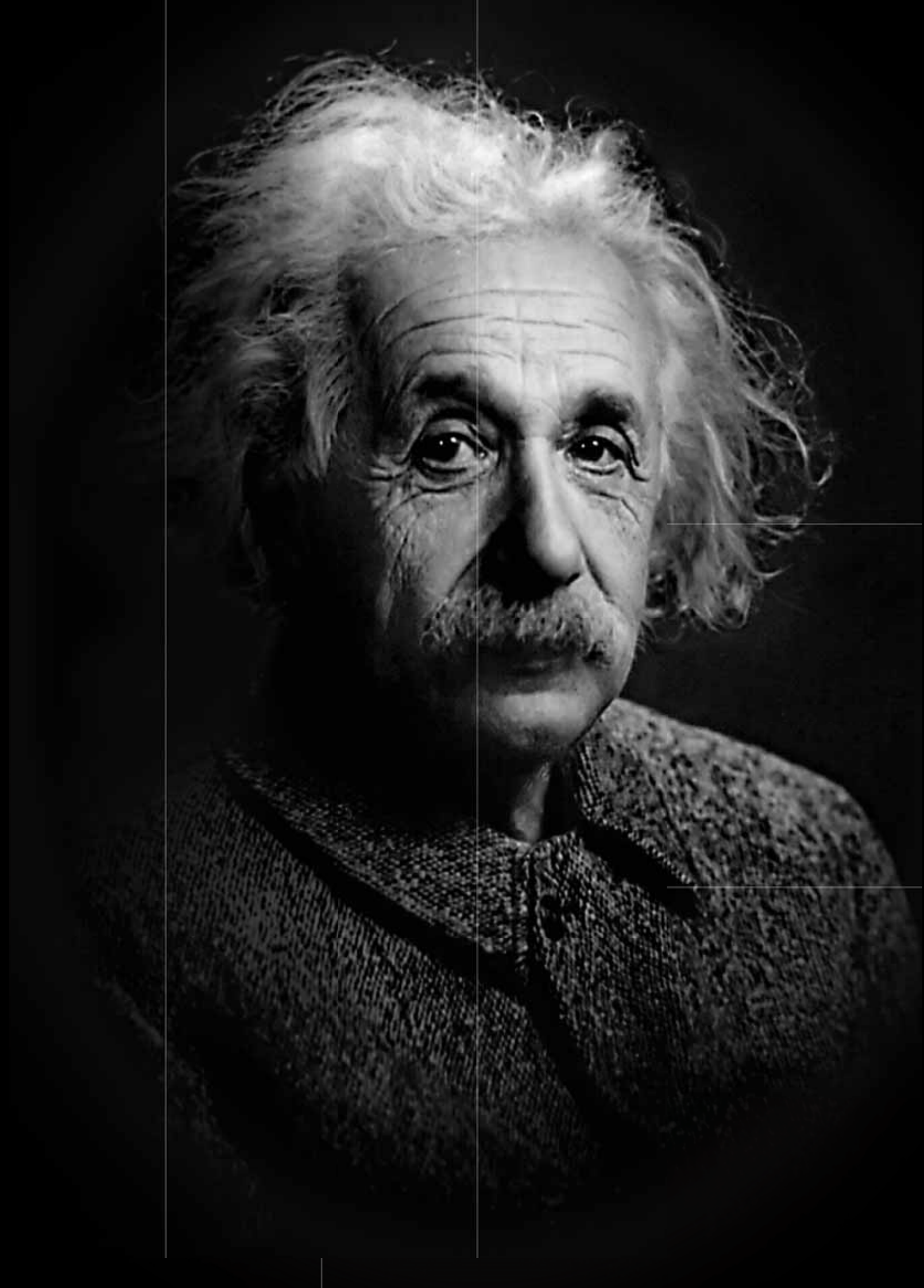


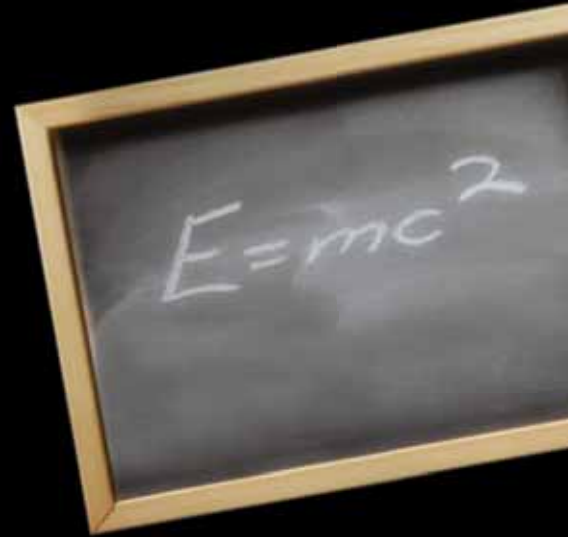
# Knowledge First

It's tough to imagine a world without knowledge. Right from the invention of the telephone to the introduction of the laptop, knowledge has changed our lives for the better. Be it discoveries or inventions, science or technology, right from the stone age to the modern age, it is knowledge that has shaped the world we live in and made life a little richer and a lot easier for us all.

The field of wealth creation is no exception. For it is knowledge that often makes the difference between a good decision and a great one. At Motilal Oswal, we make it a point to put knowledge above everything else. Because we realise at the end of the day our success boils down to one simple philosophy, Knowledge First.







### Albert Einstein (1879 - 1955)

Albert Einstein was born and brought up in Ulm, Wurttemberg, Germany and went to a Catholic elementary school there itself. In spite of suffering from early speech disorders, Einstein managed to be a top student throughout his schooling years.

At a young age of 26, he published four papers, one of which was based on the world renowned principle of relativity ( $E=mc^2$ ). It is through Einstein's knowledge and hard work that the world today was introduced to the fact that mass and energy are two parts of the same thing.

His other great inventions and discoveries include theories on light particles, heat and the existence of atoms and the connection between electromagnetic theory and ordinary motion.

In 1921, Albert Einstein was awarded the Nobel Prize in Physics for his services to Theoretical Physics and also for his discovery of the law of photoelectric effect.

Owing to these discoveries of Einstein's, many inventions were made over the years, which helped change the face of earth and made life much simpler.

## **Our Core Purpose**

To be a well respected and preferred global financial services organisation enabling wealth creation for all our customers.

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### **Board of Directors**

Mr. Motilal Oswal  
*Chairman and Managing Director,  
Chief Executive Officer and Chief Financial Officer*

Mr. Raamdeo Agrawal  
*Director*

Mr. Navin Agarwal  
*Director*

Mr. Ramesh Agrawal  
*Independent Director*

Mr. Balkumar Agrawal  
*Independent Director*

Mr. Madhav Bhatkuly  
*Independent Director*

### **Company Secretary & Compliance Officer**

Tarun Khurana

### **Bankers**

#### **Citibank N.A.**

Citigroup Centre,  
6th Floor,  
Bandra Kurla Complex,  
Bandra (East)  
Mumbai – 400 051.

#### **HDFC Bank**

Trade World, "A" Wing, 2nd Floor,  
Kamala Mills Compound,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai – 400013.

#### **Standard Chartered Bank**

90, M. G. Road,  
Fort, Mumbai - 400 001.

### **Auditors**

#### **M/s Haribhakti & Co., Chartered Accountants**

42, Free Press House, 4th Floor,  
215, Nariman Point,  
Mumbai – 400 021.

### **Registered Office**

Palm Spring Centre, 2nd Floor,  
Palm Court Complex, New Link Road,  
Malad (West), Mumbai-400064.

### **Corporate Office**

Hoechst House, 3rd Floor,  
Nariman Point, Mumbai - 400 021.

Dear Shareholders,

I take great pleasure in sharing with you the highlights of another year of great achievements. We were able to set new records in terms of topline, net profits and dividend payout.

During the year ended 31st March 2008, your company made an Initial Public Offer (IPO) of 29,82,710 equity shares of Rs.5 each in the price band of Rs.725-825 per share. The issue received an overwhelming response and was subscribed 27.18 times in turbulent market conditions.

The results for year ended March 2008 have been quite gratifying. On a consolidated basis, your company has posted 91% growth in revenues to Rs.7,009 million and 100% growth in net profit to Rs.1,706 million (including extraordinary income of Rs.145 million), a growth of 149%.



The Board of Directors has recommended a maiden dividend of 80% (Rs.4 per equity share).

The various strategic initiatives taken by your company in adding businesses such as investment banking, private equity, asset management and wealth management have yielded good results. In addition to de-risking the business portfolio, it has helped us establish ourselves as a full-fledged financial services company.

Investment banking turned out sterling performance - revenues grew from Rs.273 million in FY07 to Rs.637 million in FY08. The private equity business has had a good beginning. It has successfully launched a US\$125 million fund; US\$31 million have been disbursed and another US\$30 million have been committed. Fund-based income grew over 200% during FY08. Broking business grew 76% over FY07 and contributed 80% of FY08 revenues, down from 87% in FY07. As our business mix changes in favor of non-broking business over the next 1-2 years, overall margins would be favorably impacted. Besides, the investment phase of the wealth management business has been concluded. We expect significant productivity gains, which should again favorably impact EBITDA margins.

True to our positioning as a knowledge-based company, Asia Money Polls 2007 awarded us the 'Best Overall Country Research - Local Brokerage'. Our effort on building a robust franchisee network was recognized by Franchising World Magazine, which awarded us the Best Franchisor award in the Financial Services category - India for 2007. Dun & Bradstreet rated your company's subsidiary, MOSL, as India's top Broking House in terms of total number of trading terminals.

As we begin the new financial year, the market conditions have changed considerably. Market volumes, which had reached record levels in FY 2008, have corrected sharply in April-May. The current market volumes are ~Rs.57,000 crores as against ~Rs.73,000 crores during FY 2008, a drop of almost 22%. Gaining market share profitably is the only panacea for driving business growth in these challenging times. We plan to achieve this through higher employee productivity enabled by a comprehensive client focused approach and strong monitoring of costs through optimization of resources.

I would like to express my gratitude to our Board of Directors for their continued support and guidance. I am also grateful to all our stakeholders - our customers, business associates, bankers, employees, vendors and shareholders, who have reposed their trust in us and given us constant support.

With best wishes,

Sincerely,

A handwritten signature in black ink, appearing to read 'Motilal Oswal', written over a horizontal line.

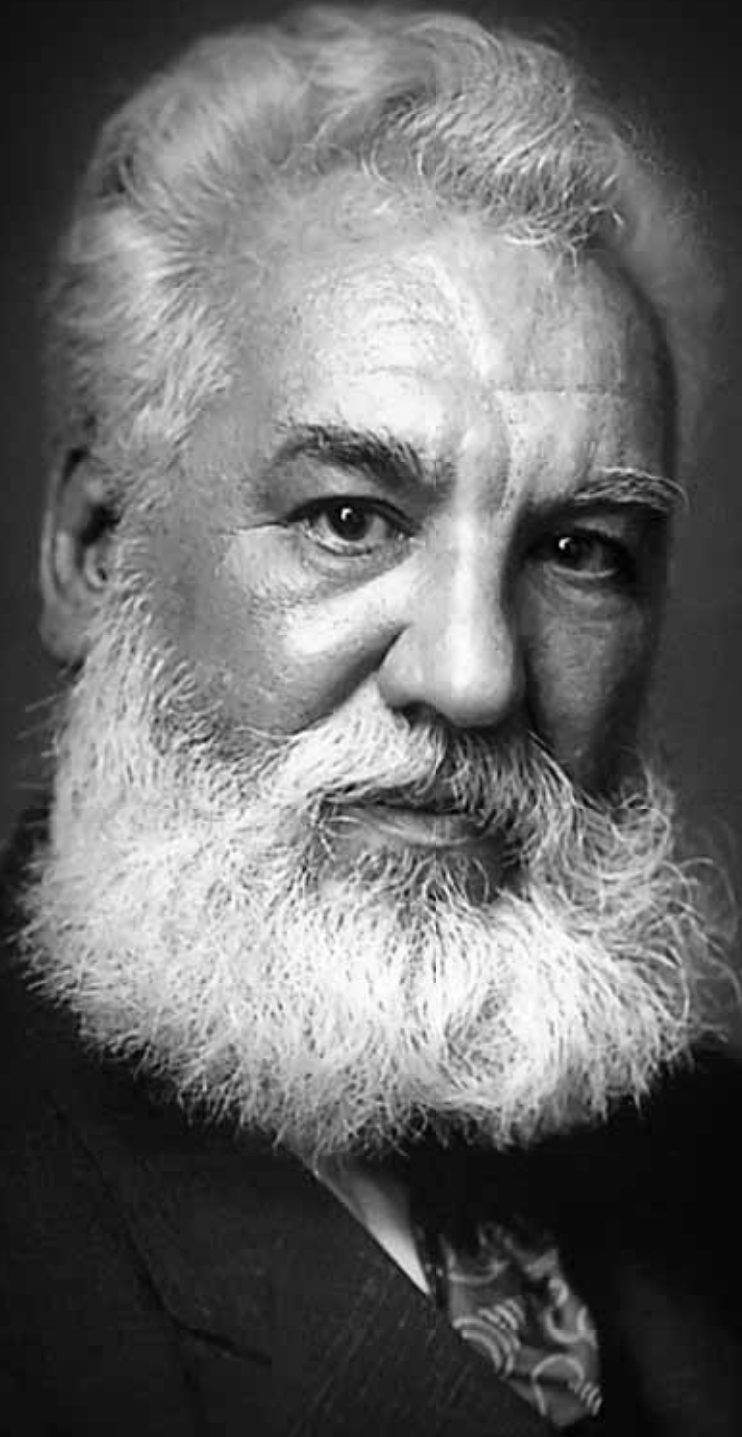
**Motilal Oswal**

*Chairman and Managing Director*

## Alexander Graham Bell (1847-1910)

Born in Edinburgh, Scotland, Alexander Graham Bell was the son and grandson of authorities in elocution and the correction of speech. Educated to pursue a career in the same specialty, his knowledge of the nature of sound led him not only to teach the deaf, but also to come up with one of the greatest inventions of modern times - the telephone.

Even after the success of his telephone invention, he was driven by a genuine and rare intellectual curiosity that kept him regularly searching, striving and wanting always to learn and to create. This led to another innovation – the photophone, a device that enabled sound to be transmitted on a beam of light. Bell regarded the photophone as “the greatest invention I have ever made; even greater than the telephone.”





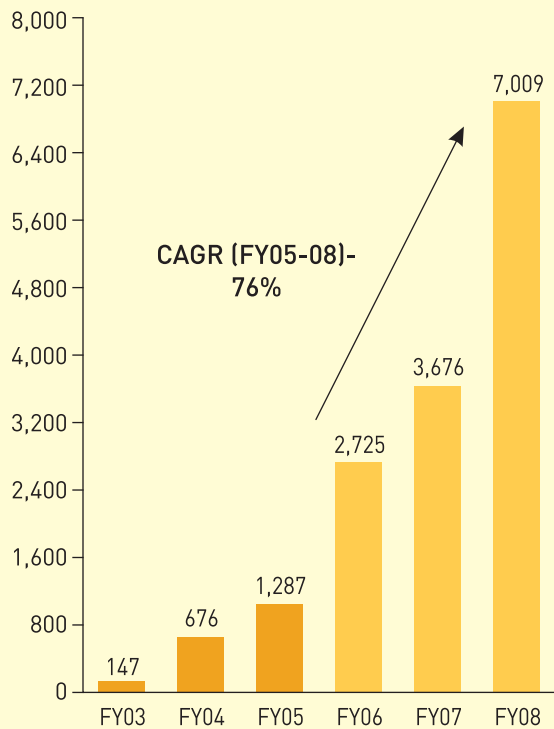
## Business Overview

In depth knowledge of our business



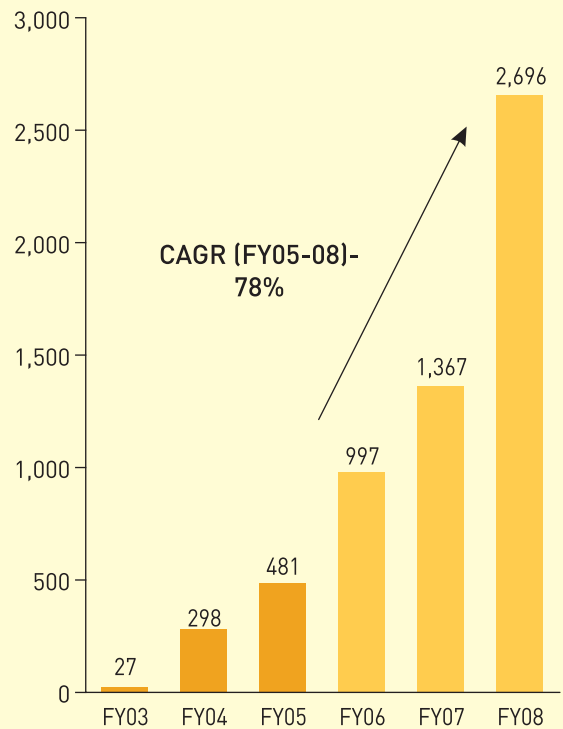
### Total Income

(INR in Millions)



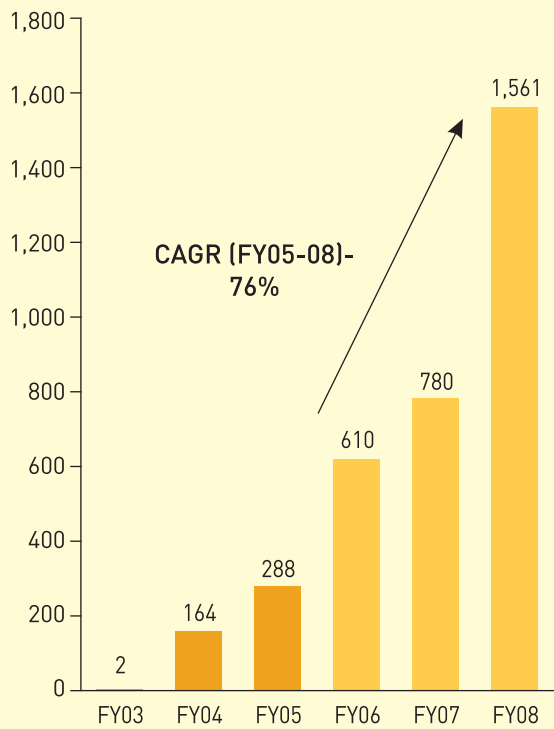
### EBITDA

(INR in Millions)



