ASSETS											
Computer	361.45	23.95	11.30		374.09	278.07	33.76	10.54	301.29	72.80	83.38
Furniture & Fittings	115.47	50.44	13.94		151.97	75.69	8.22	10.77	73.14	78.83	39.78
Office Equipments	228.39	75.32	23.08		280.63	110.07	22.72	17.86	114.92	165.71	118.32
Office Premises	399.79	2,360.33	55.51	144.09	2,848.70	133.30	25.67	33.11	125.86	2,722.84	266.49
Electrical Equipment	-	42.30	-		42.30	-	0.50	-	0.50	41.79	-
Land	266.74	-	-	(0.00)	266.74	-	-	-	-	266.74	266.74
Vehicles	47.98	4.79	9.73		43.04	26.33	5.85	7.33	24.84	18.20	21.65
INTANGIBLE ASSETS											
BSE/MCX Cards	65.57	0.76	-		66.33	65.57	0.09	-	65.66	0.67	-
Customer Rights	68.35	-	-		68.35	67.45	0.90	-	68.35	-	0.90
Licences	-	0.42	-		0.42	-	0.00	-	0.00	0.42	-
Software	187.21	10.55	0.44		197.32	88.20	32.00	-	120.20	77.12	99.01
Goodwill	9.00	-	-		9.00	9.00	-	-	9.00	0.00	0.00
TOTAL	1,749.94	2,568.84	113.99	144.09	4,348.88	853.68	129.70	79.62	903.76	3,445.12	896.26

* Capitalisation of borrowing cost

PREVIOUS YEAR 2010-2011

₹ in millions

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	As on 01-Apr-10	Addition	Deduction	As on 31-Mar-11	As on 01-Apr-10	During the Year	Deduction	As on 31-Mar-11	As on 31-Mar-11	As on 31-Mar-10	
TANGIBLE ASSETS											
Computer	331.60	31.82	1.97	361.45	245.69	34.08	1.70	278.07	83.38	69.86	
Furniture & Fittings	114.49	1.15	0.17	115.47	66.73	9.03	0.07	75.69	39.78	47.76	
Office Equipments	222.11	7.81	1.53	228.39	89.13	21.47	0.54	110.06	118.32	149.03	
Office Premises	412.13	10.21	22.54	399.79	123.70	19.41	9.80	133.30	266.49	288.43	
Land	266.74	-	-	266.74	-	-	-	-	266.74	266.74	
Vehicles	38.15	11.80	1.98	47.98	23.57	4.04	1.28	26.33	21.65	14.59	
INTANGIBLE ASSETS											
BSE/MCX Cards	65.57	-	-	65.57	65.52	0.06	-	65.57	-	0.06	
Customer Rights	68.35	-	-	68.35	53.78	13.67	-	67.45	0.90	14.57	
Software	135.47	55.76	4.03	187.21	60.01	29.52	1.34	88.20	99.01	75.46	
Goodwill	9.00	-	-	9.00	9.00	-	-	9.00	0.00	0.00	
TOTAL	1,663.61	118.55	32.22	1,749.94	737.12	131.28	14.72	853.68	896.26	926.48	

Notes to Consolidated Financial Statements (Contd..)

NOTE 10 : NON-CURRENT INVESTMENTS - AT COST

Sr. No.	Name of the Body Corporate	Nature of holding	No. of Shares / Units		Quoted / Unquoted	Partly Paid / Fully paid	Amount (₹ in millions)	
			As at 31-Mar-12	As at 31-Mar-11			As at 31-Mar-12	As at 31-Mar-11
(a)	Investment in equity instruments Central Depository Services India Ltd	Others	100	100	Unquoted	Fully paid	0.00	0.00
(b)	Investments in partnership firms Emerging Manager Group LP	Partnership					19.03	22.14
(c)	Investments in Gilt Fund Motilal Oswal MOST 10 Year Gilt Fund	Others	15,000,000	-	Unquoted	Fully paid	150.00	-
(d)	Investments in Debentures or Bonds Citicorp Finance (India) Limited	Others	1,000	-	Unquoted	Fully paid	100.00	-
(e)	Investment in Private Equity Funds							
(i)	Reliance Alternative Investments Fund - Private Equity Scheme I	Others	1,500,000	1,500,000	Unquoted	Fully paid up	15.00	5.25
(ii)	Aditya Birla Private Equity - Fund I	Others	1,500,000	1,500,000	Unquoted	Fully paid up	8.25	6.00
(iii)	India Business Excellence Fund	Others	450	450	Unquoted	Partly paid-up	381.40	405.00
(iii)	India Reality Excellence Fund	Others	540	500	Unquoted	Fully paid-up	216.00	150.00
(iv)	India Business Excellence Fund II	Others	518,000		Unquoted	Partly paid-up	51.80	-
	TOTAL						941.48	588.39

NOTE 11 : LONG TERM LOANS & ADVANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unsecured, considered good		
Loans to Others		
- Standard Assets	105.02	100.00
Other Loans & Advances :-		
- Rent, Electricity, and other deposits	76.14	92.02
- Capital Advances	31.82	2.04
- Deposits with Exchange	27.38	18.70
- Prepaid Exp	1.46	3.16
- Balance with Government Authorities	27.97	25.04
- Loan to staff	2.34	4.60
- Advance Tax	44.11	31.49
TOTAL	316.25	277.04

NOTE 12 : INVENTORIES (At Cost)

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Equity Shares	1,503.47	1,853.84
Mutual Funds	-	-
Exchange Traded Funds	70.41	21.13
TOTAL	1,573.89	1,874.97

Notes to Consolidated Financial Statements (Contd..)

NOTE 13: TRADE RECEIVABLES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Unsecured, Considered Good		
a) Outstanding for a period less than six months	883.02	2,659.02
b) Outstanding for a period exceeding six months	81.49	54.20
Unsecured, Considered doubtful		
Debts outstanding for a period exceeding Six months	17.38	–
Less: Provision for Doubtful Debts	(17.38)	–
Secured, Considered Good		
a) Outstanding for a period less than six months	1,299.59	–
b) Outstanding for a period exceeding 6 months	214.03	25.07
TOTAL	2,478.13	2,738.29

NOTE 14: CASH AND BANK BALANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Cash and Cash Equivalents		
Cash on hand	1.50	1.86
Balance with banks		
In current accounts	927.15	914.75
Fixed Deposit (less than 3 month Maturity)	1,324.42	187.00
Other Bank balance		
Fixed deposit (more than 3 month Maturity)	457.01	1,668.16
Unpaid Dividend Account	0.40	0.26
TOTAL	2,710.48	2,772.03
Fixed Deposit Receipt under lien with exchange	763.96	209.25
Fixed Deposit Reciept lien with banks against various facilities	582.20	1,399.00

NOTE 15 : SHORT TERM LOANS AND ADVANCES

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Secured, considered good		
Standard Assets	2,744.63	2,557.51
Unsecured, considered good		
– Standard Assets	7.49	299.34
– Sub Standard Assets		
– Non Performing Assets	231.19	–
– Prepaid Exp.	21.29	37.28
– For supply of services	10.37	12.63
– Loan & Advances to employees	11.84	1.82
– Balance In Arbitrage Account	0.83	–
– Service Tax Credit Receivable (Net of provisions)	36.92	8.04
– Option premium	755.70	590.97
– Advance Tax (Net of Provision for tax of ₹ 1,885.23 millions (PY ₹ 1,549.51 millions))	105.11	94.88
– Deposits	0.14	11.94
– Others	11.74	302.71
TOTAL	3,937.24	3,917.12

Notes to Consolidated Financial Statements (Contd..)