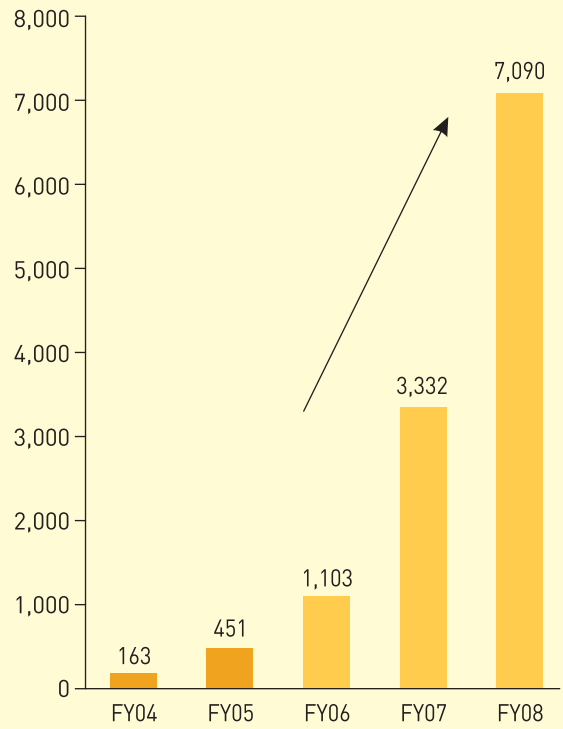
### Net Income

(INR in Millions)



\* (Before E & E01)

### Shareholder Equity

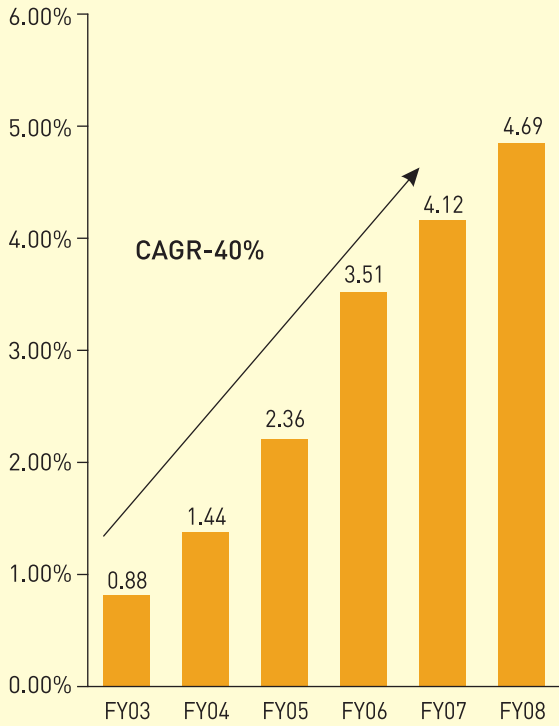


■ Standalone financials of Motilal Oswal Securities Limited (FY03-FY05)

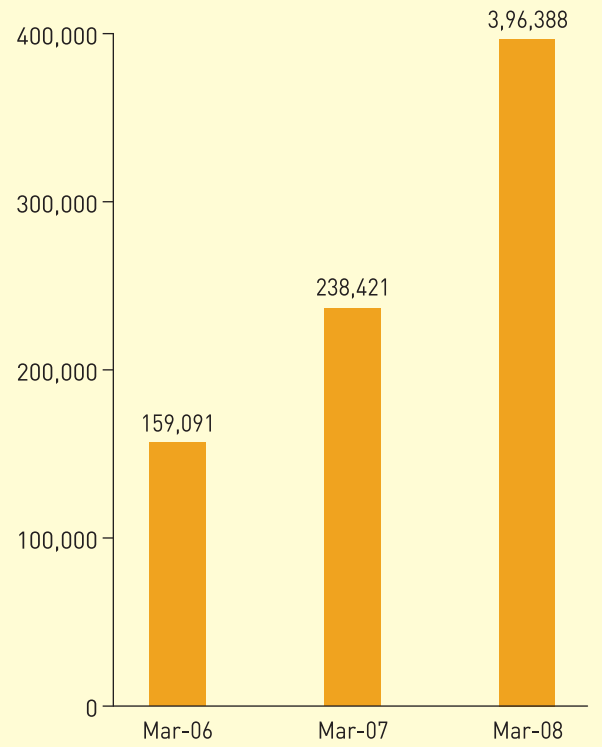
■ Consolidated financials of Motilal Oswal Financial Services Limited (FY06-FY07 & FY08)

### Growing Market Share

Market Share - Equities (%)

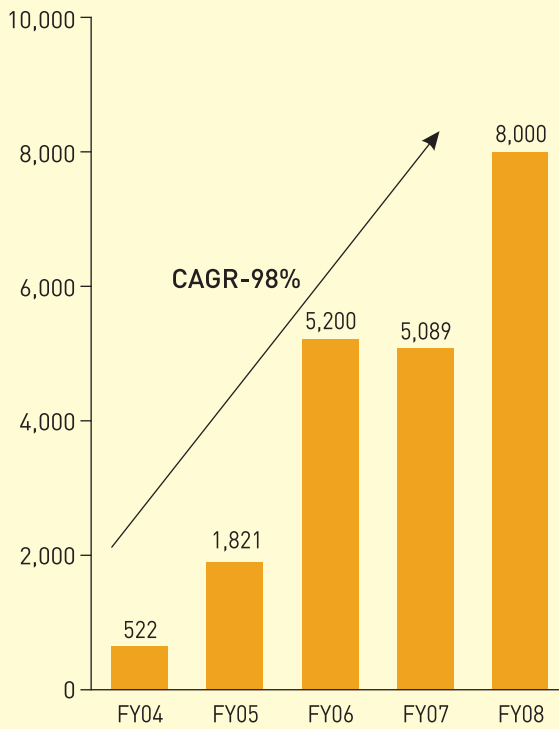


### Retail Equity Broking Clients

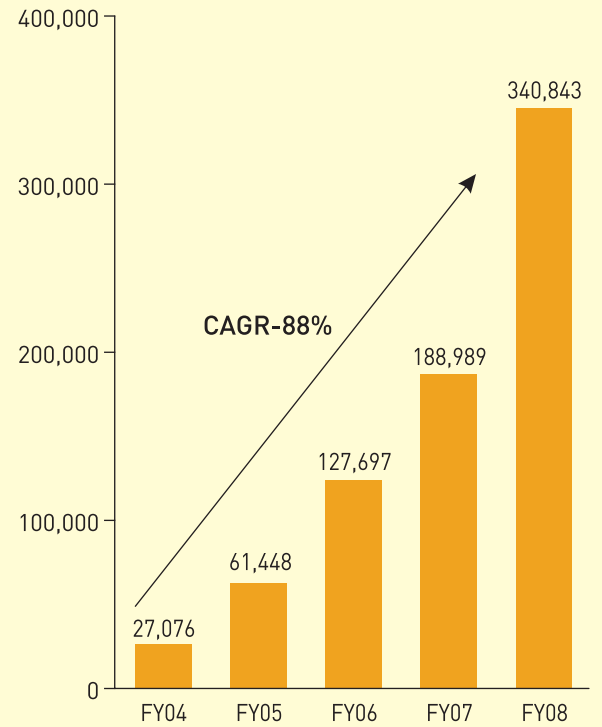


### PMS - Assets Under Management

(Rs. in Millions)



### No. of Current Depository Accounts





Motilal Oswal Financial Services Ltd. got listed on the BSE & NSE and declared its maiden annual results as a listed Company

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Motilal Oswal Securities Ltd. created one of India's largest Equity Dealing & Advisory rooms, spread over 26,000 sq. ft. in Malad, Mumbai

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12th Motilal Oswal Wealth Creation Study & Awards held in Mumbai in December 2007

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Motilal Oswal Securities Ltd. was awarded 'Best Franchisor Award in Financial Services Category - India' by Franchising World Magazine

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Motilal Oswal Venture Capital Advisor's India Business Excellence Fund raised USD 125 million. 25 per cent higher than the initial target of USD 100 million

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Motilal Oswal Securities Ltd. tied up with IDBI Bank to offer Online Trading Services to its customers.

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AsiaMoney Brokers Poll 2007 rated Motilal Oswal Securities Ltd. - 'Best Overall Country Research' for a Local Brokerage



Dun & Bradstreet survey rates Motilal Oswal Securities Ltd. as India's top Broking House in terms of total number of trading terminals



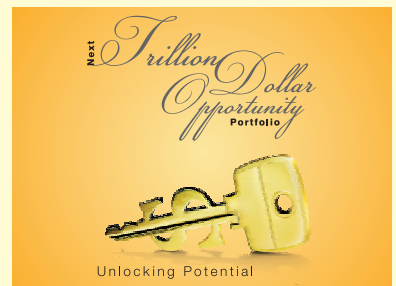
Motilal Oswal Commodities Brokers Pvt. Ltd. bagged Globoil India's 'Outstanding Commodity Broking House - 2007' Award



Motilal Oswal Investment Advisors Pvt. Ltd. completed 23 deals in just one year of operation

Qualified Institutions Placement	Initial Public Offer & Pre-IPO Placement	Private Placement of Equity
USD 350 Million	USD 40 Million	USD 70 Million
Joint Lead Manager	Sole Book Running Lead Manager	Sole Arranger
February 2008	July 2007	May 2007

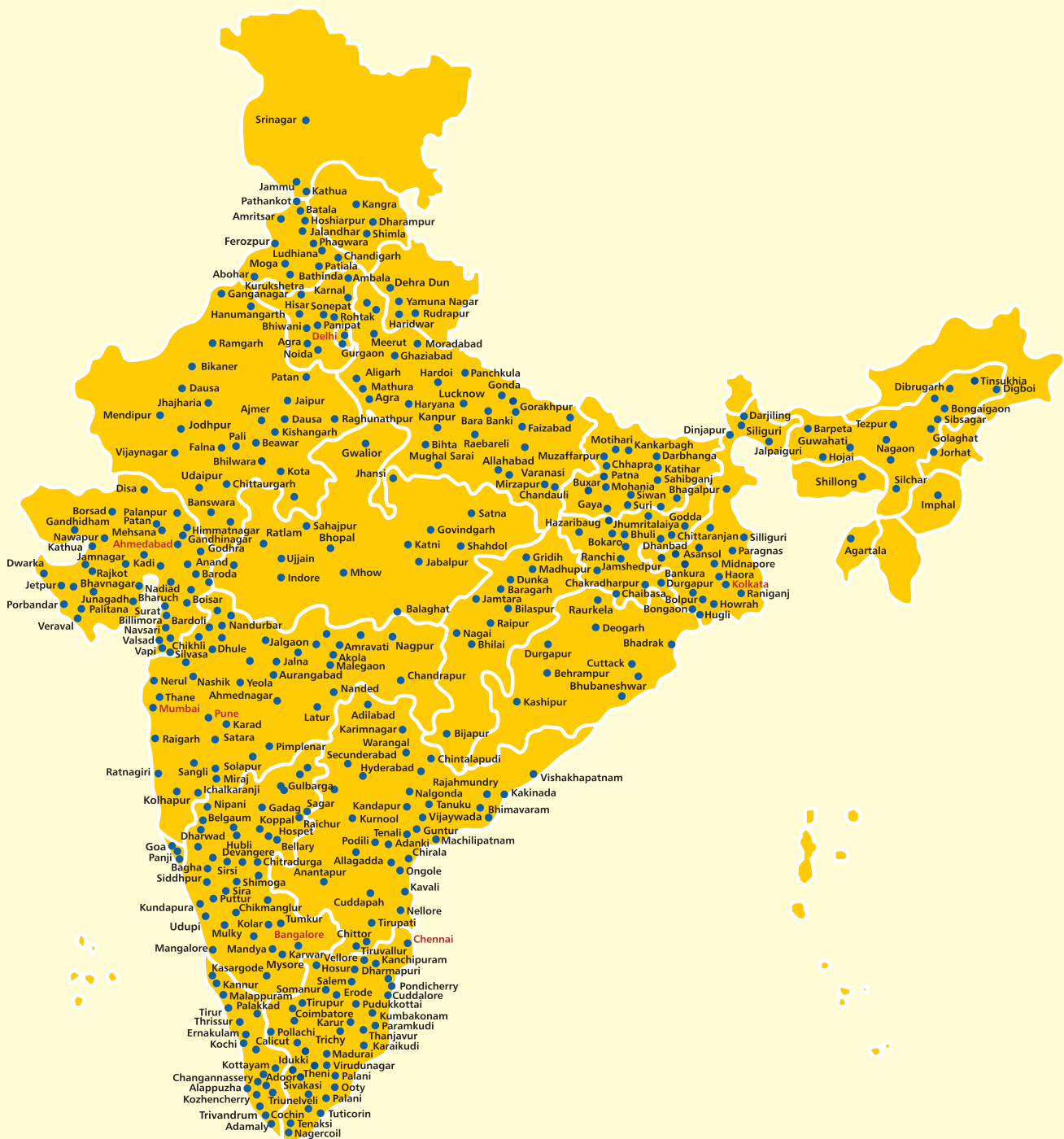
Motilal Oswal Securities Ltd. launched the Trillion Dollar Opportunity Portfolio



Avaya Global ranked Motilal Oswal Securities Ltd. as the second best Company in the Financial Sector for customer responsiveness

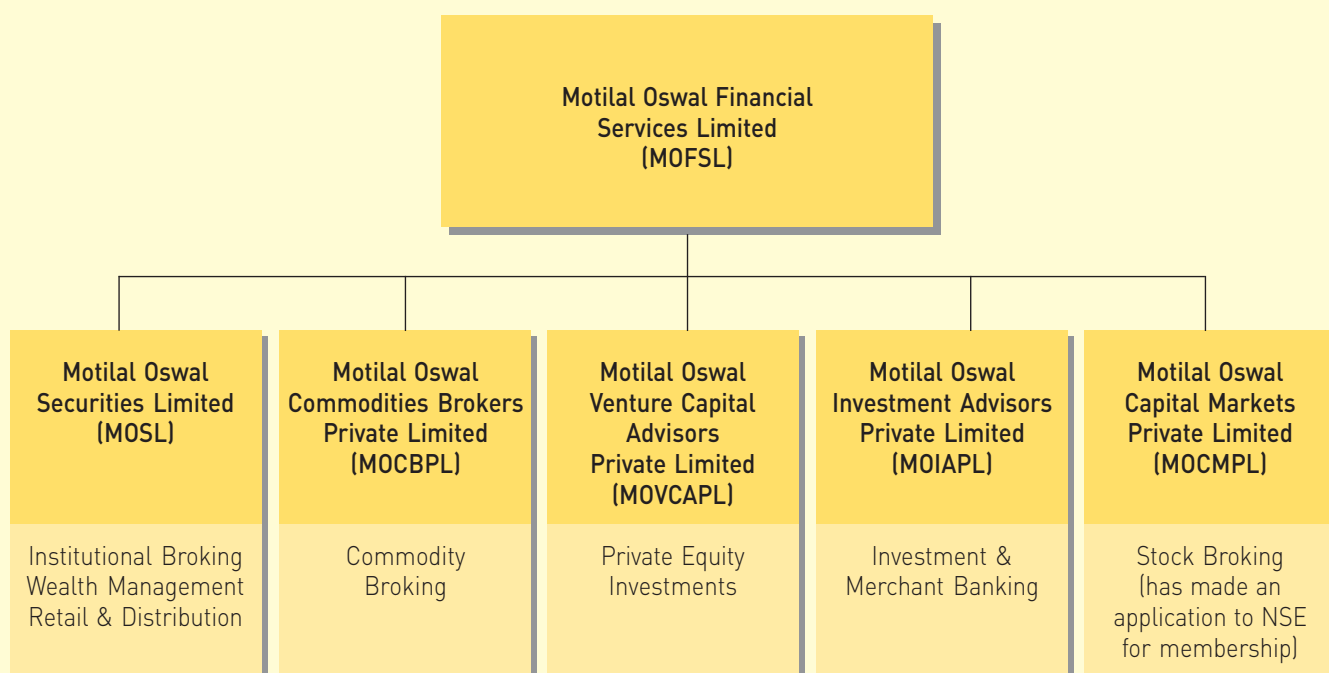


We are a well diversified financial services firm offering a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services. As a leading Indian domestic brokerage house, we have a diversified client base that includes retail customers (including High Net Worth Individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. We are headquartered in Mumbai and as of March 31, 2008, had a network spread across 432 cities and towns comprising 1,430 Business Locations operated by our Business Associates and us.



• Cities / Towns where Motilal Oswal Securities is present.

Motilal Oswal Financial Services Limited is the holding company of the following five subsidiaries



### Our Business Streams

Our businesses and primary products and services are:

Business Stream	Primary products and services
Wealth Management Retail & Distribution	<ul style="list-style-type: none"> <li>Equity (cash and derivatives) and Commodity broking</li> <li>Portfolio Management Services</li> <li>Distribution of financial products</li> <li>Financing</li> <li>Depository Services</li> </ul>
Institutional Broking	<ul style="list-style-type: none"> <li>Equity (cash and derivatives) broking</li> <li>Advisory</li> </ul>
Investment Banking	<ul style="list-style-type: none"> <li>Capital raising</li> <li>M&amp;A Advisory</li> <li>Domestic IPOs</li> <li>Private Equity placements</li> <li>Corporate Finance Advisory</li> <li>Restructuring</li> <li>FCCBs and GDRs</li> </ul>
Private Equity	<ul style="list-style-type: none"> <li>Private Equity investment management and advisory</li> </ul>

### Wealth Management and Retail & Distribution

We offer Wealth Management Services, Broking & third party products to retail customers through MOFSL, MOSL and MOCBPL. We also provide financing services, investment advisory, financial planning and portfolio management services (PMS) to our clients. As at March 31, 2008, we had 461,699 registered customers, to whom we provide equity & commodities brokerage and PMS.

As at March 31, 2008, we had a total of 340,843 depository clients.

We classify our clients into three segments - 'mass retail', 'mass affluent' (addressed by a separate offering called 'MOSSt Select'), and 'high net worth' (addressed by a separate offering called 'Purple'). We offer our clients investment products across the major asset classes including equities, derivatives, commodities and distribute third-party products such as mutual fund schemes and primary equity offerings. We distribute these products through our business locations and our online channel.

### Institutional Broking

We offer equity broking services in the cash and derivative segments through MOSL to institutional clients in India and overseas.

These clients include companies, mutual funds, banks, financial institutions, insurance companies, and FII's. As at March 31, 2008, we were empanelled with over 300 institutional clients including 191 FII's. We service these clients through dedicated sales teams across different time zones.

### Investment Banking

We offer financial advisory services relating to mergers and acquisitions (domestic and cross-border), divestitures, restructurings and spin-offs through MOIAPL.

We also offer capital raising and other investment banking services such as the management of public offerings, private placements (including qualified institutional placements), rights issues, share buybacks, open offers/de-listings and syndication of debt and equity.

MOIAPL has closed 23 transactions in 2007-08 and has 18 mandates in hand as at March 31, 2008.

### Private Equity

In 2006, our private equity subsidiary, MOVCAPL was appointed as the investment manager and advisor to a private equity fund, India Business Excellence Fund, which was launched with a target of raising US\$100 million. The fund is aimed at providing growth capital to small and medium enterprises in India, with investments typically in the range of US\$3 million to US\$7 million.

MOVCAPL will manage and advise the fund and other private equity funds, which may be raised in the future. In its final closing, in December 2007, the fund obtained commitments of US\$125 million (Rs.4,875 million) from investors in India and overseas. US\$31 million of these funds have already been deployed across six deals and the fund is in advanced stages of closing three more deals, aggregating to US\$30 million.



We have a dedicated research team, which is engaged in analysing the Indian economy and corporate sectors to identify equity investment ideas. We staunchly practise the value-investing philosophy and advise investors to take a long-term view of equity investments. Consistent delivery of high quality advice on individual stocks, sector trends and investment strategy has established us as a reliable research unit amongst leading Indian as well as international investors.

The research team currently comprises of 26 equity research analysts covering over 200 companies in 27 sectors and 5 analysts covering 28 commodities. Most analysts have 3 years or more of research experience .

Our consistent efforts towards quality equity research has reflected in an increase in the ratings & rankings across various categories in the AsiaMoney Brokers Poll over the years.

<p style="text-align: center;"><b>ASIAMONEY</b></p> <p style="text-align: center;"><b>2004</b></p> <p>Best Local Brokerage in India - Overall (Rank-2)</p> <p>Most Independent Research Brokerage - Hedge Funds (Rank-2)</p>	<p style="text-align: center;"><b>ASIAMONEY</b></p> <p style="text-align: center;"><b>2005</b></p> <p>Best Local Brokerage in India - Overall (Rank-1)</p> <p>Overall Country Research - Hedge Funds (Rank-1)</p> <p>Most Independent Research Brokerage - Overall (Rank-1)</p> <p>Most Independent Research Brokerage - Hedge Funds (Rank-1)</p>	<p style="text-align: center;"><b>ASIAMONEY</b></p> <p style="text-align: center;"><b>2006</b></p> <p>Best Local Brokerage in India - Overall (Rank-2)</p> <p>Overall Country Research - Hedge Funds (Rank-2)</p> <p>Most Independent Research Brokerage - Overall (Rank-2)</p> <p>Most Independent Research Brokerage - Hedge Funds (Rank-1)</p>	<p style="text-align: center;"><b>ASIAMONEY</b></p> <p style="text-align: center;"><b>2007</b></p> <p>Best Overall Country Research - Local Brokerage</p> <p>Best Strategy - Local Brokerage</p> <p>Best Research for Banks - Local Brokerage</p> <p>Most Independent Research - Local Brokerage</p> <p>Most Independent Research - Mega Funds</p> <p>Most Independent Research - Hedge Funds</p> <p>Best Local Brokerage - Hedge Funds</p> <p>Best Sales Services - Local Brokerage</p> <p>Best Sales Services - Mega Funds</p> <p>Best Events and Conferences - Local Brokerage</p> <p>Best Sales Person - Jayesh Parekh</p>
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### Research Coverage

Our research coverage includes market analysis, technical analysis, fundamental research and thematic research

	FOR INVESTORS		FOR TRADERS	
Regular		Inquire Company & Sector Report		
Yearly	Wealth Creation Study Budget Coverage			
Quarterly	India Strategy Report	Results Preview		
Monthly		MOST Value MOST Mutual MOST PMS	MOST Commodity	MOST Momentum
Weekly		MOST 3 x 3		Future Weekly Guide
Daily		MOST Morning Research		Morning Calls, Derivative Strategy, Market Diary, Pivot Points, MOST Market Action
Market Hours			Market Information & Intra day calls	
	Thematic Research	Fundamental Research	Market Analysis	Technical Analysis



MOFSL has always been a leader in implementing state-of-the-art IT solutions, which has acted as a key element in expanding its product and service offerings, enhancing their delivery systems, providing fast and consistent client service, reducing processing costs, and facilitating their ability to handle significant increase in client activity without a corresponding rise in risk and staffing levels. Deployment of cutting-edge technology and innovation in product development has had a key role to play in the success of the organisation. Managing around 3000+ CTCL terminals enables us to offer equity, derivatives and commodities products through a single platform to a large user-base.



### State-of-the-Art IT

- In-house Data Centre of 1200 sq. ft. at our sprawling new premises at Malad, Mumbai
- Network Operations Centre for managing our global network
- Built to Tier 3 specifications
- Secured using latest physical security systems; CCTV, Biometric Access Control System, FM200 Fire Suppression System, VESDA and Heat Detection Systems
- Environment Control Systems like Precision air-conditioning, air purification systems and leak detection system
- Having connectivity from 4 Telecom Service Providers
- Back-up power infrastructure comprising two high-end UPS systems in back-to-back mode and Diesel Generator Set
- Latest Networking Technologies
- High-End Ethernet Switches with ultra high backplane switching speeds
- Firewalls with Unified Threat Management Systems
- 55 MB of combined Internet bandwidth at Malad Data Centre
- VSATs from 2 different Service Providers in excess 1000+ VSATs
- Strong IT team constituting over 35 technology specialists with expertise in respective domains
- New initiatives like: Online IPO, Mutual Fund, CRM, Wealth Management tools
- Integration of Payment Gateways with top Banks
- Implemented IVR system for CSE / RMS & Advisory Team
- Providing online trading solution to SBI's clients
- Hosting of servers with two major ISPs for improved customer experience
- State-of-the-art dealing room for over 350 dealers in Malad, Mumbai



To manage robust growth, we have built a strong team of associates in back office comprising young and dedicated employees with Chartered Accountants, Company Secretaries and MBAs heading specific departments.

All these associates operate from our 28000 sq. ft. centralised office at Malad, Mumbai. This premise holds a 1200 sq. ft. data centre which enables us to connect to our 1430 outlets via leased lines, ISDN and V-SATs. To take care of any kind of electrical contingencies, this office is equipped with 24 hours of back-up facility.

Our robust and scalable equity back office has enabled us to processes over 4.5 lakh trades per day. Our equity applications are built as self support systems which allows our business associates, branches and advisors to perform several functions like adding a new client, checking ledger and depository details, requesting forms, tracking documents, requesting for funds, online requesting for trade limit updation etc, on their own. It is also capable of providing all kinds of MIS reports, which are of significance to the business or to the regulators.

During the year we also implemented a fully automated web-based back office application for Mutual Fund distribution, which can be accessed across the country. This system is linked to the registrars of all Mutual Funds, which enables timely reconciliation of all client records and also helps in management of mutual fund portfolio of clients.

MOSL believes in continuous improvement and exploits latest technology to serve its customers better. This year we have leveraged upon the SMS technology by initiating SMS service to our customers for sending welcome message at the time of opening a new account and communicating trade, DP confirmations.

Our back office systems are customised which provides advanced Risk Management features and reporting capabilities like online limit updation apart from the standard accounting, clients and trade reconciliation and other features required for stock broking.

At MOSL we have a highly talented team of Customer Service Executives who are rigorously trained on all departmental functions to ensure satisfactory response to all customer queries within 24 hours. Recently, we have also implemented a full-fledged Contact Centre Solution. This will help us in better management of customer calls and in proper forecasting, staffing and scheduling of customer service operations. This system will be fully integrated with our CRM and other Back Office Softwares and has the capability of IVRS (Interactive Voice Response System), which will reduce the time taken by our customers to fetch generic information.



Compliance has been one of the biggest strengths of MOSL. Since the brokers deal with customers' money, compliance plays a major role in building investors' trust in the broker. At MOSL the compliance team is responsible for the compliance with regulatory guidelines, rules, regulations and byelaws of SEBI and various exchanges / authorities. It formulates internal deadlines to meet statutory ones. MOSL has a well-organised audit system both for geographically distant business associates, own branches and also for scrutiny of internal records, thereby eliminating the possibility of frauds in the organisation.

MOFSL has grown at a scorching pace, not only in terms of business but also in terms of its most valuable asset - people. We have an ever-growing employee strength of 2315 associates that operates out of a rapidly expanding Company network.

HR at Motilal Oswal, on the one hand strives to make every employee of the organisation its brand ambassador and on the other hand make the Motilal Oswal brand stand for the best people practices, and to do so in a seamless and scalable manner. The organisation clearly recognises people as its prime long-term competitive advantage.

The 3 pillars of our HR strategy are:

- 1) A clear and relentless focus on leadership development
- 2) Stringent focus on the identification and development of 'High Potentials' at all levels
- 3) Investment in technology to deliver state-of-the-art HR processes across the organisation in a time and cost efficient manner

The key initiatives towards implementation of the strategy have been:

**Balanced Scorecard and KRA implementation:** The Balanced Scorecard was identified as the most appropriate tool for Performance Management at middle to senior levels in the organisation. Scorecards were created for all managerial levels of the organisation. A software that will enable the use of these scorecards as the review mechanism for ongoing business reviews was procured and implemented. Scorecards were uploaded onto the software and the entire Annual Performance Appraisal process for middle to top management was completed on the software within a period of 15 days. Similarly, KRAs for the rest of the organisation were enabled through the existing intranet and the Annual Performance Appraisal for these levels was also completed within the same time-period entirely through the software.



**Leadership Development:** Style and competency assessment for the top tier management of the Company was carried out and an intensive Executive Coaching programme based on Individual Development Plans has been started for 13 of the top leaders of the organisation.

An accelerated development programme for "High Potentials" at all levels of the organisation has also been designed and will be implemented during the current year.

**Technology:** The recruitment process has been enabled and implemented using the existing HR software of MyZone. This

has been implemented in Mumbai during the current year and will be rolled out across all regions during this year.

**CSR:** This year saw the company's first CSR initiative across the country where underprivileged children and differently abled people were presented with food, clothing and means of livelihood such as popcorn machines as part of the organisations' Diwali celebration.

This initiative will grow next year.

The coming year will see a further strengthening of processes as well as a few new initiatives focused on capability development and engagement of employees at all levels. HR will continue to play a strategic and partnership role in the business of the organisation.





### 'Knowledge First' Campaign

This year MOFSL introduced a new brand philosophy. The relentless focus on research and insight, which is the DNA of the company, has manifested itself in the brand idea - 'Knowledge First'. This simple philosophy of 'Knowledge First' has been brought alive through a multimedia campaign in TV, print, outdoor and the web. It has also been communicated across various internal and external touch-points.



## WEALTHWISE

### Wealthwise

Building on our promise of providing knowledge to investors, MOSL introduced a unique initiative - Wealthwise. This investor education programme (televised on CNBC) consisted of a series of investor camps that provided customers wealth management advice for different life stages.

### Purple

Purple is our recently launched Private Banking brand that provides holistic wealth management solutions for Individual, Family and Business needs of High Net Worth Individuals (HNIs). To provide these clients a gold standard private banking experience, we introduced a series of Purple lounges in different cities.



### Wealth Creation Awards

The 12th Annual Motilal Oswal Wealth Creation Study & Awards presentation was held on December 14, 2007 at the NCPA, Mumbai. This year's event was presided over by Mr. Nandan Nilekani, Co-Chairman and Member of the Board, Infosys. Mr. Raamdeo Agrawal presented the 12th Wealth Creation Study Report with the theme being the 'Next Trillion Dollar Opportunity of GDP growth in India'. This year's awards went to BF Utilities Ltd. for being the fastest wealth creator, Reliance Industries Ltd. for being the biggest wealth creator and Wipro Ltd. for being the most consistent wealth creator.





### Sir Isaac Newton (1643 – 1727)

Newton was born in Woolsthorpe-by-Colsterworth, a hamlet in the county of Lincolnshire. From the age of twelve till seventeen, was educated at The King's School, Grantham. Though after being removed from school by October 1659 he was back in Colsterworth where his mother attempted to make a farmer of him, leaving him thoroughly unhappy with the work.

In June 1661, Newton was admitted to Trinity College, Cambridge. At that time, the college's teachings were based on those of Aristotle, but Newton preferred to read the more advanced ideas of modern philosophers such as Descartes and astronomers such as Galileo, Copernicus and Kepler. In 1665, he discovered the generalised binomial theorem and began to develop a mathematical theory that later became calculus.

Sir Isaac Newton's discoveries include studies on calculus, optics and the law of gravitation, which have undoubtedly contributed in changing the pace of today's world.

## People

Our most important knowledge resource



At Motilal Oswal Financial Services Ltd., our talented pool of people comprises qualified and experienced professionals with an established track record. We believe that our management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into market/customer needs provide us with a competitive strength which will help us implement our business strategies.



### **Motilal Oswal - Chairman & Managing Director**

Mr. Motilal Oswal is the Chairman and Managing Director of Motilal Oswal Financial Services Ltd. (MOFSL). He is a Chartered Accountant and started the business along with co-promoter, Mr. Raamdeo Agrawal in 1987.

Mr. Oswal has received the Rashtriya Samman Patra awarded by the Government of India for being amongst the highest income tax payers in the country for a period of 5 years from FY95-FY99.

Mr. Oswal has served on the governing board of the Bombay Stock Exchange (BSE) as a Director. He is currently a member of the National Stock Exchange (NSE) committee for F&O and a member of the Managing Committee of Indian Merchants' Chamber (IMC). He is also a board member and a Director of Jain International Trade Organisation (JITO).

The Indian Council of Management Executives (ICME) has awarded the **'Knight of the Millennium'** to Mr. Oswal for the Capital Market.

Recently, Mr. Oswal was conferred the **"Udyog Rattan Award"** for his outstanding performance in the industrial development of the country by the Institute of Economic Studies, New Delhi. He has also been awarded **The Hall of Fame** for Excellence in Franchising by - Franchising World Magazine.

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### **Raamdeo Agrawal - Director**

Mr. Raamdeo Agrawal is the man behind the strong research capabilities at Motilal Oswal Financial Services Ltd. He is an Associate of Institute of Chartered Accountants of India and also a member of the National Committee on Capital Markets of the Confederation of Indian Industry. Mr. Agrawal specialises in equity research. He has been authoring the annual Motilal Oswal Wealth Creation Study since its inception in 1996. In 1986, he wrote the book 'Corporate Numbers Game', along with co-author, Mr. Ram K Piparia. He has also featured on 'Wizards of Dalal Street on CNBC TV 18'.



Mr. Agrawal was awarded the **"Rashtriya Samman Patra"** by Central Board of Direct Taxes for a period of 5 years commencing FY95-FY99.



### **Navin Agarwal - Director**

Mr. Navin Agarwal is the CEO - Institutional Equities business and a Member of Board of Motilal Oswal Financial Services Ltd. He is a member of the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India, Institute of Company Secretaries of India. He heads the Institutional Broking business and has been instrumental in building a market leading position with domestic and foreign institutional investors. Under his leadership, the firm has been rated as The Best Indian Brokerage House by AsiaMoney.

He has an experience of 13 years in capital markets. He started his career as a Senior Analyst in 1994 and joined Motilal Oswal Securities in 2000. He has co-authored a book on stock markets "India's Money Monarchs".





#### **Vishal Tulsyan - CEO, MOVCAPL**

Mr. Vishal Tulsyan holds a bachelor's degree in commerce from St. Xaviers College, Kolkata University, and is a professionally qualified Chartered Accountant from The Institute of Chartered Accountants of India. He is an all-India rank holder in Chartered Accountancy.

Prior to joining MOFSL, Mr. Tulsyan was Director, Corporate Finance with Rabo India Finance Private Limited, a subsidiary of Rabobank International. He has over 10 years of experience in corporate finance and has held various senior positions.

Previously, he worked with SBI Capital Markets Limited, Mumbai and ANZ Grindlays Bank Limited, Kolkata.

#### **Ashutosh Maheshvari - CEO, MOIAPL**

Mr. Ashutosh Maheshvari holds a bachelor's degree in technology (Chemical Engineering) from the Indian Institute of Technology, Kharagpur. He has also done his Masters in Business Administration from University of Delhi.

Prior to joining our Company, he was the Executive Director with Rabo India Finance Private Limited.

Mr. Maheshvari has 13 years of experience in the financial sector and has held various senior positions. Previously, he has worked with CRISIL and ICI India Limited.



#### **Dhiraj Agrawal - CEO, Portfolio Management**

Mr. Dhiraj Agrawal started his career with Bank of America and went on to a very long stint with SSKI group.

He was CEO of Sharekhan from 1999-2001 when he left the group. He then went on to head Institutional Equity Sales for CLSA after which he has been advisor to Boyer Allan Investment Management Ltd., UK for about four years.

Mr. Agrawal heads the Asset Management business of MOSL.

#### **Rajat Rajgarhia - Director, Research**

Mr. Rajat Rajgarhia started his career with his family run broking business in equities. Post completing his CA and MBA, he joined Indiainfoline for a short stint in the research function.

He joined Motilal Oswal in 2001 as a research analyst.

Mr. Rajgarhia then went on to head the research team and now has been associated with MOSL for over 7 years.





**Rajesh Dharamshi - Director, Institutional Trading**

Mr. Rajesh Dharamshi started his career with Hemendra R Sheth ( Member of BSE & NSE) and went on to a very long stint with group. He was Head of Institution of HRS from 2000-2002.

He then moved on as Sr. VP - Institution Sales Equity & Derivatives for Refco (Now MF Global).

Mr.Dharamshi joined Motilal Oswal as Head of Institutional Derivatives in 2003.

He currently heads Institutional Trading (Cash & Derivatives) at MOSL. He is also a Director on the board of Motilal Oswal Commodities Broker Pvt Ltd & Motilal Oswal Capital Markets Pvt Ltd.

**Jayesh Parekh - Director, Institutional Sales**

Mr. Jayesh Parekh began his career with ICICI as a management trainee after securing ranks in Intermediate and Final exams of Chartered Accountancy. After ICICI, he joined Anand Rathi group and worked in different functions including corporate advisory and equity research. Post Anand Rathi Securities, he joined SMIFS Securities and worked for 5 years as head of research.

Mr. Parekh joined Motilal Oswal in 2003. He was rated #1 sales person for India in the AsiaMoney Brokers poll for 2 consecutive years in 2006 and 2007. Mr. Parekh is Head of Institution Sales for MOSL.



**Mohit Batra - Associate Director and Head, Wealth Management**

Mr. Mohit Batra has over 15 years of experience in the Financial Services Industry. His last few assignments include: India Program Head - Van Gogh Preferred Banking, ABN Amro Bank, COO - United HealthCare, Head of Global Businesses- Willis and UK, CEO E18 - (CNBC India). Mr. Batra is an MBA Finance, CFA and a PhD in Financial Services.

Mr. Batra heads the Wealth Management Division of MOSL

**Manish Shah - Associate Director, Equity**

Mr. Manish Shah is a graduate from the Institute of Cost and Work Accountants of India and a Certified Financial Analyst from the Institute of Chartered Financial Analysts of India.

Mr. Shah had a brief stint with a proprietary firm KG Vora in 1991, where he was involved in developing the IPO Business. In June 1992, he joined Info -Invest Group as Research Analyst and later was responsible for developing the Institutional and Retail business. He then worked as a manager at Mafatlal Securities Ltd from July 1995.

Mr. Shah joined MOSL in 1999 . He currently heads the Equity business and is also responsible for Business Strategy and Product Development.



**Vijay Kumar Goel - Associate Director, Retail & Distribution**

Mr. Vijay Goel started his career as a management trainee with Birla Global Finance. He spent 11 years with Aditya Birla Group Financial Services where he worked with Birla Global Finance, Birla Mutual Fund and Birla Sun Life Distribution Company. He was the head of insurance distribution from 2002 to 2004. He then moved to head the PCG and Direct Retail group of Birla Sun Life Distribution.

Mr. Goel also had a short stint with Dawnay Day AV Financial Services as Sr. Vice President and Jt Country Head for Distribution and Equity Broking.

Mr. Goel is a qualified Chartered Accountant (Rank holder) and also a Cost Accountant.

Mr. Goel heads the Retail & Distribution business of MOSL.

**Ajay Kumar Menon - Director, Market Operations**

Mr. Ajay Menon started his career with Sesa Seat Information Systems. He is a Chartered Accountant and has done his graduation from N.M. College of Commerce, Mumbai.