NOTE 16 : OTHER CURRENT ASSETS

	As at 31-Mar-12 (₹ in millions)	As at 31-Mar-11 (₹ in millions)
Interest Accrued on Fixed Deposit	28.23	39.08
Stock of Stamps	1.85	2.02
Others	16.15	–
TOTAL	46.23	41.10

NOTE 17 : INCOME FROM OPERATIONS

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Brokerage and Related Activities	3,054.03	4,265.07
Investment Banking Fees	84.68	398.13
Fund Based Income	796.01	725.04
Asset Management & Advisory Fees	501.93	427.26
Other Operating Revenue	176.55	85.23
TOTAL	4,613.19	5,900.73

NOTE 18 : OTHER INCOME

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Dividend Income on Short Term Investments	58.27	46.86
Profit / (Loss) on Sale of Investments	–	15.56
Interest Income	(1.05)	9.12
Other Non Operating Income/(Loss)	(12.03)	35.53
Partnership Gain/(Loss)	(3.11)	(0.41)
Foreign Exchange Gain	–	0.17
TOTAL	42.08	106.84
GROSS REVENUE	4,655.27	6,007.57

NOTE 19 : EMPLOYEE BENEFITS

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Salary, bonus and allowances	1,082.82	1,319.27
Expenses on Employee Stock Option Scheme	0.20	0.23
Gratuity	25.71	18.86
Contribution to provident & other Funds	15.89	15.78
Staff welfare expenses	13.95	18.27
TOTAL	1,138.57	1,372.40

Notes

Notes to Consolidated Financial Statements (Contd..)

NOTE 20 : FINANCE COST

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Interest Cost	15.63	21.90
Other Borrowing Cost	20.37	34.75
TOTAL	35.99	56.64

NOTE 21 : OTHER EXPENSES

	For the Year ended 31-Mar-12 (₹ in millions)	For the Year ended 31-Mar-11 (₹ in millions)
Brokerage sharing with Intermediaries	1,145.29	1,427.73
Depository Charges	19.04	26.60
Rates & Taxes	4.77	6.45
Rent	85.25	86.82
Insurance	11.45	10.38
Repairs	11.35	12.79
Computer Repairs & Maintenance	33.42	25.05
Legal & Professional Charges	75.65	67.39
Remuneration to Auditors	2.18	1.88
Membership & Subscription	1.91	1.31
Data Processing Charges	38.36	48.56
Marketing & Brand Promotion Expenses	56.16	97.17
Advertisement Exp	55.67	126.74
Printing & Stationery	36.41	67.72
Power and Fuel	36.47	36.54
Communication Expenses	104.68	104.12
Travelling & Conveyance Expenses	87.44	86.93
Donations	7.05	1.66
Bad Debts Written Off /Trading Loss	31.26	11.74
Provision on Standard Loan Assets & on Sub-Standard Assets	41.38	9.31
Entertainment Expenses	2.25	2.42
Miscellaneous Expenses	65.57	80.88
Foreign Exchange Fluctuation Loss	0.40	–
Preliminary Expenses w/off	1.32	–
TOTAL	1,954.72	2,340.19

Consolidated Significant Accounting Policies

22 SIGNIFICANT ACCOUNTING POLICIES:

22.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS :

The accompanying consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply in all material respects with the accounting standards issued by the Institute of Chartered Accountants of India / accounting standards notified under sub-section (3C) of section 211 of the Companies Act, 1956 (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

22.2 USE OF ESTIMATES :

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements. Any differences of actual results to such estimates are recognized in the period in which the results are known/materialized.

22.3 FIXED ASSETS & DEPRECIATION :

Fixed Assets are stated at cost less accumulated depreciation thereon. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. The Company provides pro-rata depreciation from the date on which asset is acquired / put to use. In respect of assets sold, pro-rata depreciation is provided up to the date on which the asset is sold. On all assets, except as mentioned below, depreciation has been provided using the Written down Value method at the rates specified in Schedule XIV to the Companies Act, 1956.

- a) Assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.
- b) Improvements to leasehold premises are depreciated over the initial period of lease.
- c) Expenditure which are attributable to Construction of a project are included as part of the cost of the construction project during construction period and included under capital work-in-progress which is allocated to the respective fixed assets on the completion of the construction period.

22.4 BORROWING COST :

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition/ construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

22.5 INTANGIBLE ASSETS AND AMORTIZATION :

- a) Expenses incurred on Computer Software having enduring benefits are capitalized and amortized on Straight Line Method (SLM) basis over a period of five years.
- b) Customer Rights acquired by the Company are considered as Intangible asset and amortized over a period of five years on Straight Line Method (SLM) basis from the date of acquisition.
- c) Goodwill acquired by the Company is amortized over a period of three years on Straight Line Method (SLM) basis from the date of acquisition.
- d) Payment made for the membership of the National Spot Exchange Limited and Multi-Commodity Exchange has been treated as intangible asset and has been amortised over a period of five years.

22.6 INVESTMENTS :

Investments are classified into long-term investments and current investments. Investments that are intended to be held for one year or more are classified as long-term investments and investments that are intended to be held for less than one year are classified as current investments.

Long term investments are valued at cost and the cost is determined on the basis of the average carrying amount of the total holding of the investment. Provision for diminution in value of long term investments is made if in the opinion of management such a decline is other than temporary.

Current investments are valued at cost or market/fair value, whichever is lower.

Consolidated Significant Accounting Policies (Contd..)

22.7 STOCK IN TRADE:

- a) Shares are valued at cost or market value, whichever is lower. The comparison of Cost and Market value is done separately for each category of Shares. Cost is considered on Weighted average basis.
- b) Units of Mutual Funds are valued at cost or market value, whichever is lower. Net asset value of units declared by mutual funds is considered as market value for non-exchange traded Mutual Funds.

22.8 REVENUE RECOGNITION:

- a) Brokerage income is recognized on trade date basis and is exclusive of service tax and Securities Transaction Tax (STT) wherever applicable.
- b) Insurance agency income on first year premium of insurance policies is recognised, when an insurance policy sold by the Company is accepted by the principal insurance company. Renewal commission on policies is accounted for on receipt on renewal premium by the principle insurance company. Sign-on Bonus received is accounted on pro-rata basis in the proportion of business generated to the Minimum Business Guarantee as per the contracted terms.
- c) Research, Advisory and Transactional processing fee income is accounted for on an accrual basis in accordance with the terms & contracts entered into between the Company and the counter party.
- d) Portfolio management fees are billed as per the terms of the respective schemes/agreement entered with the clients:
 - i. In case of management fees (including custodian charges wherever applicable), as a percentage of the asset under management on quarterly/monthly basis.
 - ii. In case of performance based fees, as a percentage of returns on an annual basis.
- e) Management Fees other than Portfolio management fees is accounted on accrual basis net of service tax.
- f) Investment Management fees are recognized on an accrual basis in accordance with Investment Management Agreement and SEBI (Mutual Fund) Regulations, 1996, based on daily average assets under management (AUM) of the Schemes of Motilal Oswal Mutual Fund.
- g) Trustee fees are recognized on an accrual basis, based on daily average assets under management (AUM) of the Schemes of Motilal Oswal Mutual Fund.
- h) Interest Income is recognized on the time proportionate basis starting from the date of disbursement of loan. In case of Non Performing Assets, interest income is recognised on receipt basis, as per NBFC Prudential norms.
- i) Dividend income is recognized when the right to receive payment is established.
- j) Income from investment in Private Equity Funds ("the fund"), is booked as and when the same is distributed by the Fund. Return of capital contribution is reduced from the original cost of investments.
- k) Income from arbitrage comprises profit/loss on sale of securities and commodities held as stock-in-trade and profit/loss on equity derivative instruments.
 - i. Profit/loss on sale of securities is determined based on the weighted average cost of the securities and commodities sold.
 - ii. Profit/loss on equity/commodities derivative transactions is accounted for as explained) below :-
 1. Initial and additional margin paid over and above initial margin, for entering into contracts for Equity Index/ Stock Futures or commodities futures and or equity Index/stock options which are released on final settlement/ squaring-up of underlying contracts are disclosed under Current Assets, Loans and advances. "Mark-to-market margin- Equity Index/Stock Futures" representing the amounts paid in respect of mark to market margin is disclosed under Loans and Advances and amount received is shown under Current Liabilities.
 2. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
 3. On final settlement or squaring-up of contracts for equity index / stock futures or commodities futures, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Profit and

Consolidated Significant Accounting Policies (Contd..)

Loss Account . On settlement or squaring-up of equity index / stock options before expiry, the premium prevailing in "Equity Index/Stock Option Premium Account" on that date is recognized in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index / stock futures or equity index/ stock options contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

4. As at the balance sheet date, the mark to market / Unrealized Profit / (Loss) on all outstanding hedged transactions comprising of Securities and Equity/Commodities Derivatives positions is determined on a Portfolio basis with net unrealized losses being recognized in the Profit and Loss Account. Unrealized gains (on overall portfolio basis) are not recognized in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard - 1, Disclosure of Accounting Policies. In respect of other transactions, the unrealized losses on equity/commodities derivatives determined on scrip/item-basis are recognized in Profit and Loss account and unrealized gains are ignored; and in case of securities (shares, etc.) the net unrealized losses are recognized in Profit & Loss account and net unrealized gains are ignored.
- l) The commodity based investment instruments for purchase and sale of spot commodity contracts, which are in substance a financing agreement and the resulting net income is recognized on time proportion basis over the period of the contracts.
- m) In respect of other heads of income, income from depository operations etc., the Company accounts the same on accrual basis.

22.9 COMMERCIAL PAPER:

The liability is recognised at face value at the time of issue of commercial paper. The discount on issue of commercial paper is amortized over the tenure of the commercial paper.

22.10 FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognised in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction:

22.11 EMPLOYEE BENEFITS:

Provident Fund:

Contribution payable to the recognized provident fund, which is a defined contribution scheme, is charged to the profit and loss account in the period in which they occur.

Gratuity:

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognized in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date, together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Compensated Absences:

As per the policy of the company, an employee can carry forward maximum 50% of the leave annually. No leave is allowed to be encashed. An obligation arises as employees render service that increases their entitlement to future compensated absences. Provision is made for expected cost of accumulating compensated absences as a result of unused leave entitlement which has accumulated as at the balance sheet date.

Ex-gratia (Bonus):

The company recognizes the costs of bonus payments when it has a present obligation to make such payments as a result of past events and the reliable estimate of the obligation can be made.

Consolidated Significant Accounting Policies (Contd..)

22.12 TAXATION:

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Current Tax:

Provision for current tax is made on the basis of estimated taxable income for the accounting year in accordance with the Income Tax Act, 1961.

Deferred Tax:

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realization of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realized.

22.13 SIGN ON BONUS :

Sign on Bonus paid to the employees is accounted under the Loans & Advances in the Balance Sheet and debited to Profit & Loss over the period of minimum employment as agreed.

22.14 PRELIMINARY EXPENSES:

Preliminary expenses are charged to the profit and loss account in the year in which they are incurred.

22.15 OPERATING LEASES:

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

22.16 FUND RELATED EXPENSES

New Fund Offer expenses

Expenses relating to initial issue of Mutual Fund Schemes of Motilal Oswal Mutual Fund are charged to the profit and loss account in the year in which such expenses are incurred.

Recurring fund expenses

Expenses incurred (inclusive of advertisement/brokerage expenses) on behalf of schemes of Motilal Oswal Mutual Fund are recognized in the profit and loss account unless considered recoverable from the schemes of the Fund in accordance with the provisions of SEBI (Mutual Fund) Regulations, 1996.

22.17 PROVISIONS AND CONTINGENCIES:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Consolidated Significant Accounting Policies (Contd..)

22.18 IMPAIRMENT OF ASSETS:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Notes to consolidated accounts of Motilal Oswal Financial Services Limited and its subsidiaries (collectively as “the Company”)

23 NOTES TO ACCOUNTS:

23.1 Principles and assumptions used for consolidated financial statements and proforma adjustments:

- The consolidated financial statements have been prepared substantially applying the principles laid in the Accounting Standard (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India as considered appropriate for the purposes of these Consolidated Balance Sheet, and Profit and Loss Account, together referred to in as ‘Consolidated Financial Statements.’
- Following are the companies whose accounts have been considered for the consolidated financial statements:

Motilal Oswal Financial Services Limited (‘the Company’ or ‘the holding company’) shareholding in the following companies as on March 31, 2012 and March 31, 2011 is as under:

Name of the Subsidiary Companies	31-Mar-12			31-Mar-11		
	No. of Shares	% of Holding	Date of Becoming Subsidiary	No. of Shares	% of Holding	Date of Becoming Subsidiary
Motilal Oswal Securities Limited	1,318,218	99.95	18th January, 06	1,318,218	99.95	18th January, 06
Motilal Oswal Commodities Broker Pvt. Limited	400,000	97.55	6th April, 06	400,000	97.55	6th April, 06
Motilal Oswal Investment Advisors Pvt. Limited	937,500	93.75	16th June, 06	875,000	87.5	16th June, 06
Motilal Oswal Private Equity Advisors Private Limited	50,000	85	18th May, 06	50,000	85	18th May, 06
Motilal Oswal Capital Markets Private Limited	1,250,000	99.95	18th December, 07	1250000	99.95	18th December 07
Motilal Oswal Wealth Management Private Limited (Formerly known as Antop Traders Pvt. Limited)	3	99.95	29th September, 08	3	99.95	29th Sept., 08
Motilal Oswal Insurance Brokers Pvt. Limited	990,000	99	9th April, 09	990,000	99	9th April, 09
Motilal Oswal Asset Management Company Limited	30,000,000	99.95	26th November, 09	30,000,000	99.95	26th Nov., 09
Motilal Oswal Trustee Company Limited	100,000	99.95	20th January, 10	100,000	99.95	20th Jan., 10
Motilal Oswal Securities International Private Limited	3,785,200	99.95	7th June, 11	–	–	–
Motilal Oswal Capital Markets (Hongkong) Private Limited	6,000,000	99.95	30th September, 11	–	–	–
Motilal Oswal Capital Markets (Singapore) Pte. Limited	250,000	99.95	28th September, 11	–	–	–

Consolidated Significant Accounting Policies (Contd..)

23.2 Principles used in preparing Consolidated Financial Statements:

- a) In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries is combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.
- b) The cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, is eliminated.
- c) Intra-group transactions are eliminated in preparation of consolidated financial statements.
- d) The excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is treated as goodwill & recognised as an asset in the consolidated financial statements.
- e) When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference is treated as a capital reserve in the consolidated financial statements.
- f) Minority interests in the net income of consolidated subsidiaries for the reporting period is identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and Minority interests in the net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the net assets consist of:
 - (i) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - (ii) the minorities' share of movements in equity since the date the parent-subsidiary relationship came in existence.
- g) Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

23.3 During the year company has acquired membership of National Spot Exchange Limited.

23.4 a) The Company has provided bank guarantees aggregating to ₹ 1700 millions (Previous Year : ₹ 2,821 millions) as on 31 March 2012 for the following purposes to :

- (i) The National Stock Exchange of India Limited – ₹ 1580 millions (Previous Year : ₹ 2490 millions) for meeting margin requirements.
- (ii) Bombay Stock Exchange Limited - ₹ 120 millions (Previous Year: ₹ 306 millions) for meeting margin requirements.
- (iii) The Multi Commodity Exchange of India Limited – ₹ Nil (Previous Year : ₹ 20 millions) for meeting margin requirements
- (iv) National Commodity & Derivatives Exchange Limited – ₹ Nil (Previous Year: ₹ 5 millions) for meeting margin requirements.

The Company has pledged fixed deposits with banks aggregating of ₹ 582.20 Millions (Previous Year ₹ 1,399 millions).

b) The company has given corporate guarantees of ₹ Nil (Previous Year: 25 millions) to various banks.

23.5 Contingent liabilities not provided for:

- a) Demand of Income Tax matters for which appeal is pending is ₹ 80.76 (Previous Year ₹ 119.55). This is disputed by the Company and hence not provided for. The Company has paid demand of ₹ 60.19 (Previous Year ₹ 58.55)
- b) Claims against the Company, to the extent quantifiable, in respect of legal matters filed against the Company-

Pending against forum	No. of Cases 2011-12	No. of Cases 2010-11	Amount 2011-12	Amount 2010-11
Civil / Consumer Court Cases	83	90	54.99	70.94
Arbitration Cases	4	5	3.51	1.76
TOTAL	87	95	58.50	72.70

Future cash outflows in respect of (b) above are determinable only on receipt of judgments/decisions pending with various forums/ authorities.

Consolidated Significant Accounting Policies (Contd..)

- 23.6** In the opinion of the Board of Directors, all current assets, loans and advances would be realizable at least of an amount equal to the amount at which they are stated in the Balance sheet.
- 23.7** During the current year, Company has made a provision ₹ 8.28 millions (Previous Year: ₹ 7.39 millions) being 0.25% of its standard assets as per the Notification No DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.
- 23.8** A dividend of ₹ 72.53 millions proposed in the financial statement of the subsidiary company Motilal Oswal Securities Limited, though not recognized as income in the financial statement of the parent company (MOFSL) as the date of relevant AGM, of such subsidiary companies falls after the date of adoption of accounts, by the board of the parent company, such proposed dividend has been eliminated in the consolidated financial statement.
- 23.9** In accordance with the provisions of section 45- IC of the RBI Act, 1934, the Company has created a Reserve Fund & during the year, the Company has transferred an amount of ₹ 112.59 in millions (Previous Year ₹ 85.32 in millions) to Reserve Fund, it being 20% of the Profit After Tax.
- 23.10** Balance of Sundry debtors and Sundry creditors are subject to confirmation.
- 23.11** The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

23.12 Auditors' Remuneration:

(₹ in millions)		
Particulars (Debited in Profit & Loss Account)	2011-12	2010-11
As Auditors:		
Audit Fees	1.51	1.39
Tax Audit Fees	0.18	0.21
Out of Pocket Expenses	0.06	0.02
Other matters	0.24	0.04
In any other capacity, in respect of:		
Other Certification	0.20	0.22
Add: Service tax	0.19	0.19
Total	2.37	2.07

23.13 Leases

a) Operating Lease

(₹ in millions)

Particulars	2011-12	2010-11
Lease rentals recognized during the period	95.51	86.82

b) General Description of lease terms:

- i) Lease rentals are charged on the basis of agreed terms.
- ii) Assets are taken on lease for a period of 3 years.

Immovable Properties taken on lease:

The company has entered into lease / license agreements in respect of immovable properties with different parties. Certain such agreements contain escalation clause related to lease rentals / license fees from 5% to 20 % p.a.

Consolidated Significant Accounting Policies (Contd..)