Mr. Menon joined MOSL in 1998. Mr. Menon heads the Risk Management and Operations team for the Institution, Retail and Wealth Management Business.





#### **Anish Unadkat - Sr. Vice President, Finance and Accounts / Legal and Taxation**

Mr. Anish Unadkat, joined MOSL in March, 2006. He is a qualified Chartered Accountant, Certified Public Accountant, CISA from Information Systems Audit & Control Association and CIA from the Institute of Internal Auditors, USA. He has rich and varied experience of more than 12 years in the field of Finance, Audit, Taxation etc.

Mr. Unadkat heads Corporate Finance, Accounts, Legal and Taxation at MOSL.

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#### **Sameer Kamath - Sr. Vice President, Corporate Planning and Investor Relations**

Mr. Sameer Kamath started his career with a member firm of KPMG in their Assurance Services division. His last assignment was with the RPG Group in their corporate office at Mumbai. In the past 11+ years, he has worked on several assignments covering inter alia business processes re-engineering, business divestments, strategic initiatives and feasibility studies for RPG Group. He is a qualified Chartered Accountant and has completed his PGDBM from NMIMS.



Mr. Kamath heads the Corporate Planning, Business Intelligence and Investor Relations function at Motilal Oswal.



#### **Ramnik Chhabra - Sr. Vice President, Marketing**

Mr. Ramnik Chhabra has worked for 14 years in advertising at Grey Worldwide, Ogilvy & Mather and JWT. His last assignment was as Vice President & Strategic Planning Director, JWT Mumbai. His experience includes working on different brands for clients like P&G, Unilever, Oracle, General Motors, Tata Steel, Philips, HPCL, SBI-GE, DSP Merrill Lynch Mutual Fund, UTI Mutual Fund and Standard Chartered Bank.

He has won an Effie (Ad Club Mumbai Ad Effectiveness Awards), Stevie® (AMA International Business Awards) and Indian Marketing Association awards for work done on clients like Philips and HPCL.

Mr. Chhabra heads the Marketing function for MOFSL.

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#### **Hitesh Ashar - Sr. Vice President, IT & Systems**

Mr. Hitesh Ashar has been working in the IT field for 25 years. He has worked as Head of IT in Credit Lyonnais (India), Kotak Securities, Indya.com and UTI Technology Services Ltd. Besides being a post graduate diploma in Software Technology, Mr. Ashar is also a qualified Cost Accountant.



Mr. Ashar heads the IT department of MOSL.



#### **Anuragi Raman - Sr. Vice President, Business Process Excellence**

Mr. Anuragi Raman started his career with Marubeni Corporation after graduating from IIM-Ahmedabad. He did business planning for Modi Telstra (later acquired by Airtel) and headed roaming operations for Airtel's Kolkata circle.

Mr. Raman started his Six Sigma journey in GE Capital International Services in 2002. Since then he has been in the Six Sigma / Process Excellence field. He spent three & half years in WNS Global Services in various lead roles. In his last role he headed the Business Process Excellence and Transformation function for one of its four verticals.

Mr. Raman heads the Business Process Excellence team at MOFSL



### Wilbur Wright (1867-1912) & Orville Wright (1871-1948)

Wilbur and Orville were brought up in a warm and loving family, which encouraged learning and gave importance to knowledge.

In 1894, Wilbur and Orville were caught up in the bicycling craze that swept the nation. In 1896 they began to manufacture their own bikes. The Wright Cycle Company returned a handsome profit, but the brothers were already thinking about trading their wheels for wings.

In 1902, the Wrights were the first to design and build a flying craft that could be controlled while in air. The entire aerospace business, the largest industry in the world, depends on this simple but brilliant idea.

More importantly, the Wright Brothers changed the way we view our world. Before flights became a commonplace, folks traveled in just two dimensions, north and south, east and west, crossing the lines that separate nation from nation. The world seemed grander and more interconnected.

This three-dimensional vision has revealed a universe of promises and possibilities. The world economy, our awareness of our environment and space exploration are all, to some degree, the results of the inventive minds of Wilbur and Orville Wright.



## Financial Results

The fruits of knowledge

## To the Members

Your Directors have pleasure in presenting their 3rd Report together with the audited Accounts of your Company for the year ended 31st March, 2008.

## Financial Highlights

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

### Motilal Oswal Financial Services Limited (Standalone)

	Year ended 31st March, 2008	Rs.in million Year ended 31st March, 2007
Income	355.76	109.78
Profit before Interest, Exceptional Items, Prior period expenses and Taxation	290.30	87.58
Interest	(44.62)	(2.00)
Exceptional Items	-	(42.64)
Prior period expenses	-	(5.37)
Profit before Taxation	245.68	37.57
Provision for Taxation		
Current Tax	(71.69)	(27.66)
Deferred Tax Asset / (Liability)	(0.42)	(0.33)
Fringe Benefit Tax	(0.67)	(0.07)
Profit for the year	172.90	9.51
Balance brought forward from previous year	5.73	(1.88)
Profit Available for appropriation	178.63	7.63
Less: Appropriations		
Transfer to Statutory Reserve & Capital Redemption Reserve	34.58	1.90
Proposed dividend	113.62	-
Transfer to General Reserve	13.83	-
Balance of Profit carried forward	16.60	5.73

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

	31st March, 2008	Rs.in million 31st March, 2007
Income	7,009.04	3,675.75
Profit before Interest, Depreciation and Taxation	2,695.88	1,367.45
Interest	(149.03)	(39.38)
Depreciation	(148.47)	(109.98)
Profit before Taxation and Exceptional Items	2,398.39	1,218.09
Exceptional Items	-	(42.64)
Prior year expenses	-	(11.36)
Profit before Taxation	2,398.39	1,164.09
Provision for Taxation		
Current Tax	(772.11)	(398.94)
Deferred Tax Asset / (Liability)	1.49	(1.96)
Fringe Benefit Tax	(12.43)	(8.72)
Wealth Tax	(0.19)	(0.19)
Tax for the prior year	(4.77)	(0.64)
Profit after Taxation before Extraordinary Items for the year	1,610.38	753.64



Rs.in million

	<b>31st March, 2008</b>	31st March, 2007
Extraordinary Items (net of tax)	<b>145.36</b>	(41.97)
Profit after tax before Minority Interest	<b>1,755.74</b>	711.67
Minority Interest in profits	<b>(49.53)</b>	(27.20)
Profit after tax and Minority Interest	<b>1,706.21</b>	684.47
Profit brought forward from previous year	<b>784.71</b>	126.39
Profit available for the Appropriations	<b>2,490.92</b>	810.86
Less:- Appropriations		
Transfer to Statutory Reserve & Capital Redemption Reserve	<b>124.58</b>	1.90
Pre acquisition (profits)/Loss	<b>(0.20)</b>	24.25
Proposed Dividend	<b>265.12</b>	-
Distribution tax on proposed Dividend	<b>25.75</b>	-
Transfer to General Reserve	<b>30.59</b>	-
Balance of Profit carried to Balance Sheet	<b>2,045.08</b>	784.71

### Dividend

Keeping in view the overall performance during the year, your Directors are pleased to recommend a maiden dividend of Rs.4 per Equity Share on the face value of Rs.5 each being 80% dividend, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The Dividend will absorb a sum of Rs.113.62 million.

### Results Of Operations

The Revenue for the year increased by 224% from Rs.109.78 million to Rs.355.76 million. The Profit before interest, exceptional items, prior period expenses and taxation registered a growth of 231% and were up from Rs.87.58 million to Rs.290.30 million. The Company's net profit for the year was Rs.172.90 million up from Rs.9.51 million in the previous year.

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

### Subsidiary Companies

The subsidiary companies of your Company are moving on from strength to strength and contributing to the overall growth of your Company. These subsidiaries have created a niche for themselves with their excellent performance and are continuing to add to the shareholders' value.

The Consolidated Group Profit for the year after exceptional items, prior period adjustments and tax and after deducting minority interests is Rs.1,706.21 million as against Rs.684.47 million earned last year - a growth of 149%.

During the year under review, Motilal Oswal Securities Limited (MOSL), the 'Material Non-listed Subsidiary' of the Company earned the revenues of Rs.6,006.14 million and PAT of Rs.1,381.73 million. During the year under review, the market share of MOSL was 4.69% as against 4.12% in the previous financial year.

During the year under review, Motilal Oswal Capital Markets Private Limited became the subsidiary of MOSL and, in turn of the Company.

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

The Consolidated Financial Statements of your 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.

In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of 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. The Company Secretary & Compliance Officer will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. These documents will also be available for inspection at the Registered Office of the Company and the concerned subsidiary companies, during 2 p.m. to 5 p.m. on all working days upto the date of the Annual General Meeting.

### Initial Public Offer (IPO)

To augment the capital base for future growth plans, your Company made an Initial Public Offer (IPO) of 29,82,710 Equity Shares of Rs.5 each ("the Shares") in the price band of Rs.725 - Rs.825 per share. The issue constituted 10.50% of the paid-up share capital of the Company.

Your Directors would like to state, with great pleasure, that the issue received an overwhelming response and was subscribed 27.18 times, in turbulent market conditions. The issue price was fixed at Rs.825 per Equity Share, being the upper end of the price band.

The Shares were allotted on 5th September, 2007 and got listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited on 11th September, 2007.

### Capital

Consequent upon the Initial Public Offer, the paid-up share capital of the Company stands at Rs.142.02 million divided into 2,84,04,000 equity shares of Rs.5 each.

### Sub-division of Equity Shares

The Directors, subject to the approval of the members, have proposed the sub-division of existing 1 (One) Equity Share of face value of Rs.5 (Rupees Five) each, into 5 (Five) Equity Shares of the face value of Re. 1 (Rupee One) each.

### Credit Rating

During the year under review, CRISIL Limited assigned the highest rating of 'P1+' to the Short-term Debt Programme of Rs.2 billion. The rating indicates the highest degree of safety with regard to timely payment of interest and principal on the instrument.

CRISIL Limited also assigned the rating of 'P1+' to the Short-term Debt Programme of Rs.3 billion of Motilal Oswal Securities Limited, a subsidiary of the Company.

### Finance

During the year under review, to meet the working capital requirements, the Company has issued Commercial Papers and Non-convertible Debentures.

### 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. Raamdeo Agrawal and Mr. Navin Agarwal retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

During the year under review, Mr. T. S. Anantharaman and Mr. Mark Rubin resigned as Directors of the Company. Consequent upon the resignation of Mr. Rubin, Mr. Ankit Kesarwani, an alternate Director to Mr. Rubin also ceased to be the Director of the Company.

The Board places on record its sincere appreciation of the services rendered by Mr. Anantharaman, Mr. Rubin and Mr. Kesarwani during their tenure as Directors of the Company.

### 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, 2008 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. Ramesh Agarwal and Mr. Raamdeo Agrawal.



**Remuneration/Compensation Committee**

The Remuneration/Compensation Committee of the Board of Directors presently comprises of Mr. Ramesh Agarwal (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.

**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.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

**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.

**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**

As required under section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2008 or of not less than Rs.2,00,000 per month during any part thereof is given in the Annexure to this report.

**Acknowledgments**

Your Directors take this opportunity to thank the Authorities, Bankers of the Company, Shareholders and the Customers 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, 26th May, 2008.

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

Particulars	Names of Subsidiary Companies					Total
	Motilal Oswal Securities Ltd.	Motilal Oswal Commodities Broker Pvt Ltd	Motilal Oswal Venture Capital Advisors Pvt Ltd	Motilal Oswal Investment Advisors Pvt Ltd	Motilal Oswal Capital Markets Pvt Ltd	
The Financial year of the Subsidiary ended on	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st January, 2008	
Number of Shares in the Subsidiary Company held by Motilal Oswal Financial Services Limited at the above date						
Equity (Nos.)	1,318,218	400,000	50,000	750,000	350,000	
Extent of holding (%)	99.95%	97.55%	85.00%	75%	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						
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2008	NIL	NIL	NIL	NIL	NIL	NIL
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2008 (Rupees)	1,381,088,578	(3,732,311)	19,543,834	136,593,231	(175,321)	1,533,318,011
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						
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2008	NIL	NIL	NIL	NIL	NIL	NIL
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2008 (Rupees)	1,651,988,286	5,046,458	(2,450,743)	80,387,849	NIL	1,734,971,851

For and on behalf of board of  
**Motilal Oswal Financial Services Limited**

**Motilal Oswal**  
*Chairman & Managing Director*

**Raamdeo Agrawal**  
*Director*

**Tarun Khurana**  
*Company Secretary and Compliance Officer*

Place : Mumbai  
Dated: 21st April 2008

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

Loans and advances in nature of loans to subsidiaries and the companies in which the Directors are interested:-

Rs.in million

Name of the Company	Balance as on 31st March, 2008	Maximum outstanding during the year
Motilal Oswal Commodities Broker Pvt. Ltd.	0.48	65.00
Motilal Oswal Investment Advisors Pvt. Ltd.	0.02	17.90
Motilal Oswal Venture Capital Advisors Pvt. Ltd.	0.04	35.50
Motilal Oswal Securities Ltd	2.56	558.17

Except as indicated above, the Company has not made any loans and advances in the nature of loans to associates or loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.

Investment by the loanee in the shares of the Company and the subsidiary companies, when the Company has made loans or advances in the nature of loan:- Nil

## annexure to the directors' report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 and forming part of the Director's Report for the year ended 31st March, 2008

Sl No	Employee Name	Designation	Gross Remuneration Received (Subject to Income-Tax) (Rupees)	Qualification	Age	Experience in years	Date of Employment	Last Employment
1	Smita Affinwalla*	Head - HR & OD	2,434,221	Degree In Economics, Masters Degree in Management Studies - Finance	45	24	28-May-07	Hewitt Associates as BU Head (Talent and Organisational consulting)

\* employed for the part of the year

Notes:

- 1) Nature of employment is contractual, subject to termination on 2 (two) month's notice from either side.
- 2) The above employee is not related to any Director of the Company.
- 3) Employment terms and conditions are as per the Company's rules.
- 4) Remuneration received during the year as shown in the statement includes Salary, House Rent Allowance or value of perquisites for accommodation.
- 5) The above employee does not holds by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.

For & on behalf of the Board

Mumbai, 26th May, 2008.

**Motilal Oswal**  
*Chairman & Managing Director*

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, 2008:-

S. No.	Particulars	Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - III' (ESOS - III)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - IV' (ESOS - IV)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' (ESOS - V)
a)	Options granted	12,61,500	2,00,000	5,00,000
b)	The pricing formula	Price at which shares are issued to Private Equity Investor i.e. at the Rate of Rs.518.90 per share.	Price arrived at with reference to the expected Issue Price i.e. at Rs.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.
c)	Options vested	4,88,750	Nil	Nil
d)	Options exercised	4,88,750	Nil	Nil
e)	The total number of shares arising as a result of exercise of option	1,95,500	Nil	Nil
f)	Options lapsed (as at 31.03.08)	96,500	Nil	Nil
g)	Variation of terms of options	N. A.	N. A.	N. A.
h)	Money realised by exercise of options	*Rs.10,14,44,950	Nil	Nil
i)	Total number of options in force (as at 31.03.08)	6,76,250	2,00,000	5,00,000
j)	Employee-wise details of options granted to:			
	(i) Senior managerial personnel	N. A.	Ms. Smita Affinwala - 50,000 Options	Mr. Navin Agarwal - 25,000 Options
	(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	(i) **Mr. Hitungshu Debnath - 2,00,000 options. (ii) **Mr. Vishal Tulsyan - 150,000 options.	Ms. Smita Affinwala - 50,000 options Mr. Vijay Kumar Goel - 50,000 options Mr. Mohit Batra - 50,000 options Mr. Rajat Rajgarhia- 50,000 options Mr. Rajesh Dharamshi - 50,000 options	
	(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.
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'	N. A.	N. A.	N. A.

## option disclosure

S. No.	Particulars	Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - III' (ESOS - III)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - IV' (ESOS - IV)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' (ESOS - V)
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, the employee compensation cost would have been higher by Rs.24,204,041, Profit after tax lower by Rs.24,204,041 and the basic earnings per share would have been lower by Re.0.85
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.	i) Option Grant Date: 10th January, 2008. ii) Exercise Price: Rs.2,068.90 per option iii) Fair Value: Rs.861.90 per option
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, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) the price of the underlying share in market at the time of option grant.	N. A.  N. A. N. A. N. A. 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. Rs.518.90 per share.	N. A.  N. A. N. A. N. A. 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.	The fair-value of the stock options granted on 10th January, 2008 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows:  8% 3 years 50% NIL Rs.2,068.90 per share

\* The money was realized during the financial year ended 31st March, 2007.

\*\* The options were granted during the financial year ended 31st March, 2007.

\*\*\* Includes Options granted under ESOS - IV and ESOS - V.

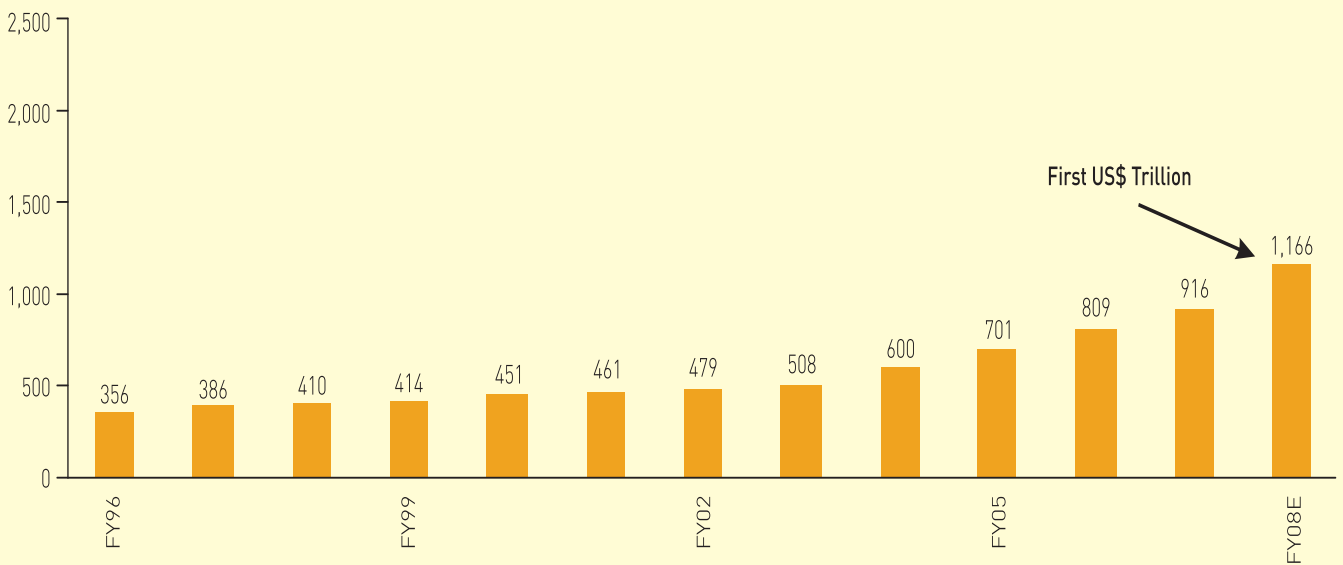
**Macro-economic and industry developments**

During 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some moderation in the growth momentum during the course of the year. According to the advance estimates released by Central Statistical Organization (CSO), the real GDP growth rate declined to 8.7% in 2007-08 from 9.6% in 2006-07. Nevertheless, the growth was in tune with the high average GDP growth of 8.7% per year during the five-year period, 2003-04 to 2007-08. India continues to be one of the fastest growing economies in the world.