23.14 Basic & Diluted Earnings per share:

Particulars	31-Mar-12	31-Mar-11
Net Profit attributable to equity shareholders after minority interests [A] (₹ in millions)	1,038.86	1,370.60
Weighted Number of equity shares for Basic EPS Face value ₹ 1 each [B]	144,882,276	143,920,076
Weighted Number of equity shares outstanding for Diluted EPS Face Value ₹ 1 each[C]	144,882,276	143,961,260
Basic Earnings per share (EPS) after minority interests (₹) [A/B]	7.17	9.52
Diluted Earnings per share (EPS) after minority interests (₹) [A/C]	7.17	9.52

23.15 Related Party Disclosure:

I. Related Parties (as certified by management):-

Enterprises in which Key Managerial Personnel exercise Significant Influence:

1. Passionate Investment Management Private Limited.
2. Nagori Agro & Cattle Feeds Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited
6. OSAG Enterprises LLP
7. VISU Associates - partnership firm
8. Motilal Oswal (HUF)
9. Raamdeo Agrawal (HUF)

Key Management Personnel:-

1. Mr. Motilal Oswal – Chairman & Managing Director
2. Mr. Raamdeo Agrawal – Joint Managing Director
3. Mr. Ajay Menon – Whole-time Director
4. Mr. Nitin Rakesh – Chief Executive Officer & Managing Director
5. Mr. Harsh Joshi – Whole-time Director

Relatives of Key Management Personnel/Enterprise in which relatives of Key Management Personnel have significant influence:-

1. Pratik M Oswal – Son of Chairman
2. Pratiksha M Oswal – Daughter of Chairman
3. Vaibhav Agrawal – Son of Joint Managing Director
4. P S Menon – Father of Whole-time Director
5. Vimla Oswal – Wife of Chairman
6. Suneeta Agrawal – Wife of Joint Managing Director
7. Oswal Shares & Securities – Enterprises of Brother of Chairman
8. Agarwal Portfolio – Enterprises of Brother of Joint Managing Director

Consolidated Significant Accounting Policies (Contd..)

II. Transactions with related parties:

(₹ in millions)

Transaction	Name of the related Party	Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel/Relative of Key Managerial Personnel		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Managerial Remuneration	Motilal Oswal	-	-	24.00	76.23	24.00	76.23
	Raamdeo Agrawal	-	-	24.00	48.13	24.00	48.13
	Harsh Joshi	-	-	4.07	3.22	4.07	3.22
	Nitin Rakesh	-	-	11.16	12.25	11.16	12.25
	Ajay Menon	-	-	5.08	6.08	5.08	6.08
MOAMC Employee Stock Option (In Nos)	Nitin Rakesh	-	-	2,060,000	1,000,000	2,060,000	1,000,000
MOFSL Stock Option (In Nos)	Ajay Menon	-	-	-	25,000.00	-	25,000.00
MOFSL Stock Option (In Nos)	Harsh Joshi	-	-	-	25,000.00	-	25,000.00
Corporate Guarantees	Passionate Investment Management Private Limited.	-	3,176.00	-	-	-	3,176.00
Rent	Nagori Agro & Cattle Feeds Private Limited	3.43	3.43	-	-	3.43	3.43
	Rishabh Securities Private Limited	0.92	0.92	-	-	0.92	0.92
	Windwell Securities Private Limited	0.31	0.31	-	-	0.31	0.31
	Textile Exports Private Limited	1.59	1.59	-	-	1.59	1.59
Brokerage	Passionate Investment Management Private Limited.	(1.37)	(1.57)	-	-	(1.37)	(1.57)
	Ajay Menon	-	-	(0.01)	-	(0.01)	-
	Agarwal Portfolios	-	-	1.78	4.56	1.78	4.56
	Pratik M Oswal	-	-	-	(0.01)	-	(0.01)
	Vaibhav Agrawal	-	-	(0.02)	-	(0.02)	-
	Pratiksh M Oswal	-	-	-	(0.01)	-	(0.01)
	Motilal Oswal	-	-	(0.41)	(0.13)	(0.41)	(0.13)
	Raamdeo Agarwal	-	-	(0.46)	(0.51)	(0.46)	(0.51)
Interest	Passionate Investment Management Private Limited.	(2.24)	-	-	-	(2.24)	-
Dividend	Motilal Oswal	-	-	56.91	28.42	56.91	28.42
	Motilal Oswal (HUF)	-	-	0.00	-	0.00	-
	Raamdeo Agarwal	-	-	56.23	28.11	56.23	28.11
	Raamdeo Agarwal (HUF)	-	-	1.56	0.78	1.56	0.78
	Suneeta Agrawal	-	-	0.71	0.35	0.71	0.35
	Vimla Oswal	-	-	0.30	0.15	0.30	0.15
	Passionate Investment Management Private Limited.	124.49	61.20	-	-	124.49	61.20
Charges (recovered)/paid	Oswal Shares & Securities	-	-	-	(0.09)	-	(0.09)
IPO Application	P S Menon	-	-	-	(0.59)	-	(0.59)
Collaterals (Market Value)	Passionate Investment Management Private Limited.	(3,507.71)	(3,930.50)	-	-	(3,507.71)	(3,930.50)
	Motilal Oswal	-	-	(771.75)	(965.63)	(771.75)	(965.63)
	Raamdeo Agarwal	-	-	(102.90)	(128.75)	(102.90)	(128.75)
Collaterals (Market Value)		(0.00)	(3,930.50)	(0.00)	(1,094.38)	(0.00)	(5,024.88)
Loans (Maximum balance)	Passionate Investment Management Private Limited.	(375.00)	-	-	-	(375.00)	-
Outstanding Balances:							
Security Deposit	Passionate Investment Management Private Limited.	-	20.00	-	-	-	20.00

Note: 'Income/receipts figures are shown in brackets.

Notes

Consolidated Significant Accounting Policies (Contd..)

23.16 Segment Information:

(₹ in millions)

	Equity Broking & Other related activities		Financing & Other activities		Investment Banking		Unallocated		Elimination		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
External Revenue	3,662.53	4,624.26	819.48	501.29	113.47	398.73	779.79	479.45		-	5,375.27	6,003.72
Inter Segment Revenue	170.22	205.67	375.99	7.10	27.14	6.45	16.66	9.88	(590.01)	(229.10)	-	-
Total Revenue	3,832.75	4,829.93	1,195.47	508.39	140.61	405.18	796.45	489.33	(590.01)	(229.10)	5,375.27	6,003.72
RESULT	-											
Segment Result	1,140.82	1,495.54	315.91	431.39	(49.17)	183.25	172.37	52.36			1,579.93	2,162.54
Unallocated expenses	-											
Operating Profit											1,579.93	2,162.54
Interest Expenses											(53.66)	(55.13)
Interest Income												
Income Tax											(484.44)	(712.36)
Profit From Ordinary Activities											1,041.83	1,395.05
Extra-ordinary Item											-	-
Net Profit											1,041.83	1,395.05
Other Information												
Segment Assets	8,365.28	10,476.39	6,282.74	5,510.29	105.51	181.00	1,342.36	3,230.37		(729.91)	16,095.90	18,668.14
Segment Liabilities	2,872.71	5,292.17	551.48	95.42	70.12	75.98	1,192.27	2,810.78		(201.29)	4,686.59	8,073.06
Capital Expenditure	249.04	300.35	260.11	339.89	17.40	0.91	26.28	2.24			552.83	643.38
Depreciation	114.91	126.00	9.27	0.08	1.25	0.96	5.03	4.25	(0.77)		129.70	131.28
Non-cash expenses other than depreciation			75.95	14.57							75.95	14.57

23.17 Quantitative Information in respect of Income from Arbitrage Transaction

Cash Segment	31-Mar-12 Qty	31-Mar-12 ₹ in millions	31-Mar-11 Qty	31-Mar-11 ₹ in millions
Opening Stock	7,647,188	1,874.92	5,959,246	1,927.57
Purchase	107,583,762	33,336.05	358,470,623	42,227.35
Sales	109,726,055	33,637.08	356,782,681	42,279.94
Closing stock	5,504,895	1,573.89	7,647,188	1,874.97

Consolidated Significant Accounting Policies (Contd..)

23.18 Open Interest in Individual Stock Futures as on 31st March, 2012

a) Open Long Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
ABAN	26-Apr-12	46	46000
ABB	26-Apr-12	6	1500
ACC	26-Apr-12	35	8750
ALBK	26-Apr-12	12	24000
AMBUJACEM	26-Apr-12	1	2000
APIL	26-Apr-12	8	4000
AXISBANK	26-Apr-12	87	21750
BAJAJ-AUTO	26-Apr-12	3	750
BANKBARODA	26-Apr-12	112	56000
BANKINDIA	26-Apr-12	6	6000
BANKNIFTY	26-Apr-12	276	6900
BHARATFORG	26-Apr-12	24	24000
BHEL	26-Apr-12	1	1000
BPCL	26-Apr-12	60	30000
BSXAPR2012	26-Apr-12	1	15
CAIRN	26-Apr-12	9	9000
CANBK	26-Apr-12	14	7000
CENTURYTEX	26-Apr-12	26	26000
CIPLA	26-Apr-12	9	9000
COREEDUTEC	26-Apr-12	25	25000
DABUR	26-Apr-12	53	106000
DIVISLAB	26-Apr-12	10	5000
DLF	26-Apr-12	10	10000
DRREDDY	26-Apr-12	4	1000
EDUCOMP	26-Apr-12	34	34000
GAIL	26-Apr-12	6	3000
HCC	26-Apr-12	38	304000
HDFC	26-Apr-12	30	15000
HDFCBANK	26-Apr-12	44	22000
HDIL	26-Apr-12	12	24000
HEROMOTOCO	26-Apr-12	4	500
HINDALCO	26-Apr-12	30	60000
HINDPETRO	26-Apr-12	58	58000
ICICIBANK	26-Apr-12	226	56500
IDBI	26-Apr-12	38	76000
IDFC	26-Apr-12	4	8000
INFY	26-Apr-12	6	750

Consolidated Significant Accounting Policies (Contd..)

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
IVRCLINFRA	31-May-12	1	8000
JINDALSTEL	26-Apr-12	24	12000
JPASSOCIAT	26-Apr-12	24	96000
JSWSTEEL	26-Apr-12	16	8000
KOTAKBANK	26-Apr-12	14	7000
M&M	26-Apr-12	50	25000
MARUTI	26-Apr-12	46	11500
MCDOWELL-N	26-Apr-12	14	3500
NCC	26-Apr-12	33	132000
NIFTY	26-Apr-12	1009	50450
NTPC	26-Apr-12	9	18000
ONGC	26-Apr-12	36	36000
ORCHIDCHEM	26-Apr-12	12	24000
ORIENTBANK	26-Apr-12	12	12000
POWERGRID	26-Apr-12	7	28000
RANBAXY	26-Apr-12	27	13500
RELCAPITAL	26-Apr-12	35	17500
RENUKA	26-Apr-12	15	60000
S&P500	20-Apr-12	2	500
SBIN	26-Apr-12	113	14125
SESAGOA	26-Apr-12	28	28000
SIEMENS	26-Apr-12	21	5250
SUNPHARMA	26-Apr-12	11	5500
SUZLON	26-Apr-12	43	344000
SYNDIBANK	26-Apr-12	27	54000
TATAGLOBAL	26-Apr-12	9	36000
TATAMOTORS	26-Apr-12	15	30000
TATAMTRDVR	26-Apr-12	15	60000
TATAPOWER	26-Apr-12	5	20000
TATASTEEL	26-Apr-12	37	18500
TCS	26-Apr-12	6	1500
TECHM	26-Apr-12	10	5000
TITAN	26-Apr-12	10	10000
UNIONBANK	26-Apr-12	15	15000
UNITECH	26-Apr-12	34	272000
WIPRO	26-Apr-12	24	24000
YESBANK	26-Apr-12	16	16000
ZEEL	26-Apr-12	22	44000
CARDAMOM	15-Jun-12	36	3600

Consolidated Significant Accounting Policies (Contd..)

b) Open Short Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
ABAN	26-Apr-12	53	53000
ABB	26-Apr-12	1	250
ABIRLANUVO	26-Apr-12	14	3500
ACC	26-Apr-12	2	500
ADANIENT	26-Apr-12	62	31000
ALBK	26-Apr-12	12	24000
ALSTOMT&D	26-Apr-12	8	8000
AMBUJACEM	26-Apr-12	31	62000
APIL	26-Apr-12	8	4000
ASHOKLEY	26-Apr-12	44	352000
ASIANPAINT	26-Apr-12	74	9250
AUROPHARMA	26-Apr-12	24	48000
AXISBANK	26-Apr-12	150	37500
BAJAJ-AUTO	26-Apr-12	76	19000
BAJAJHIND	26-Apr-12	17	136000
BANKBARODA	26-Apr-12	104	52000
BANKINDIA	26-Apr-12	76	76000
BANKNIFTY	26-Apr-12	225	5625
BHARATFORG	26-Apr-12	31	31000
BHARTIARTL	26-Apr-12	145	145000
BHEL	26-Apr-12	128	128000
BPCL	26-Apr-12	113	56500
BSXAPR2012	26-Apr-12	1	15
CANBK	26-Apr-12	45	22500
CIPLA	26-Apr-12	30	30000
COALINDIA	26-Apr-12	8	8000
COREEDUTEC	26-Apr-12	84	84000
DIVISLAB	26-Apr-12	1	500
DLF	26-Apr-12	86	86000
DRREDDY	26-Apr-12	53	13250
EDUCOMP	26-Apr-12	121	121000
ESSAROIL	26-Apr-12	4	16000
FINANTECH	26-Apr-12	39	9750
GAIL	26-Apr-12	137	68500
GRASIM	26-Apr-12	138	17250
HCC	26-Apr-12	38	304000
HCLTECH	26-Apr-12	53	53000
HDFC	26-Apr-12	273	136500
HDFCBANK	26-Apr-12	199	99500
HDIL	26-Apr-12	40	80000
HEROMOTOCO	26-Apr-12	23	2875
HINDALCO	26-Apr-12	132	264000

Consolidated Significant Accounting Policies (Contd..)