The year 2007-08 also marked the fifth consecutive year of positive returns for the Indian stock markets. Despite a sharp 23% correction in the last quarter of the year, the BSE Sensex appreciated 19.7% during 2007-08. The sharp correction towards the end of the year was triggered by global woes - expectation of a slowdown in the US. This was further aggravated, with concerns of a possible slowdown in the domestic economy emerging and hopes of an interest rate cut fading, as inflation inched up.

**The next trillion dollar opportunity**

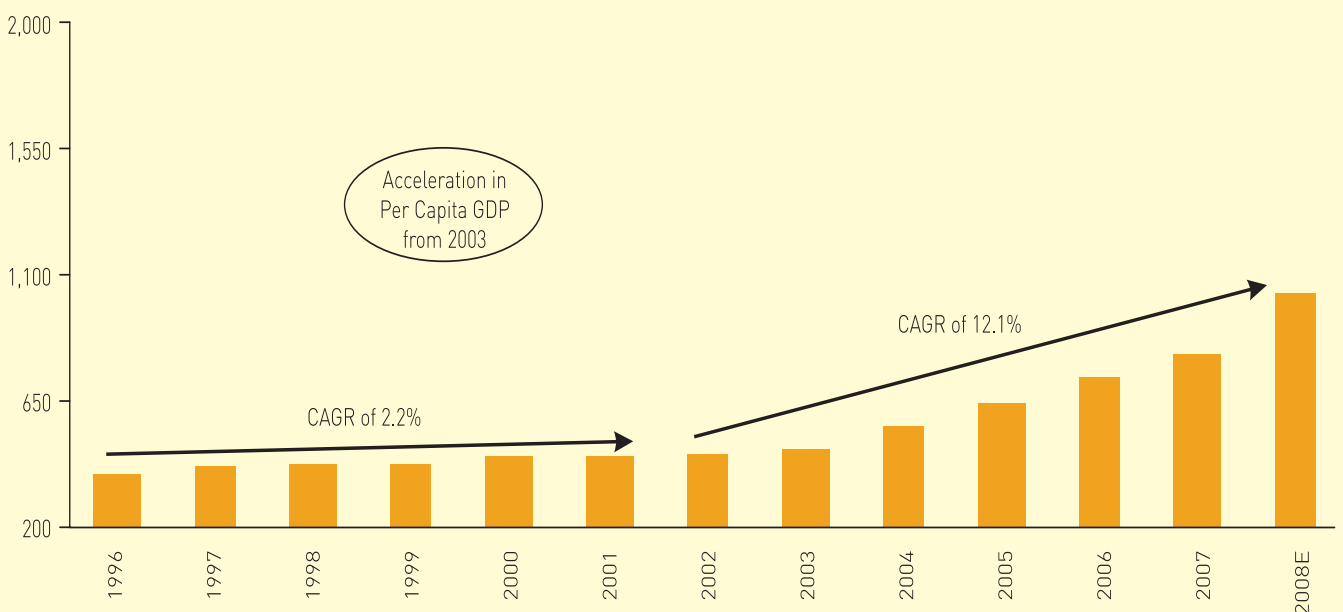
During 2007-08, India became a trillion dollar economy. As India moves along on the journey to create another trillion dollars in GDP, significant business and investment opportunities would emerge.



Source : CSO

India is currently in the golden phase of its growth trajectory - average GDP growth in the last four years has been 8.8%. High GDP growth has resulted in per capita GDP increasing from US\$561 to US\$1,023 in the last four years.

**Per capita GDP (US Dollars)**



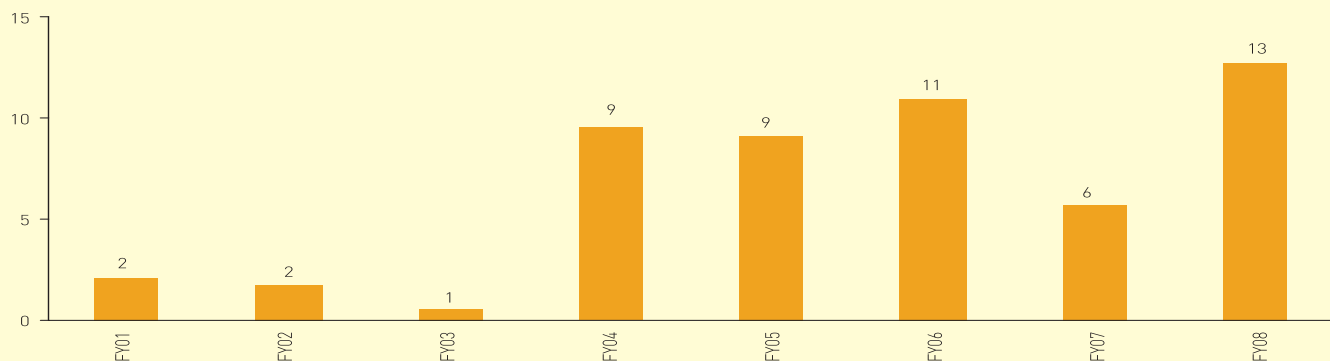
Source : CSO, CMIE

The addition of the next trillion dollars to India's GDP would open up opportunities for various industries, including the financial services industry. Some recent trends indicative of the growth seen in the financial services industry are:

### High FII inflows

FII inflows to India have consistently been high over the last few years.

FII Inflows

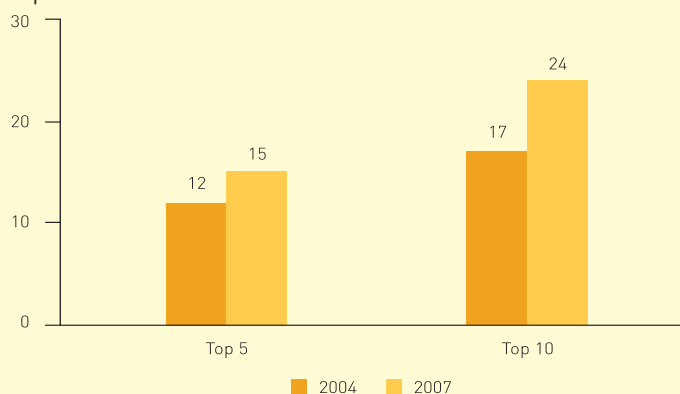


Source : Bloomberg March 2008

### Consolidation in the industry

The industry has consolidated gradually, with the top 10 Indian brokerage houses having increased market share to 24% in 2006-07.

Top Brokers

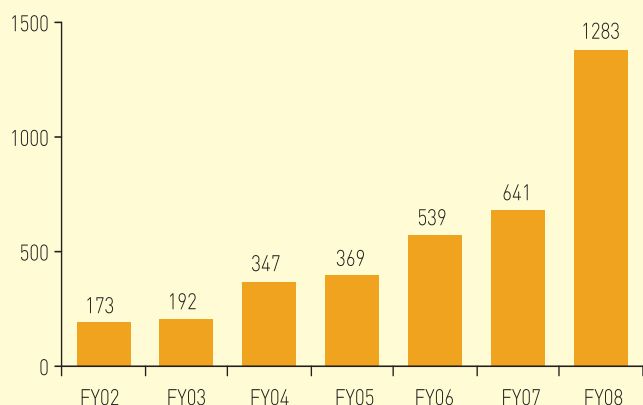


Source : NSE Website

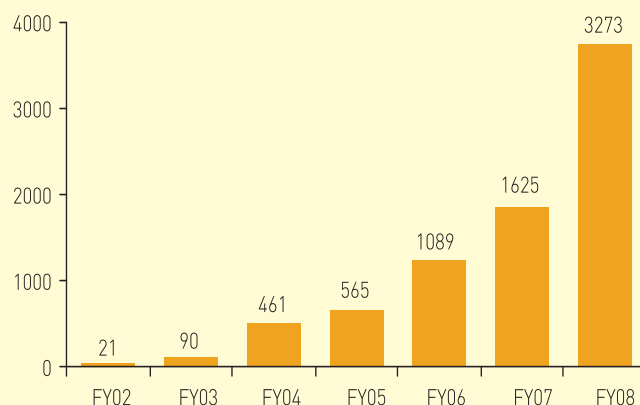
### Rapid growth in volumes

The Indian equity markets have been witnessing strong volume growth since 2003.

Mkt Vol Cash - US\$ billion



Mkt Vol Derivatives - US\$ billion



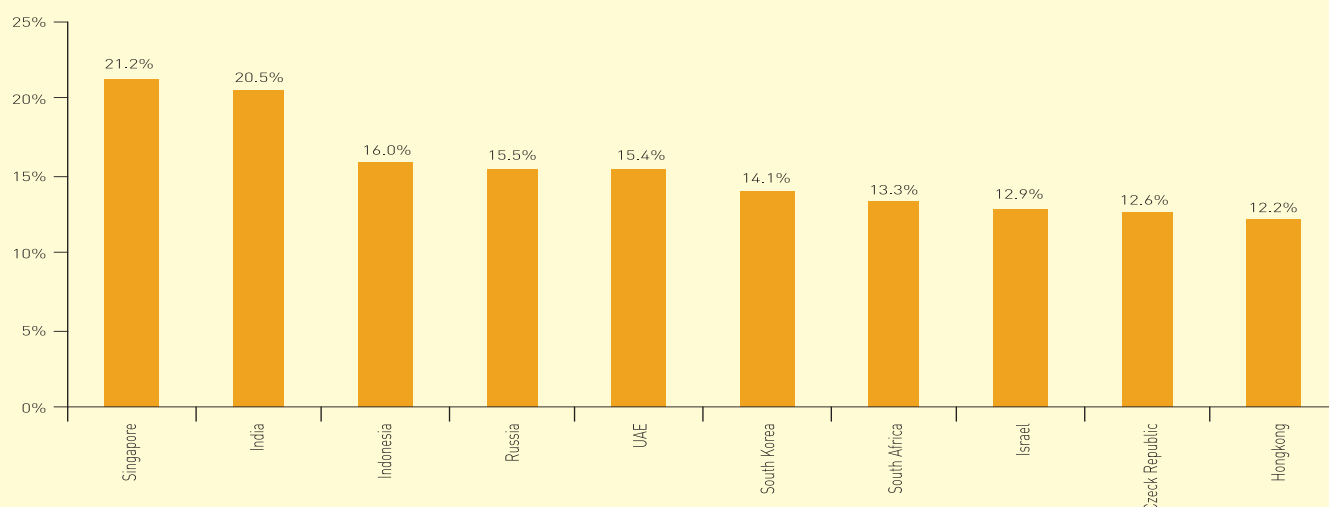
Source : BSE, NSE

### Rising base of high net worth individuals ("HNWI")

India has registered the second fastest growth rate in HNWI population (20.5%). The affluent class in India is estimated



to be 42 million by 2015 from about 13 million in 2007. The evolving need for complex and customized products to cater to the investment needs of this class opens several opportunities for players operating in the Wealth Management space.



Source : Capgemini-Lorenze Analysis, 2007

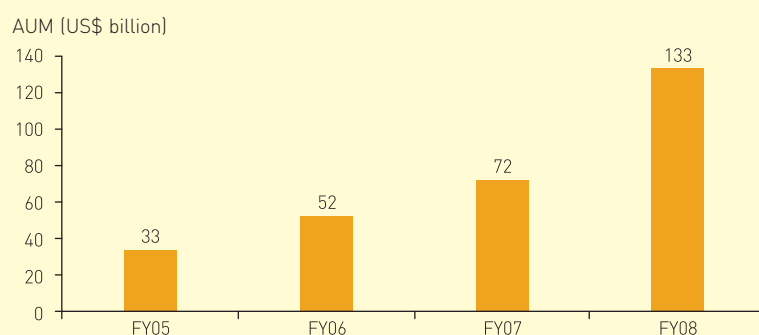
Segment	Investable Surplus (US\$)	Annual Growth (%)	No. of Households 2007	No. of Households 2015 (est)
Ultra-High Net Worth Individuals	\$30 million or above	12%	6,000	15,000
Super-High Net Worth Individuals	\$10 million to \$30 million	16%	20,000	65,000
High Net Worth Individuals	\$1 million to \$10 million	20%	130,000	600,000
Super Affluent	\$125,000 to \$1 million	12%	200,000	500,000
Mass Affluent	\$25,000 to \$125,000	18%	800,000	3,000,000
Mass Market	\$5,000 to \$25,000	27%	12,000,000	80,000,000

Source : Celent LLC

*(Investable surplus does not include investments in land, fixed deposits, and gold and silver)*

### Increased participation in mutual funds

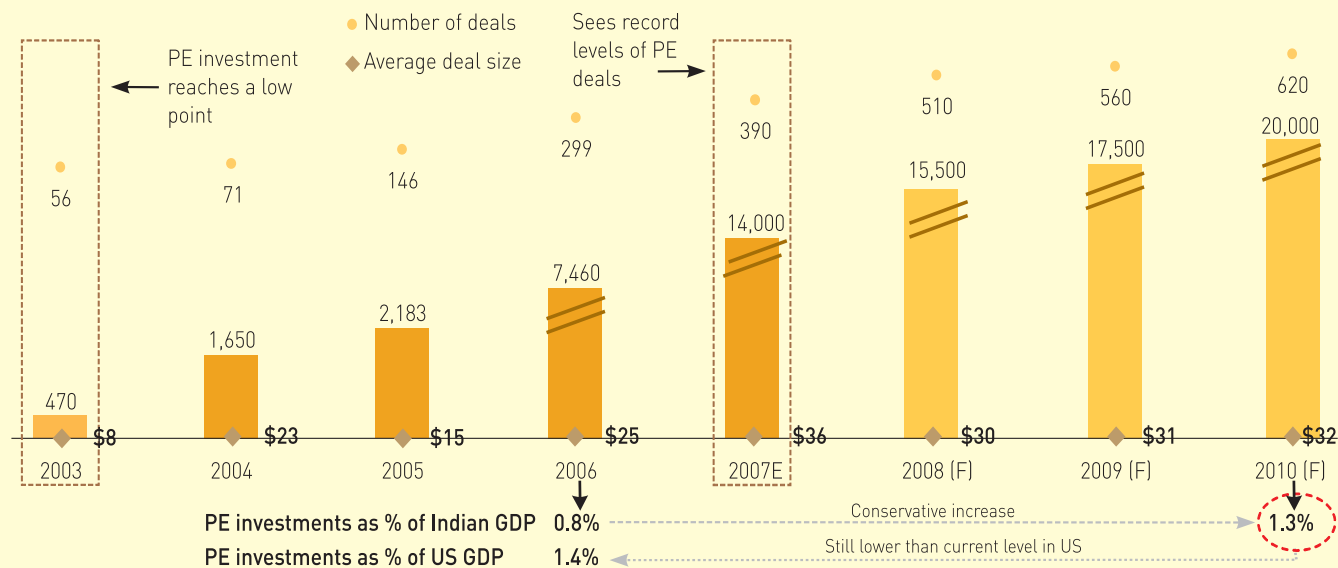
- Mutual funds are becoming the preferred savings instrument for urban and rural investors.
- Top 10 cities in India account for 80% of the assets under management (AUM); mutual funds would now tap non-urban areas, where huge assets are waiting to be exploited.
- Recent regulatory reforms would help more participation from all class of investors.



Source : AMFI

### Private Equity - gaining traction in India

- Apart from the US and Europe, India and China have emerged as favored destinations for private equity (PE) investments. Over the past several years, the Indian markets have delivered sizeable profits for investors and this has resulted in a large number of PE and venture capital firms aggressively looking at India. Currently, there are over 366 PE and venture capital (VC) firms operating in India and another 69 are planning to start operations soon.



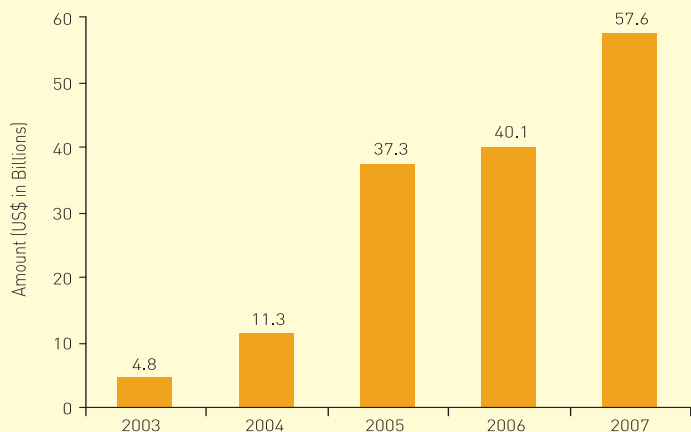
Source : evalueserve

- India has received ~US\$14 billion in PE funding during 2007, becoming one of the top seven PE fund recipients.
- India is one of the top five PE destinations in the Asia Pacific region; PE funds now constitute over 25% of FDI flows into India (Business World - KPMG, 2007).
- An improved exit climate available to PE investors is biggest driver for investment growth. PE firms operating in India have a time horizon of 3-5 years and their expectation of an average net annual return is between 25% and 27%, as compared to average net annual return of 13-15% in US and Europe.

**Investment Banking - several growth drivers**

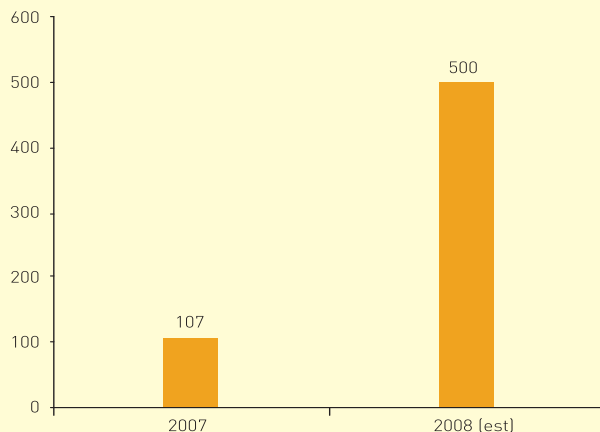
- Consolidation in the domestic industry, particularly amongst commodities companies and small brand players
- Cross border acquisition by larger companies to acquire global scale
- Leveraged finance for buyouts by large Indian corporate houses
- SPV fund raising by real estate players and select infrastructure projects
- Growing need for private equity, buyouts / growth capital
- Private Investment in Public Enterprise (PIPE) deals in listed companies for quick and fast requirement of capital
- Brownfield expansion, leading to follow-on public issues / QIB placement/ FCCB / GDR
- Divestment - strategic and financial by private equity funds
- IPOs
- Open offers driven by takeovers / PE investment in listed companies
- Refinancing of debt by companies, which have raised costly finance in the past
- Family settlements - promoter financing + equity placements
- Securitization

M&A Deals



Source : Bloomberg December 2007

No. of IPOs



Source : Prime Database

## Opportunities and threats

### Opportunities

- 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
- Increased appetite of Indian corporates for growth capital

### Threats

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

## Business portfolio

Your company, Motilal Oswal Financial Services Limited (MOFSL), is a non-banking financial company (NBFC), registered under the Reserve Bank of India Act, 1934. Your 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.

We have 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.

During the year under review, your company raised an amount of Rs.2,460 million by issue of 29,82,710 equity shares of Rs.5 each at a price of Rs.825 per share. We also raise resources through short-term borrowings. During 2007-08, CRISIL Limited assigned a rating of 'P1+' the highest rating, for your company's short-term borrowing program of Rs.2 billion. CRISIL Limited also assigned the rating of 'P1+' to MOSL's short-term borrowing program of Rs.3 billion.

Besides the financing business directly carried out through MOFSL, we offer a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services through various subsidiaries:

S. No.	Name of the Company	Business	MOFSL's Shareholding
1)	Motilal Oswal Securities Limited (MOSL)	Institutional Broking, Wealth Management and Retail & Distribution	99.95%
2)	Motilal Oswal Capital Markets Private Limited (a subsidiary of MOSL)	Stock Broking (has made an application to NSE for membership and is awaiting registration)	100.00%*
3)	Motilal Oswal Commodities Broker Private Limited (MOCBPL)	Commodities Broking	97.55%
4)	Motilal Oswal Venture Capital Advisors Private Limited (MOVCAPL)	Private Equity	85.00%
5)	Motilal Oswal Investment Advisors Private Limited (MOIAPL)	Investment Banking	75.00%

\*through MOSL.

## Our business streams

Business Stream	Primary products and services
Wealth Management and Retail & Distribution	<ul style="list-style-type: none"> <li>Equity (cash and derivatives) and commodity broking</li> <li>Portfolio management services</li> <li>Distribution of financial products</li> <li>Financing</li> <li>Depository services</li> </ul>
Institutional Broking	<ul style="list-style-type: none"> <li>Equity (cash and derivatives) broking</li> <li>Advisory</li> </ul>
Investment Banking	<ul style="list-style-type: none"> <li>Capital raising</li> <li>M&amp;A Advisory</li> <li>Domestic IPOs</li> <li>Private Equity placements</li> <li>Corporate Finance Advisory</li> <li>Restructuring</li> <li>FCCBs and GDRs</li> </ul>
Private Equity	Private Equity investment management and advisory

### Wealth Management and Retail & Distribution

We offer Wealth Management Services, Broking & third party products to retail customers through MOFSL, MOSL and MOCBPL. We also provide financing services, investment advisory, financial planning and portfolio management services (PMS) to our clients. As at March 31, 2008, we had 461,699 registered customers, to whom we provide equity and commodities brokerage and PMS. As at March 31, 2008, we had a total of 340,843 depository clients.

We classify our clients into three segments - 'mass retail', 'mass affluent' (addressed by a separate offering called 'MOSt Select'), and 'high net worth' (addressed by a separate offering called 'Purple'). We offer our clients investment products across the major asset classes including equities, derivatives, commodities and distribute third-party products such as mutual fund schemes and primary equity offerings. We distribute these products through our business locations and our online channel.

### Institutional Broking

We offer equity broking services in the cash and derivative segments through MOSL to institutional clients in India and overseas. These clients include companies, mutual funds, banks, financial institutions, insurance companies, and FIIs. As at March 31, 2008, we were empanelled with over 300 institutional clients including 191 FIIs. We service these clients through dedicated sales teams across different time zones.

### Investment Banking

We offer financial advisory services relating to mergers and acquisitions (domestic and cross-border), divestitures, restructurings and spin-offs through MOIAPL. We also offer capital raising and other investment banking services such as the management of public offerings, private placements (including qualified institutional placements), rights issues, share buybacks, open offers/de-listings and syndication of debt and equity. MOIAPL has closed 23 transactions in 2007-08 and has 18 mandates in hand as at March 31, 2008.

### Private Equity

In 2006, our private equity subsidiary, Motilal Oswal Venture Capital Advisors Private Limited (MOVCAPL) was appointed as the investment manager and advisor to a private equity fund, India Business Excellence Fund, which was launched with a target of raising US\$100 million. The fund is aimed at providing growth capital to small and medium enterprises in India, with investments typically in the range of US\$3 million to US\$7 million. MOVCAPL will manage and advise the fund and other private equity funds, which may be raised in the future. In its final closing, in December 2007, the fund obtained commitments of US\$125 million (Rs.4,875 million) from investors in India and overseas. US\$31 million of these funds have already been deployed across six deals and the Fund is in advanced stages of closing three more deals, aggregating to US\$30 million.

### Outlook

While India is likely to remain one of the fastest growing economies in the world, there is likely to be some moderation in growth rates in 2008-09 relative to 2007-08. The stock markets, which had witnessed significant growth in volumes in 2007-08, have seen moderation in the last few months. While your company's broking revenues are a function of market volumes, continuous efforts to increase market share and sufficient margin levers would help to minimize the impact on the bottomline. Your company remains excited about the significant opportunity that exists in the growing brokerage industry and expects to gain profitable market share over the coming years.

Your company has made significant headway in non-broking activities like investment banking, private equity, asset management, and distribution of third-party products. These businesses usually enjoy higher margins than the broking business. As the non-broking businesses grow and contribute a higher share of revenues, overall margins would be favorably impacted over a period of time. Besides, the investment phase in the wealth management business has been largely concluded, which would also contribute to higher efficiencies.

### Our strengths

We believe that our principal strengths are as follows:

#### Ability to raise finance at competitive rates

One of our strengths is to raise finance at competitive rates. CRISIL Limited has assigned a rating of 'P1+', the highest rating for your company's short-term borrowing program of Rs.2 billion. CRISIL Limited also assigned the rating of 'P1+' to MOSL's short-term borrowing program of Rs.3 billion.

#### Large and diverse distribution network

Our financial products and services are distributed through a pan-India network. Our business has grown from a single location to a nationwide network spread across 1,430 business locations operated by our business associates or directly by us in 432 cities and towns. Our extensive distribution network provides us with opportunities to cross-sell products and services, particularly as we diversify into new business streams. In addition to our geographical spread, we offer an online channel to service our customers.

MOSL has entered into a strategic alliance with State Bank of India (SBI), the largest bank in India, and IDBI Bank to offer online brokerage services to their retail banking clients.

#### Strong research and sales teams

We believe that our understanding of equity as an asset class and business fundamentals drives the quality of our research and differentiates us from our competitors. Our research teams are focused on cash equities, equity derivatives and commodities. AsiaMoney Polls 2007 awarded MOSL with 'Best Overall Country Research - Local Brokerage'.

Our research is complemented by a strong sales and dealing team. Each member of our institutional sales team has significant research experience. We believe that this experience enables our sales team to effectively market ideas generated by the research team to our client base and to build stronger client relationships. In 2006 and 2007, AsiaMoney rated a member of our sales team as the best sales person for Indian equities.

#### Brand recognition

'Motilal Oswal' is a well-established brand among retail and institutional investors in India. We believe that our brand is associated with high quality research and advice as well as our corporate values like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our 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. Our top management team comprises qualified and experienced professionals, with a successful track record. We believe that our management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs provide us with a competitive strength, which will help us implement our business strategies.

#### Risks and concerns

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

Our 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

Our 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 our 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.

#### Standalone financials

The abridged standalone financials of MOFSL for 2007-08 including revenue, expenditure and profits, are presented in Table 1.

**Table 1: Abridged profit and loss account (Rs.million) - Standalone**

	2007-2008	2006-2007	Growth %
<b>Revenue</b>			
Income from operations	320.96	107.49	198.60
Other income	34.80	2.29	1,419.65
<b>TOTAL</b>	<b>355.76</b>	<b>109.78</b>	<b>224.07</b>
<b>Expenditure</b>			
Financial Expenses	44.62	2.00	2,133.42
Employee cost	13.61	13.92	(2.23)
Other Expenses	51.84	8.28	526.09
<b>TOTAL</b>	<b>110.08</b>	<b>24.20</b>	<b>354.88</b>
Exceptional & Prior Period Items -Income/(Exp.)	-	48.01	(100.00)
Profit Before Tax	245.68	37.57	553.93
Tax - Current and Deferred	72.78	28.06	159.37
<b>PAT</b>	<b>172.90</b>	<b>9.51</b>	<b>1,718.09</b>
Earnings per share (Basic) Rs.	6.37	0.47	1,255.32
Earnings per share (diluted) Rs.	6.32	0.42	1,404.76

The financial position of MOFSL continues to remain strong. During the year under review, MOFSL recorded 224.07% growth in total revenues from Rs.109.78 million in 2006-07 to Rs.355.76 million in 2007-08. Your company expanded its product portfolio and created separate heads to monitor financing of each of its products such as loans against shares, corporate financing, etc. This translated into even faster growth in income from our core business area of financing activities, which increased by 198.6% from Rs.107.49 million in 2006-07 to Rs.320.96 million in 2007-08.

The rise in income was partly offset by an increase in expenditure, primarily due to growth in financial expenses to Rs.44.62 million in 2007-08 from Rs.2 million in 2006-07. Employee costs changed marginally from Rs.13.92 million in 2006-07 to Rs.13.61 million in 2007-08, a fall of 2.23%.

Profit before tax (PBT) grew 553.93% from Rs.37.57 million in 2006-07 to Rs.245.68 million in 2007-08. Profit after tax (PAT) grew 1718.09%, from Rs.9.51 million in 2006-07 to Rs.172.90 million in 2007-08. Consequently, basic earnings per share increased from Rs.0.47 in 2006-07 to Rs.6.37 in 2007-2008.

As at March 31, 2008, investments principally consisted of long-term investments, totaling Rs.173.99 million and current investments, totaling Rs.1180 million. Investments have increased by Rs.878.50 million from March 31, 2007, primarily on account of higher deployment in current investments.

Current assets mainly comprised of stock in trade, cash and bank balances and other current assets. As at March 31, 2008, cash and bank balances were Rs.10.69 million, of which Rs.6.15 million was in fixed deposits with banks.

Loans and Advances increased from Rs.1061.21 million as at March, 31 2007 to Rs.2735.77 million as at March 31, 2008, mainly on account of increase in financing business.

Current liabilities and Provisions principally consist of liability in respect of provision for expenses & tax deduction at source. It increased from Rs.36.35 million as at March 31, 2007 to Rs.222.17 million as at March 31, 2008, predominantly due to increase in provisions.



## Consolidated financials

The abridged consolidated financials of MOFSL for 2007-08 including revenue, expenditure and profits, are presented in Table 2.

**Table 2: Abridged profit and loss account (Rs.million) - Consolidated**

Particulars	2007-2008	2006-2007	Growth %
<b>Revenue</b>			
Income from operations	6,897.61	3,653.93	88.77
Other income	111.43	21.81	410.84
<b>TOTAL</b>	<b>7,009.04</b>	<b>3,675.75</b>	<b>90.68</b>
<b>Expenditure</b>			
Operating Exp.	1,769.13	837.22	111.31
Financial Expenses	149.03	39.38	278.39
Employee cost	1,763.97	1,011.60	74.37
Depreciation	148.47	109.98	34.99
Administrative & other Expenses	780.06	459.47	69.78
<b>TOTAL</b>	<b>4,610.66</b>	<b>2,457.66</b>	<b>87.60</b>
Exceptional & Prior Period Items -Income/(Exp.)	-	(54.00)	(100.00)
Profit Before Tax & Extra Ordinary Items	2,398.39	1,164.09	106.03
Tax - Current and Deferred	788.01	410.44	91.99
PAT before Extraordinary items	1,610.38	753.64	113.68
Extraordinary items	145.36	(41.97)	(446.34)
PAT after Extraordinary items	1,755.74	711.67	146.71
Earnings per share (Basic) Rs.	62.90	34.18	84.03
Earnings per share (diluted) Rs.	62.41	30.30	105.97

The consolidated financial position of MOFSL continues to remain strong. During 2007-08, MOFSL recorded 90.68% growth in total revenues from Rs.3,675.75 million in 2006-07 to Rs.7,009.04 million in 2007-08. The rise in income was partly offset by an increase in operating expenditure from 22.78% of total revenues in 2006-07 to 25.24% of the total revenues 2007-08.

Total borrowings outstanding increased from Rs.0.50 million as on 31 March 2007 to Rs.1,454.68 million as on 31 March 2008. This led to an increase in financial expenses from Rs.39.38 million in 2006-07 to Rs.149.03 million in 2007-08.

Employee costs increased 74.37% from Rs.1,011.60 million in 2006-07 to Rs.1,763.97 million in 2007-08 mainly on account of general increases in salaries and benefits. While in absolute terms this looks high, as a percentage of total revenue, there was a marginal decrease from 27.52% in 2006-07 to 25.17% in 2007-08.

The company recorded 106.03% growth in profit before tax (PBT), which grew from Rs.1,164.09 million in 2006-07 to Rs.2,398.38 million in 2007-08. Profit after tax (PAT) grew 146.71% from Rs.711.67 million in 2006-07 to Rs.1,755.74 million in 2007-08. Consequently, basic earnings per share increased from Rs.34.18 during 2006-07 to Rs.62.90 during 2007-2008.

As at March 31, 2008, investments principally consisted of Long-term investments, totaling Rs.426.86 million and Current investment, totaling Rs.3211.85 million Investments have increased by Rs.2782.48 million from March 31, 2007, primarily on account of higher deployment in current investments.

## management discussion and analysis

Current assets mainly comprised Sundry Debtors, Stock-in-trade, Cash and bank balances, and other Current assets. As at March 31, 2008, cash and bank balances were Rs.4267.19 million, of which Rs.3551.38 million was in fixed deposits.

Loans and Advances increased from Rs.2409.90 million as at March, 31 2007 to Rs.4737.25 million as at March 31, 2008, mainly on account of increase in financing business.

Current liabilities principally consist of 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. It increased from Rs.4497.50 million as at 31st March, 2007 to Rs.5573.88 million as at 31st March 2008. Provisions include provisions for ex gratia payments, provision for taxation and provision for proposed dividend, which increased from Rs.1129.61 million as at 31st March, 2007 to Rs.2595.79 million as at 31st March, 2008.

**Table 3: Key ratios**

Ratios (%)	2007-08		2006-07	
	Consolidated	Standalone	Consolidated	Standalone
Net Profit Ratio ( PAT /Total income)	25.05%	48.60%	19.36%	8.66%
Return on Net Worth -( PAT/Networth )	24.76%	4.32%	21.36%	0.60%
Return on Capital Employed -(Earnings before Interest,Taxes & extraordinary items / Capital Employed)	29.81%	7.26%	36.12%	2.48%
Debt/Equity	0.21	0.00	0.00	0.00
<b>Book Value (Rs.)</b>	<b>249.62</b>	<b>140.80</b>	<b>131.06</b>	<b>62.81</b>

### Performance of subsidiaries

#### Motilal Oswal Securities Limited (MOSL)

Particulars Rs.million	FY08	FY07	Growth (YoY)
	As on Mar 31,2008	As on Mar 31,2007	
Total Revenues	6,006	3,264	84%
EBIDTA	2,108	1,136	86%
PBT (before E & EOI)*	1849	991	87%
PAT (before E & EOI)*	1236	657	88%

#### Motilal Oswal Venture Capital Advisors Private Limited (MOVCAPL)

Particulars Rs.million	FY08	FY07
	As on Mar 31,2008	As on Mar 31,2007
Total Revenues	86	7
EBIDTA	36	(11)
PBT (before E & EOI)*	35	(11)
PAT (before E & EOI)*	23	(8)

#### Motilal Oswal Investment Advisors Private Limited (MOIAPL)

Particulars Rs.million	FY08	FY07	Growth (YoY)
	As on Mar 31,2008	As on Mar 31,2007	
Total Revenues	637	273	133%
EBIDTA	273	154	77%
PBT (before E & EOI)*	273	154	77%
PAT (before E & EOI)*	182	102	78%

\* Exceptional and Extra Ordinary Items

**Motilal Oswal Commodities Brokers Private Limited (MOCBPL)**

Income from commodities broking was Rs.51 million in 2007-08 compared to Rs.48 million in 2006-07. MOCB was rated 'Outstanding Commodities Brokerage House-2007' by Globoil India.

**Segment Wise Performance:**

The company's operations predominantly relate to equity broking and related activities, financing and investment banking. Below table shows performance of equity broking and related activities, financing & investment banking.

Particulars Rs.Million	Year Ended	
	31.03.2008	31.03.2007
<b>1. Segment Revenue</b>		
(a) Equity Broking & Other related activities	5,936.81	3,247.67
(b) Financial Activity	355.76	109.78
(c) Investment Banking	628.20	266.91
(d) Unallocated	215.89	76.77
<b>Total</b>	<b>7,136.66</b>	<b>3,701.13</b>
Less: Inter Segment Revenue	127.61	25.39
<b>Net sales/Income From Operations</b>	<b>7,009.05</b>	<b>3,675.74</b>
<b>2. Segment Results Profit / (Loss) before tax and interest from Each segment)</b>		
(a) Equity Broking & Other related activities	1,778.60	1,000.86
(b) Financial Activity	233.47	85.58
(c) Investment Banking	359.19	153.49
(d) Unallocated	131.53	(38.45)
Total	2,502.79	1,201.48
Less: (i) Interest	104.40	37.39
(ii) Other Un-allocable Expenditure net off	-	-
(iii) Un-allocable income	-	-
<b>Total Profit Before Tax &amp; Extra Ordinary Item</b>	<b>2,398.39</b>	<b>1,164.09</b>
<b>3. Capital Employed</b> (Segment assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	2,589.26	1,021.82
(b) Financial Activity	3,985.40	1,409.89
(c) Investment Banking	(134.76)	215.73
(d) Unallocated	730.28	714.49
<b>Total</b>	<b>7,170.18</b>	<b>3,361.92</b>

**Awards and accolades**

- AsiaMoney Polls 2007 awarded Motilal Oswal Securities Limited with 'Best Overall Country Research - Local Brokerage'
- Motilal Oswal Securities Limited received the 'Best Franchisor' award in the 'Financial Services category - India' for 2007 from Franchising World Magazine
- Motilal Oswal Investment Advisors Private Limited was ranked 3rd in "Underwriter for QIP" category in the quarter ended March 2008, with a market share of 11.1%, by Bloomberg
- Motilal Oswal Securities Limited was rated India's top Broking House in terms of total number of trading terminals by Dun & Bradstreet
- Motilal Oswal Financial Services Limited featured as a case study at Harvard Business School
- Motilal Oswal Securities Limited was nominated for Customer Responsiveness at Avaya Global Connect Customer Responsiveness Awards 2006
- Motilal Oswal Securities Limited was rated "Most Favorite for in-depth Research" in the Starcom Worldwide India Investor Survey-2007
- Motilal Oswal Commodities Broker Private Limited was rated 'Outstanding Commodities Brokerage House-2007' by Globoil India

### Technology and risk management tools

- Technology infrastructure is aimed at ensuring reliable and performance-enhancing trading and information systems
  - A well-balanced technology team managing the IT infrastructure across all business locations
  - Scalable platforms for order management and risk management requiring minimal human intervention
- Dedicated data center at Malad, Mumbai with 1200 sq ft area
- Internet Based Share Trading System
  - Allows us to integrate our diverse trading engines into a single platform
- Real-Time Risk Management
  - Gives users information on clients' open positions
- Monitor and control risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems
- Risk management department analyses this data in conjunction with our risk management policies and takes appropriate action where necessary to minimize risk
- Delinquency ratio is a performance indicator

### Human resources

We recognize that our people are our prime long-term competitive advantage. We strive to make every employee our brand ambassador on the one hand, and seek to make the Motilal Oswal brand stand for the best people practices on the other. Our employee strength is 10 and on consolidated basis is 2,315.