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
HINDPETRO	26-Apr-12	58	58000
HINDUNILVR	26-Apr-12	26	26000
ICICIBANK	26-Apr-12	270	67500
IDBI	26-Apr-12	27	54000
IDFC	26-Apr-12	12	24000
INFY	26-Apr-12	277	34625
IOB	26-Apr-12	8	16000
ITC	26-Apr-12	25	50000
IVRCLINFRA	31-May-12	1	8000
JETAIRWAYS	26-Apr-12	36	36000
JINDALSTEL	26-Apr-12	76	38000
JPASSOCIAT	26-Apr-12	20	80000
JSWSTEEL	26-Apr-12	114	57000
KOTAKBANK	26-Apr-12	189	94500
LICHSGFIN	26-Apr-12	89	89000
LT	26-Apr-12	202	50500
LUPIN	26-Apr-12	41	20500
MARUTI	26-Apr-12	143	35750
MCDOWELL-N	26-Apr-12	154	38500
NATIONALUM	26-Apr-12	4	16000
NCC	26-Apr-12	22	88000
NIFTY	26-Apr-12	926	46300
NIFTY	31-May-12	583	29150
NIFTY	28-Jun-12	43	2150
ONGC	26-Apr-12	112	112000
ORIENTBANK	26-Apr-12	69	69000
PANTALOONR	26-Apr-12	277	277000
PATNI	26-Apr-12	36	36000
PNB	26-Apr-12	172	43000
POWERGRID	26-Apr-12	30	120000
PRAJIND	26-Apr-12	10	40000
RCOM	26-Apr-12	51	204000
RELCAPITAL	26-Apr-12	127	63500
RELIANCE	26-Apr-12	161	40250
RELINFRA	26-Apr-12	164	82000
RENUKA	26-Apr-12	59	236000
RPOWER	26-Apr-12	7	28000
S&P500	20-Apr-12	25	6250
SAIL	26-Apr-12	17	34000
SBIN	26-Apr-12	408	51000
SESAGOA	26-Apr-12	155	155000
SIEMENS	26-Apr-12	21	5250
STER	26-Apr-12	96	192000

Consolidated Significant Accounting Policies (Contd..)

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
SUNPHARMA	26-Apr-12	26	13000
SUNTV	26-Apr-12	3	3000
SUZLON	26-Apr-12	43	344000
SYNDIBANK	26-Apr-12	28	56000
TATACHEM	26-Apr-12	6	6000
TATACOMM	26-Apr-12	6	12000
TATAGLOBAL	26-Apr-12	7	28000
TATAMOTORS	26-Apr-12	37	74000
TATAMTRDVR	26-Apr-12	15	60000
TATAPOWER	26-Apr-12	72	288000
TATASTEEL	26-Apr-12	13	6500
TCS	26-Apr-12	78	19500
TECHM	26-Apr-12	2	1000
TITAN	26-Apr-12	138	138000
UCOBANK	26-Apr-12	18	72000
UNIONBANK	26-Apr-12	32	32000
UNITECH	26-Apr-12	47	376000
VIDEOIND	26-Apr-12	5	10000
VOLTAS	26-Apr-12	10	20000
WIPRO	26-Apr-12	85	85000
YESBANK	26-Apr-12	13	13000
ZEEL	26-Apr-12	93	186000
CARDAMOM	15-May-12	36	3600
GOLDM	05-May-12	189	18900

c) Open Interest in Option as on 31st March, 2012

Open Long/Short Positions:

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made
NIFTY	755.70 millions

d) The company pledges Stock in Trade with the Stock exchanges towards margin requirement of the exchanges.

23.19 Initial margin in respect of outstanding Derivative Instruments contracts at year end is ₹ 142.36 millions (Previous Year: ₹ 331.81 millions) which comprises of cash margin, fixed deposits, bank guarantee & collaterals.

23.20 IMPORTS (VALUE ON THE COST, INSURANCE AND FREIGHT BASIS)

Particular	As at 31-Mar-12 (₹ in Millions)	As at 31-Mar-11 (₹ in Millions)
Capital goods	54.88	11.39

23.21 Provisions made for the Year ended 31.03.2012 comprises of:

Particulars	Opening balance as of 01.04.11	Provided during the year ended 31.03.12	Provision Paid /reversed during the year ended 31.03.12	Closing balance as of 31.03.12
Ex-gratia (Bonus)	317.52	168.97	320.47	166.03
Gratuity	49.37	25.71	9.16	65.93

Consolidated Significant Accounting Policies (Contd..)

23.22 During the year, Crisil Limited assigned the Credit Rating of 'A1+' (pronounced 'A One Plus') to the following Debt programmes / Bank loan facilities of the company :-

- Short Term Debt Programme of ₹ 1510 millions
- Bank guarantee facilities of ₹ 1,250 millions
- Short Term Loan facility of ₹ 750 millions

During the previous year, Crisil Limited assigned the Credit Rating of 'P1+' (pronounced 'P One Plus') to the following Debt programmes / Bank loan facilities of the company :-

- Short Term Debt Programme of ₹ 4,000 millions
- Bank guarantee facilities of ₹ 4,680 millions
- Short Term Loan facility of ₹ 2,080 millions

23.23 Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 327.51 millions (Previous Year : ₹ 546.91 millions.)

23.24 Out of the capital commitment of 10% (subject to maximum limit of ₹ 450 in millions) is given by the Company in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 438.79 in millions towards its capital contribution as per the draw down intimations received from the Fund. During the year company has received back ₹ 57.35 millions towards .the capital return from the fund.

23.25 The Company has given total capital commitment of ₹ 518 millions in respect of Business Excellence Trust II, the Trust sponsored by the Company under the Indian Trust Act, 1982. In respect of this, the Company has contributed an amount of ₹ 51.8 millions as per the draw down intimations received from the Fund.

23.26 The company has given a capital commitment of an amount of ₹ 270 millions to India Realty Excellence Fund launched by Realty Excellence Trust. In respect of this, the Company has contributed an amount of ₹ 216 millions as per the draw down intimations received from the Fund.

During the year, the Company has given total capital commitment of ₹ 350 millions to India Realty Excellence Fund II launched by Realty Excellence Trust.

23.27 The Company has given a capital commitment of ₹ 15 millions to Aditya Birla Private Equity Fund . In respect of this, the Company has contributed an amount of ₹ 8.25 millions in Aditya Birla Private Equity Fund.

23.28 During the current financial year 2011-12, the construction of the corporate headquarters 'Motilal Oswal Tower' was completed and the company has capitalized the amounts standing in the Capital Work-in-progress and related costs thereof incurred during the year. The Building construction cost has been apportioned between Company & its subsidiary Company (Motilal Oswal Securities Ltd) in the proportion of the 60:40 respectively (the acquisition ratio). Renovation costs are apportioned on the basis of floor-wise costs certified by project consultant specific to the floor area demarcated to the respective company.

The Company has Capitalized the Building and other costs thereof with effect from 1st March 2012 amounting to ₹ 2,690.99 millions.