The three pillars of our HR strategy are:

- 1) A clear and relentless focus on leadership development
- 2) Identification and development of 'high potentials'
- 3) Investment in technology to efficiently deliver state-of-the-art HR processes across the organization

The key initiatives towards implementation of the strategy have been:

**Balanced scorecard and KRA implementation:** The balanced scorecard was identified as the most appropriate tool for performance management at middle-to-senior levels in the organization. Scorecards were created for all managerial levels of the organization. A software that will enable the use of these scorecards as the review mechanism for ongoing business reviews was procured and implemented. Scorecards were uploaded onto the software and the entire annual performance appraisal process for middle to top management was completed on the software within a period of 15 days. Similarly, KRAs for the rest of the organization were enabled through the existing intranet and the annual performance appraisal for these levels was also completed within the same time period entirely through the software.

**Leadership development:** Style and competency assessment for the top-tier management of the company was carried out and an intensive executive coaching program based on individual development plans has been started for 13 of the top leaders of the organization. An accelerated development program for "high potentials" at all levels of the organization has also been designed.

**Technology:** The recruitment process has been enabled and implemented using the existing HR software, MyZone, in Mumbai. This would be extended across all regions.

### Cautionary statement

Certain statements in the Management Discussion and Analysis describing the company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and government policies that may impact the company's business as well as its ability to implement the strategy. The company does not undertake to update these statements.

### Corporate Governance Philosophy

Your Company always believes in managing its affairs with diligence, transparency, responsibility, and accountability. Your Company is of the firm conviction that good governance is a pre-requisite to attainment of excellent performance in terms of stakeholder value creation. The Company has a professional Board which provides strong foresight and strategic counsel to the operational management.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement with the Stock Exchanges. The stipulations mandated by Clause 49 became applicable to your Company since the time of listing of its Equity Shares on Bombay Stock Exchange Limited and National Stock Exchange of India Limited, following a successful Initial Public Offering in September, 2007, and have been fully complied with since then. This chapter, along with the chapters on Management Discussion and Analysis and General Shareholders' Information, reports the Company's compliance with the Clause 49.

### Board of Directors

The Company has an Executive Chairman, and thus, 50% of the total number of Directors are Independent. The number of Non-executive Directors is more than 50% of the total number of Directors. 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. Motilal Oswal, Chairman & Managing Director is also the Chairman & Managing Director of Motilal Oswal Securities Limited (MOSL), a subsidiary of the Company. Mr. Raamdeo Agrawal and Mr. Navin Agarwal, the Non-executive Directors of your Company are also in the whole time employment of MOSL and draw remuneration from MOSL. Apart from the above and 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, subsidiary and Associates which in their judgement would affect their independence.

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, 2008, on 30th April, 2007, 9th July, 2007, 18th October, 2007 and 10th January, 2008. The maximum gap between any two meetings was not more than four months. All Meetings were well attended.

### Directors' Attendance Record and Directorship 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 Directors.

### Composition of the Board

As at 31st March, 2008, the Company's Board comprised of six members. The Chairman of the Board is the Managing Director of the Company and five 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, as also the number of Directorships and Committee positions held by them in companies are given herein below: -

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	Non-independent Non-executive (Promoter)	4	4	Yes	6	2	-
Mr. Navin Agarwal	Non-independent Non-executive	4	4	Yes	3	-	-
Mr. Ramesh Agarwal	Independent	4	4	No	2	1	-
Mr. Madhav Bhatkuly	Independent	4	4	No	1	-	-
Mr. Balkumar Agarwal	Independent	4	4	No	2	2	2
Mr. T. S. Anantharaman*	Non-independent Non-executive	2	1	Yes	-	-	-
Mr. Mark Rubin@	Non-independent Non-executive (Nominee of New Vernon Private Equity Ltd., Private Equity Investor)	2	-	-	-	-	-
Mr. Ankit Kesarwani (alternate Director to Mr. Mark Rubin) @	Non-independent Non-executive	2	2	-	-	-	-

\* ceased with effect from 8th August, 2007.

@ ceased with effect from 1st August, 2007.

\$ 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, unlimited companies and alternate Directorships.

\$\$ Committees considered are Audit Committee and Shareholders/Investors Grievance Committee 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 apprises 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, major legal issues, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, corporate restructuring, 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, 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.

### Remuneration paid to Directors

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

During 2007-2008, the Company did not advance any loans to any of its Directors. A total of 25,000 Stock Options have been granted to a Non-executive Director under the 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' (ESOS - V) in 2007-08. Details of these are given in the Annexure to the Directors' Report.

Details of the sitting fees paid to the Non-executive Directors during the year ended 31st March, 2008: -

Name of the Directors	Category	Sitting Fees (Rs.)	Stock Options Nos.
Mr. Raamdeo Agrawal	Non-independent Non-executive	Nil	Nil
Mr. Navin Agarwal	Non-independent Non-executive	Nil	25,000
Mr. Mark Rubin	Non-independent Non-executive	Nil	Nil
Mr. Ankit Kesarwani (alternate Director to Mr. Rubin)	Non-independent Non-executive	Nil	Nil
Mr. T. S. Anantharaman	Non-independent Non-executive	20,000	Nil
Mr. Ramesh Agarwal	Independent	1,20,000	Nil
Mr. Madhav Bhatkuly	Independent	80,000	Nil
Mr. Balkumar Agarwal	Independent	1,40,000	Nil

No commission was paid to the Directors during the year ended 31st March, 2008.

### Remuneration to the Chairman & Managing Director

No remuneration is paid to Mr. Motilal Oswal, Chairman & Managing Director. Mr. Oswal is also designated as the Chairman & Managing Director of Motilal Oswal Securities Limited (MOSL), a Material Non-listed Indian Subsidiary of the Company and draws remuneration from MOSL.

### 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, 2008.

Name of the Directors	Category	Number of Equity shares held
Mr. Raamdeo Agrawal	Non-independent Non-executive (Promoter of the Company)	46,85,620
Mr. Navin Agarwal	Non-independent Non-executive	15,60,802
Mr. Ramesh Agarwal	Independent	100
Mr. Madhav Bhatkuly	Independent	Nil
Mr. Balkumar Agarwal	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](http://www.motilaloswal.com). All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.



### Risk Management

The Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in detail 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.

The Nomination Committee and the Risk Management Committee, were constituted by the Board at its Meeting held 21st April, 2008, in accordance with the provisions of the Guidelines on Corporate Governance promulgated by the Reserve Bank of India.

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, 2008, the Audit Committee comprised of three Non-executive Directors, of which two are Independent. The Committee comprises:-

- i) Mr. Balkumar Agarwal, Independent Director (Chairman),
- ii) Mr. Ramesh Agarwal, Independent Director, and
- iii) Mr. Raamdeo Agrawal, Non-executive Director.

The terms of reference of this Committee is 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 company, 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. Mr. T. S. Anantharaman, the then Chairman of the Committee was present at the previous Annual General Meeting of the Company.

The Audit Committee met three times during the year on 9th July, 2007, 18th October, 2007 and 10th January, 2008. 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 thereat is given herein below: -

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Balkumar Agarwal*	Independent	Chairman	3	3
Mr. Ramesh Agarwal**	Independent	Member	2	2
Mr. Raamdeo Agrawal	Non-independent Non-executive	Member	3	3
Mr. T. S. Anantharaman @	Non-independent Non-executive	Chairman	1	-

@ ceased to be member with effect from 4th August, 2007.

\* appointed as chairman with effect from 18th October, 2007.

\*\* appointed as member with effect from 4th August, 2007.

Mr. Motilal Oswal, the Chairman & Managing Director, Internal Auditors and Statutory Auditors are regularly invited to attend 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, 2008, the Remuneration/Compensation Committee comprised of 3 members. The Committee comprises:-

- i) Mr. Ramesh Agarwal, Independent Director, (Chairman);
- 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 Scheme.

The Committee met three times during the year under review on 9th July, 2007, 18th October, 2007 and 10th January, 2008. The attendance details of the Committee Meetings are as under: -

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Ramesh Agarwal	Independent	Chairman	3	2
Mr. Balkumar Agarwal	Independent	Member	3	3
Mr. Motilal Oswal	Chairman & Managing Director	Member	3	3
Mr. T. S. Anantharaman @	Non-executive	Member	1	-

@ ceased to be member with effect from 8th August, 2007.

## iii. Shareholders/ Investors Grievance Committee

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

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

Mr. Tarun Khurana, Company Secretary is designated as the Compliance Officer.

The Committee meets as and when required, to deal with matters relating to non-receipt of share application money, non-receipt of credit of shares in Demat Account etc.

During the year under review, the Committee met once on 10th January, 2008 which was attended by all the members of the Committee.

Details of queries and grievances received and attended to by the Company during the year 2007-08 are given herein below: -

S. No.	Nature of complaint	Pending as on 1st April, 2007	Received during the year	Redressed during the year	Pending as on 31st March, 2008
i.	Status of Share application	Nil	318	318	Nil
ii.	Non Receipt of Refund	Nil	100	100	Nil
iii.	Non Receipt of Electronic Credit	Nil	25	25	Nil
iv.	Correction of Refund Orders	Nil	63	63	Nil
v.	Duplicate/ Revalidation of Refund Orders	Nil	13	13	Nil
vi.	SEBI /Stock Exchange Complaints/ Consumer Case	Nil	65	64	01
	<b>TOTAL</b>	<b>Nil</b>	<b>584</b>	<b>583</b>	<b>01</b>

### iv. Nomination Committee

The Nomination Committee comprised of 2 members- Mr. Motilal Oswal, Chairman & Managing Director and Mr. Raamdeo Agrawal, Non-executive Director.

The Committee was constituted by the Board on 21st April, 2008 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 comprised 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). Mr. Ramesh 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, 2008.
- 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 para 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 SEBI Regulations on prevention of insider trading, 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

#### 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 or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Accordingly, Mr. Raamdeo Agrawal and Mr. Navin 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: -

**Mr. Raamdeo Agrawal**

Mr. Raamdeo Agrawal is the Promoter of the Company. Mr. Agarwal is the first Director named in the Articles of Association of the Company. He is an Associate member of The Institute of Chartered Accountants of India. He is the member of the National Committee on Capital Markets of the Confederation of Indian Industry (CII). Mr. Agarwal specialises in equity research and has been writing the annual 'Motilal Oswal Wealth Creation Study' since its inception in 1996. He has also featured on wizards of Dalal Street on CNBC TV 18. In 1986, he wrote the book 'Corporate Numbers Game' along with co-author Mr. Ram K Piparia. Mr. Raamdeo Agrawal is the man behind the strong research capability at Motilal Oswal Securities Limited. Mr. Agrawal was awarded the "Rashtriya Samman Patra" by Central Board of Direct Taxes for a period of 5 years from 1995 to 1999.

Mr. Agarwal is on the Board of various Companies, he is Joint Managing Director of Motilal Oswal Securities Limited and Chairman of Motilal Oswal Venture Capital Advisors Private Limited. Mr. Agarwal is also Director of Motilal Oswal Investment Advisors Private Limited, Motilal Oswal Commodities Broker Private Limited, Motilal Oswal Capital Markets Private Limited, Motilal Oswal Insurance Broker Private Limited and Passionate Investment Management Private Limited.

Mr. Agrawal is the member of the Audit Committee and Shareholders/Investors' Grievance Committee of the Company.

Mr. Raamdeo Agrawal holds 46,85,620 Equity Shares of Rs.5 each in the Company.

**Mr. Navin Agarwal**

Mr. Navin Agarwal is associated with the Company since its inception. He is the first Director named in the Articles of Association of the Company. Mr. Agarwal is an employee of Motilal Oswal Securities Limited and is responsible for business development, especially in the FII segment. He specialises in Equity research and has rich and varied experience in the field of equity research and financial services. He started his career as a senior analyst with Insight Asset Management (Insight) in 1994. In 1996, he was appointed as the Head of Research at Insight and subsequently took up the additional responsibility of portfolio management services in 1998 in Insight. He was also responsible for developing 'Investment Insight' a research publication of Insight.

He is the member of the Institute of Chartered Accountants of India, Institute of Cost and Works Accountant of India and Institute of Company Secretaries of India. He has written a book on the stock markets titled "India's Money Monarch".

Mr. Navin Agarwal is also Director of Motilal Oswal Capital Markets Private Limited and Motilal Oswal Investment Advisors Private Limited.

He is not a member of the Audit Committee and the Shareholders/Investors Grievance Committee in any Company.

Mr. Navin Agarwal holds 15,60,802 Equity Shares of Rs.5 each in the Company.

**Means of Communication with Shareholders**

The Company publishes quarterly, half-yearly and annual results in national and local dailies. The Company 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 investors@motilaloswal.com as an Email ID for the purpose of registering complaints by investors and displayed the same on the Company's website.

**General Body Meetings**

The Company was incorporated on 18th May, 2005. The details of the Annual General Meetings held since then and the Special Resolutions passed thereat are given herein below: -

- The First Annual General Meeting of the Company was held on Friday, 29th September, 2006 at 4.00 p.m. at the Registered Office of the Company at 81/82, Bajaj Bhavan, 8th Floor, Nariman Point, Mumbai-400 021.
- The Second Annual General Meeting of the Company was held on Saturday, 4th August, 2007 at 11.00 a.m. at the Registered Office of the Company at Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai-400 064.

Year	Date	Time	Special Resolutions passed
2006	29th September, 2006	4.00 p.m.	No Special Resolution was passed
2007	4th August, 2007	11.00 a.m.	<ol style="list-style-type: none"> <li>1. Alteration of the Articles of Association of the Company.</li> <li>2. Recovery of Fringe Benefit Tax on the Stock Options exercised by the Employees.</li> <li>3. Payment of remuneration in the form of Commission to Directors who are neither in the whole-time employment of the Company nor Managing Director.</li> </ol>

**Details of Special Resolutions passed through postal ballot**

Sr. No.	Date of passing the Special Resolution	Description	% of Votes in favour of the Special Resolution
(i)	4th December, 2007	Amendment of the Objects Clause of the Memorandum of Association.	99.99%
(ii)	4th December, 2007	Introduction of the 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' for the benefit of the employees of the Company; and	99.61%
(iii)	4th December, 2007	Extension of the benefits of the 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' to the employees of the present and future subsidiaries of the Company.	99.61%

Mr. Nandlal B. Bafna, Proprietor, M/s. N. Bafna & Co., Company Secretaries, Mumbai, acted as a Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner. The Postal Ballot was conducted as per the provisions of section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. The Postal Ballot Notice dated 26th October, 2007 was dispatched on 2nd November, 2007. The results of the Postal Ballot were declared on 4th December, 2007.

No resolution is proposed to be passed through postal ballot.

**General Shareholder Information****(i) Details of the 3rd Annual General Meeting of the Company:-**

Date : 8th July, 2008

Time : 2.00 p.m.

Venue : Y. B. Chavan Centre, General Jagannathrao Bhosale Marg, Next to Sachivalaya Gymkhana, Nariman Point, Mumbai - 400 021

**(ii) Financial year of the Company**

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

**Financial Calendar:-**

Financial reporting for the	Tentative dates of the Board Meeting
first quarter ending 30th June, 2008	First fortnight of July, 2008
half year ending 30th September, 2008	First fortnight of October, 2008
third quarter ending 31st December, 2008	First fortnight of January, 2009
year ending 31st March, 2009	Second fortnight of April, 2009

- Annual General Meeting for the year ending 31st March, 2009 is likely to be held in the second fortnight of June, 2009.

**(iii) Date of Book Closure**

From 16th May, 2008 to 31st May, 2008, inclusive of both days.

**(iv) Dividend Payment Date**

Subject to the approval of the members, the dividend of Rs.4 per share recommended by the Board will be paid on or after 9th July, 2008.

**(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 2008-2009 has been paid in full to BSE and NSE.

**(vi) Stock Code/ISIN No.**

BSE : 532892

NSE : MOTILALOFS

**Demat International Security Identification Number (ISIN)** in NSDL and CDSL for equity shares: INE338I01019.

**(vii) Market Price Data**

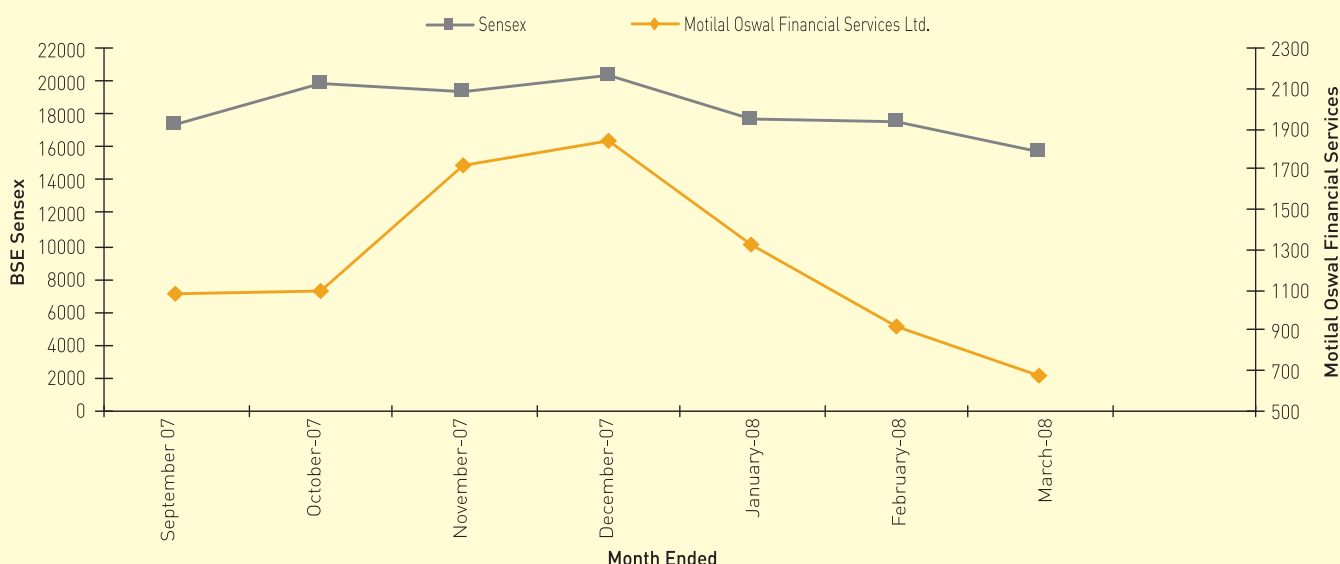
High, low during each month (since 11th September, 2007, being the date of listing of the shares of the Company) in the last financial year at BSE and NSE:-