23.29 The Company has, during the year, capitalized interest of ₹ 18.02 in millions (previous year ₹ 68.04 in millions) attributed to capital work-in- progress, which is in accordance with Accounting Standard on 'Borrowing Costs' (AS-16) issued by the Institute of Chartered Accountants of India. The said Accounting Standard specifies that interest on funds that are borrowed generally (for working capital) and used for the purpose of obtaining a qualifying asset are costs that are eligible for capitalization. The amount of borrowing costs (interest) attributable to the qualifying asset is determined by applying the weighted average rate of borrowings outstanding to the asset expenditures ('qualifying assets').

Consolidated Significant Accounting Policies (Contd..)

23.30 Foreign Currency Transactions:

Expenditure in Foreign Currency

Particulars	Year Ended 2011-12	Year Ended 2010-11
Travelling Expenses	10.28	14.04
Legal and Professional charges	11.61	2.94
Data Processing Charges	1.17	9.61
Marketing support	–	0.41
Marketing Commission	9.35	20.40
Communication Expenses	0.01	0.00
Other expenditure incurred overseas	0.33	–
Membership Fees	1.33	0.13
Foreign Branch Expenses	9.94	10.14
Software Charges	19.02	–
Meeting and event Expenses	3.57	0.02
Lodging and Boarding Expenses	2.66	–
Client Entertainment Expenses	0.46	0.14
Training Expenses	0.03	–
Marketing & Brand Promotion Expenses	2.91	4.79

Income in Foreign Currency

Particulars	Year Ended 2011-12	Year Ended 2010-11
Royalty	0.46	0.33
Advisory Fees	176.62	172.92
Investment Management Fees	6.75	0.45

23.31 Towards capitalization of foreign subsidiaries

(₹ in millions)

Particulars	Year Ended 2011-12	Year Ended 2010-11
Motilal Oswal Capital Markets (Hongkong) Private Limited	41.20	NIL
Motilal Oswal Capital Markets (Singapore) Pte Limited	9.89	NIL

23.32 Foreign Exchange gain/ loss:

Foreign exchange gain/loss comprises of the difference in exchange rate on the date of booking & date of realization. In respect of monetary items on the Balance sheet date the foreign exchange Loss arising thereon of ₹ 0.40 millions (PY gain of ₹ 0.17 millions) has been debited/ credited to profit and loss account and shown separately.

23.33 Proposed Dividend

Particulars	As at 31-Mar-12	As at 31-Mar-11
The final dividend proposed for the year is as follows:		
On Equity Shares of ₹ 1 each		
Amount of dividend proposed	72.58	215.36
Dividend per Equity Share	0.50	1.40

Consolidated Significant Accounting Policies (Contd..)

23.34 Exceptional item

Exceptional items during the year comprises of profit on sale of immovable property of ₹ 129.87 millions (Previous Year - ₹ Nil)

23.35 Amount of margin money and shares received from clients and outstanding as on 31st March, 2012 are as follows (rupees in millions)

Security Settlement for the	In the form of Securities at market Value*	Bank Guarantees	Received in cheque
Year ended 31.03.2012	3,683.55	10.00	569.19
Year ended 31.03.2011	3,432.57	15.00	536.21

*Margin money received in the form of securities from clients, as per the Regulations, is held by the Company. Out of this, securities worth ₹ 1692.09 millions (previous year 1538.93 in millions) are pledged with Exchange as on March 31, 2012.

23.36 Corporate Social Responsibility:

Recognizing the responsibilities towards society, as a part of on-going activities, the company alongwith Motilal Oswal Foundation has contributed towards various CSR initiatives like supporting underprivileged in education ,medical treatments, etc and various other charitable and noble aids.

23.37 The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31,2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai

Date : 25th April, 2012

Financial Highlights of Subsidiaries

Financial Highlights of Subsidiaries for the year ended 31st March, 2012

(As per Circular No. 2/2011 dated 8th February, 2011 issued by Ministry of Corporate Affairs)

(₹ in millions)

Name of the Subsidiary Company	Capital (including Preference Share Capital)	Reserve & Surplus	Total Assets	Total Liabilities	Details of Investments (excluding Investments in Subsidiaries)	Gross Turnover	Profit Before Tax	Provision for Tax	Profit After Tax	Proposed Dividend & tax thereon
Motilal Oswal Securities Ltd	13.19	6,103.57	9,102.91	9,102.91	269.03	3,577.03	1,161.11	345.89	815.22	84.30
Motilal Oswal Commodities Broker Private Ltd	4.10	104.09	867.47	867.47	–	213.42	84.94	27.19	57.75	–
Motilal Oswal Investment Advisors Private Ltd	10.00	126.65	182.70	182.70	23.25	115.90	(46.95)	(15.88)	(31.07)	–
Motilal Oswal Private Equity Advisors Private Ltd	0.59	96.58	144.88	144.88	91.80	193.64	29.61	9.28	20.33	–
Motilal Oswal Capital Markets Private Ltd	12.50	2.02	14.60	14.60	–	0.73	0.50	(0.13)	0.63	–
Motilal Oswal Wealth Management Private Ltd	0.15	12.93	35.83	35.83	–	6.43	4.64	1.39	3.25	–
Motilal Oswal Insurance Brokers Private Ltd	10.00	(5.84)	5.48	5.48	–	0.29	(1.84)	–	(1.84)	–
Motilal Oswal Asset Management Company Ltd	300.00	(161.27)	208.05	208.05	–	318.11	(11.32)	(19.62)	(30.94)	–
Motilal Oswal Trustee Company Ltd	1.00	(0.13)	0.98	0.98	–	0.37	(0.01)	–	(0.01)	–
Motilal Oswal Capital Markets (Singapore) Pte Ltd	9.89	(1.24)	8.89	8.89		0.00	(1.28)	0.00	(1.28)	
Motilal Oswal Capital Markets (Hongkong) Private Ltd	41.20	(5.93)	35.63	35.63		0.00	(2.72)	0.00	(2.72)	
Motilal Oswal Securities International Private Ltd	37.85	(5.17)	34.72	34.72		0.00	(7.34)	(2.16)	(5.17)	

For and on behalf of the Board of
MOTILAL OSWAL FINANCIAL SERVICES LTD.

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 25th April, 2012

Important Notification for Members

The Ministry of Corporate Affairs (“MCA”) has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliance by companies and has issued Circulars No.17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011. The Circulars provide that a company will be in compliance with the provisions of Sections 53 and 219 of the Companies Act, 1956, in case documents like notices, annual report, etc. are sent in electronic mode to its members.

In view of the above, we propose to send henceforth the documents like the notices, annual report, etc. in electronic form, to the email address of the respective members.

To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in the following manner:

1. In respect of electronic holdings with the Depository through their concerned Depository Participants.
2. Members who hold shares in physical form are requested to mail your e-mail record to shareholders@motilaloswal.com quoting your name and folio number.

This initiative would enable the members receive communication promptly besides paving way for reduction in paper consumption and wastage. You would appreciate the “Green Initiative” taken by MCA and your Company’s desire to participate in the initiative.