Month	BSE Rs.		NSE Rs.	
	High	Low	High	Low
September, 2007	1,106.00	913.00	1,109.40	911.10
October, 2007	1,312.00	1,030.00	1,321.00	892.20
November, 2007	1,950.00	1,080.00	1,960.00	1,071.00
December, 2007	1,948.65	1,635.00	1,949.00	1,610.00
January, 2008	2,270.00	1,229.25	2300.00	1246.95
February, 2008	1,350.00	898.00	1,350.00	900.00
March, 2008	905.00	515.00	901.00	511.05

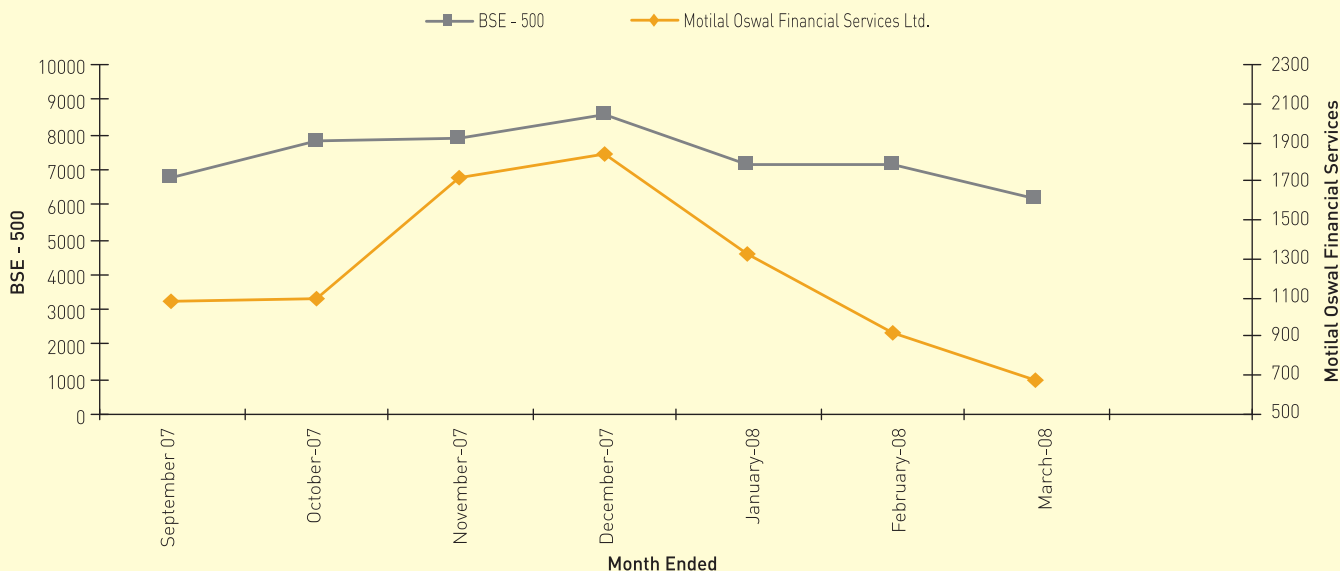
**(viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.:**

The Company is the constituent of the BSE - 500. The performance of the Company's shares relative to the BSE Sensex and BSE - 500 is given in the chart below:-

**MOFSL Share performance versus BSE Sensex**



**MOFSL Share performance versus BSE - 500**



**(ix) Registrar and Transfer Agent****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  
 Email: isrl@intimespectrum.com  
 Website: www.intimespectrum.com

The Registrars and Transfer Agent also have an office at:

**Intime Spectrum Registry Limited**

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

**(x) 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. Anish Unadkat and Mr. Tarun Khurana 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.

**(xi) Distribution of Shareholding**

Distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2008.

**Shareholding pattern by size as on 31st March, 2008: -**

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 - 500	18,251	4,79,444	1.69
501 - 1000	108	88,438	0.31
1001 - 2000	73	1,14,817	0.40
2001 - 3000	47	1,24,665	0.44
3001 - 4000	15	53,610	0.19
4001 - 5000	18	87,932	0.31
5001 - 10000	28	2,06,254	0.73
10001 & Above	63	2,72,48,840	95.93
<b>TOTAL</b>	<b>18,603</b>	<b>2,84,04,000</b>	<b>100</b>

**Shareholding pattern by ownership as on 31st March, 2008: -**

Sr. No.	Description	Number of Shares	% to capital
(i)	Promoters	1,96,22,248	69.08
(ii)	Persons acting in concert	3,65,652	1.29
(iii)	Mutual Funds	529,626	1.86
(iv)	Foreign Institutional Investors/ Foreign Companies/Foreign Venture Capital	40,20,965	14.16
(v)	NRIs/OCBs	21,864	0.08
(vi)	Bodies Corporate	15,04,910	5.30
(vii)	Public	23,38,735	8.23
	<b>TOTAL</b>	<b>2,84,04,000</b>	<b>100.00</b>



**(xii) Dematerialisation of Shares**

As on 31st March, 2008, 96.19% 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 post-IPO for the specified periods, the stock is liquid.

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

As on March 31, 2008, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments (excluding ESOPs).

**(xiv) Plant Locations:**

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

**(xv) 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: investors@motilaloswal.com

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

### **Managing Director'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, 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**  
*Chairman & Managing Director*

Mumbai, 21st April, 2008.

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 March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further 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 **Haribhakti & Co.**  
*Chartered Accountants*

**Manoj Daga**  
*Partner*  
Membership No. 048523

Place: Mumbai  
Dated: 21st April, 2008

### To the members of the Motilal Oswal Financial Services Limited

1. We have audited the attached Balance Sheet of **Motilal Oswal Financial Services Limited** as at 31st March, 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 misstatements. 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) 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.
  - b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examinations of those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply, in all material respect, with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
  - e) On the basis of the written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors of the Company, we report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the other notes thereon 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;
    - (i) in so far it relates to the Balance Sheet, of the state of affairs of the company as at 31st March, 2008;
    - (ii) in so far it relates to Profit and Loss Account, of the profit of the company for the year ended on that date.
    - (iii) in so far it relates to the Cash Flow Statement, of the cash flows for the year ended on that date.

For **HARIBHAKTI & CO.**,  
*Chartered Accountants*

Place : Mumbai  
Dated : 21st April, 2008

**Manoj Daga**  
*Partner*  
Membership No. 048523

**Annexure referred to in paragraph 3 of our report of even date to the members of Motilal Oswal Financial Services limited on the financial statement for the year ended March 31, 2008**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The Company has carried out physical verification of all its fixed assets, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that no material discrepancies were noticed on such verification as compared to book records.
3. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the Company has not disposed off substantial part of its fixed assets during the year.
4. As informed to us, the inventories (shares), which are held in dematerialized form, have been verified by the management with the supporting evidence during the year. In our opinion, the frequency of verification is reasonable.
5. The procedures of verification of inventory (shares) followed by the management are reasonable and adequate in relation to size of the company and the nature of its business.
6. On the basis of our examination of the records of inventory (shares), we are of the opinion that the Company is maintaining proper records of inventory (shares). We are informed that no discrepancies were noticed on verification between the dematerialized stocks and the book records.
7. As informed to us, the Company has granted unsecured loans to Subsidiary Companies listed in the register maintained under Section 301 of Companies Act, 1956. The amount of transaction involved during the year was Rs.61176.89 lacs. The maximum amount outstanding during the year is Rs.6765.62 lacs and the year-end balance of loan obtained from such parties was Rs.31.00 lacs. The Company has not taken any loan covered in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of loan given by the Company, are prima facie not prejudicial to the interest of the Company.
8. As informed to us, the Company is regular in receiving the principal and interest of the loan granted as per the stipulations.
9. As informed to us there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase and sale of inventory and fixed assets. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
10. On the basis of our examination of relevant records and on the basis of representation received from the management, that the transactions that need to be entered into register maintained under Section 301 of the Companies Act, 1956 have been so entered. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
11. As informed to us, the Company has not accepted any deposit from the "public" attracting the provisions of Sections 58A and 58AA of the Companies Act, 1956 or the rules framed thereunder.
12. As informed to us, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
13. According to the records of the Company and according to the information and explanations provided to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities as applicable.
14. There are no undisputed amounts payable in respect of Provident Fund, Investor Education Protection Fund, Sales Tax, Wealth Tax, Income Tax, Custom Duty, Excise Duty, Service Tax, cess and other statutory dues which are outstanding as at March 31, 2008 for the period of more than six months from the date they become payable.
15. As informed to us there are no disputed amount payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess as on March 31, 2008.
16. The Company has been registered for less than five years. Consequently clause 4(x) is not applicable to the Company.
17. As informed to us the Company has not defaulted in repayment of dues to financial Institutions, banks and debenture holders during the year.

18. As informed to us, the Company maintained adequacy of documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities.
19. Based on our audit procedures and according to the information and explanation provided to us by the management, we are of the opinion that the Company has maintained proper records in respect of the trading transactions and contracts of shares, securities, debentures and other investment. Also, the Company has accounted such transaction on date of transactions. Further, the investments have been held by the Company in its own name.
20. As informed to us, the company has given guarantees of Rs.4.7 crores for loan taken by other from banks or financial institutions.
21. During the year no fresh term loan has been obtained by the Company.
22. On the basis of overall examination of the Balance Sheet of the Company and the information & explanation provided to us, prima facie no fund raised on short term basis have been used for long term purposes.
23. As informed to us, the company has not made any preferential allotment of shares.
24. During the year the company has issued unsecured debentures.
25. The management has disclosed the end use of money raised by way of public issue and the same has been verified during the year.
26. Based upon the audit procedures performed and the information and explanations provided to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

The following clause of Order are not applicable to the company and hence are not reported upon :  
4(viii) & 4(xiii).

For **HARIBHAKTI & CO.,**  
*Chartered Accountants*

Place : Mumbai  
Dated : 21st April, 2008

**Manoj Daga**  
*Partner*  
Membership No. 048523

## Balance Sheet as at 31st March, 2008

	Sch. No.	As at 31-Mar-08 (Rupees)	As at 31-Mar-07 (Rupees)
<b>I SOURCES OF FUNDS</b>			
<b>Share Holder's Fund</b>			
Share Capital	A	142,020,000	127,106,450
Reserves and Surplus	B	3,857,222,357	1,469,550,585
<b>TOTAL</b>		<b>3,999,242,357</b>	<b>1,596,657,035</b>
<b>II APPLICATION OF FUNDS</b>			
<b>Fixed Assets (At Cost) :</b>			
Gross Block		54,500	-
Less:- Depreciation		3,584	-
Net Block	C	50,916	-
<b>Investments</b>	D	1,353,994,544	475,494,544
<b>Deferred Tax Asset</b>		223,380	646,735
<b>Current Assets, Loans and Advances :</b>	E		
Cash and bank balances		10,668,426	71,625,377
Loans & Advances		2,735,774,295	1,061,207,295
Other Assets		104,393,447	24,036,626
Stock in Trade	F	16,304,540	-
	(i)	<b>2,867,140,709</b>	<b>1,156,869,298</b>
<b>Current Liabilities and Provisions :</b>	G		
Current Liabilities		3,874,985	5,154,132
Provision		218,292,207	31,199,410
	(ii)	<b>222,167,192</b>	<b>36,353,542</b>
<b>Net Current Assets</b>	(i)-(ii)	<b>2,644,973,517</b>	<b>1,120,515,756</b>
<b>TOTAL</b>		<b>3,999,242,357</b>	<b>1,596,657,035</b>
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of the financial statements	N		

As Per Our Attached Report of Even Date  
For **Haribhakti & Co.**  
Chartered Accountants

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

For and on behalf of the Board of  
**Motilal Oswal Financial Services Ltd.**

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008



## profit and loss account

### Profit And Loss Account for the year ended 31st March, 2008

	Sch. No.	For the year ended 31-Mar-08 (Rupees)	For the year ended 31-Mar-07 (Rupees)
<b>INCOME</b>			
Income from operations	H	320,961,927	107,486,110
Other Income	I	34,798,615	2,295,922
<b>TOTAL</b>		<b>355,760,543</b>	<b>109,782,033</b>
<b>EXPENDITURE</b>			
Operating Expenses	J	2,191,025	239,936
Personnel Expenses	K	13,607,468	13,924,152
Administrative & Other Expenses	L	49,652,436	8,041,798
<b>TOTAL</b>		<b>65,450,929</b>	<b>22,205,886</b>
<b>Profit before Depreciation, Interest, Taxation, Exceptional Items &amp; Prior period</b>		<b>290,309,614</b>	<b>87,576,146</b>
Depreciation		3,584	-
<b>Profit before Interest, Taxation, Exceptional Items &amp; Prior period</b>		<b>290,306,030</b>	<b>87,576,146</b>
Interest and Finance Charges	M	44,623,381	1,997,981
<b>Profit before Taxation, Exceptional Items &amp; Prior period</b>		<b>245,682,649</b>	<b>85,578,165</b>
Prior Year Income/(Expenses)			(5,368,711)
Exceptional Items		-	(42,641,006)
<b>PROFIT BEFORE TAX</b>		<b>245,682,649</b>	<b>37,568,448</b>
<b>Provision for Tax</b>			
Current Tax		71,687,872	27,662,723
Fringe Benefit Tax		667,094	62,878
Deferred Tax		423,355	334,555
		72,778,320	28,060,156
<b>PROFIT AFTER TAX</b>		<b>172,904,329</b>	<b>9,508,292</b>
Balance brought forward from Previous year		5,725,069	(1,880,531)
		<b>178,629,398</b>	<b>7,627,761</b>
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>		<b>178,629,398</b>	<b>7,627,761</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserve for the year		34,580,866	1,901,659
Transfer to Capital Redemption Reserve		-	1034
Dividend - Rs.4 per share - Proposed		113,616,000	-
Transfer to General Reserve		13,832,346	-
<b>Balance Carried to Balance Sheet</b>		<b>16,600,186</b>	<b>5,725,068</b>
<b>Earnings Per Share (Rs.)</b>			
<b>Basic EPS before Extraordinary Items (Face Value Per Share Rs.5/-)</b>		<b>6.37</b>	<b>0.47</b>
<b>Diluted EPS before Extraordinary Items (Face Value Per Share Rs.5/-)</b>		<b>6.32</b>	<b>0.42</b>
<b>Basic EPS after Extraordinary Items (Face Value Per Share Rs.5/-)</b>		<b>6.37</b>	<b>0.47</b>
<b>Diluted EPS after Extraordinary Items (Face Value Per Share Rs.5/-)</b>		<b>6.32</b>	<b>0.42</b>
Significant Accounting Policies & Notes to Accounts	N		
Schedules 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.**

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

## Cash Flow Statement

Particulars	For the Year Ended 31st March, 2008		For the Year Ended 31st March, 2007	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
PROFIT BEFORE TAX		245,682,649		85,578,166
Add :				
1) Depreciation		3,584		-
		<u>245,686,232</u>		<u>85,578,166</u>
Adjustment For:				
1) (Increase)/Decrease In Stock-in-trade	(16,304,540)		-	
2) (Increase)/Decrease In Loans & Advances	(1,674,567,000)		(1,055,431,694)	
3) Provision for Gratuity	(1,066,503)		-	
4) (Increase)/Decrease In Interest Accrued/ Other Current Assets	(140,494,402)		(10,108,779)	
5) Increase In Current Liabilities	909,189	(1,831,523,256)	7,352,512	(1,058,187,960)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(1,585,837,023)</b>		<b>(972,609,794)</b>
Taxes Paid		60,137,581		(19,549,073)
<b>NET CASH FROM OPERATING ACTIVITIES BEFORE EXCEPTIONAL ITEMS</b>		<b>(1,525,699,443)</b>		<b>(992,158,867)</b>
Less Exceptional items		-		(42,641,006)
		<b>(1,525,699,443)</b>		<b>(1,034,799,873)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(Increase)/Decrease In Investments	(28,500,000)		(126,000,000)	
(Increase)/Decrease in Fixed Assets	(54,500)	(28,554,500)	-	(126,000,000)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(28,554,500)</b>		<b>(126,000,000)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) In Share Capital	14,913,550		65,794,293	
Increase/(Decrease) In Securities Premium Account	2,328,383,442	2,343,296,992	1,461,922,824	1,527,717,117
<b>Net Cash Flow For The Period ended</b>		<b>789,043,049</b>		<b>366,917,244</b>
<b>Cash &amp; Cash Equivalents as at beginning of period :</b>				
Cash as at beginning of period		71,625,377		34,708,133
Cash Equivalents ( Mutual Fund Investment) as at beginning of period		330,000,000		-
<b>Total Cash &amp; Cash Equivalents as at beginning of period</b>		<b>401,625,377</b>		<b>34,708,133</b>
<b>Cash &amp; Cash Equivalents as at end of period :</b>				
Cash as at end of period		10,668,426		71,625,377
Cash Equivalents (Mutual Fund Investment) as at end of period		1,180,000,000		330,000,000
<b>Total Cash &amp; Cash Equivalents as at end of period</b>		<b>1,190,668,426</b>		<b>401,625,377</b>

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.**

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

## Schedules to Balance Sheet as at 31st March, 2008

	As at 31-Mar-08 (Rupees)		As at 31-Mar-07 (Rupees)
<b>Schedule A : Share Capital</b>			
AUTHORISED			
17,40,00,000 Equity Shares of Rs.5 each	870,000,000		870,000,000
50,00,000 Preference Shares of Rs.100 each	500,000,000		500,000,000
<b>TOTAL</b>	<b>1,370,000,000</b>		<b>1,370,000,000</b>
ISSUED, SUBSCRIBED & PAID UP			
28,404,000 Equity Shares of Rs.5/- each fully paid up (previous yr. 25,421,290 equity shares of Rs.5 each fully paid up)	142,020,000		127,106,450
<b>TOTAL</b>	<b>142,020,000</b>		<b>127,106,450</b>
<b>Schedule B : Reserves &amp; Surplus</b>			
<b>Statutory Reserve (under Sec. 45IC of RBI Act, 1934)</b>			
Opening balance	1,901,659		
Add : Transfer from Profit & Loss A/c for the Period	34,580,866	36,482,525	1,901,659
<b>Securities Premium Account</b>			
Opening balance	1,461,922,824		
Addition during the period	2,445,822,200		
	3,907,745,024		
Less : Utilisation for IPO expenses	(117,438,758)	3,790,306,266	1,461,922,824
<b>Capital Redemption Reserve</b>			
Opening balance	1,034		
Addition during the period	-	1,034	1,034
<b>Profit &amp; Loss Account</b>			
		16,600,186	5,725,068
<b>General Reserve</b>			
Opening balance	-		-
Addition during the period	13,832,346	13,832,346	-
<b>TOTAL</b>		<b>3,857,222,357</b>	<b>1,469,550,585</b>

**Schedule C : Fixed Assets**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	For the period ended 31.03.2008	Deductions	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
COMPUTER	-	54,500	-	54,500	-	3,584	-	3,584	50,916	-
<b>TOTAL</b>	-	54,500	-	54,500	-	3,584	-	3,584	50,916	-

## Schedules to Balance Sheet as at 31st March, 2008

	Quantity	As at 31-Mar-08 (Rupees)	As at 31-Mar-07 (Rupees)
<b>Schedule D : Investments -</b>			
<b>Long Term Investments</b>			
<b>Investment in Equity Shares</b>			
<b>Quoted Investments</b>			
IDFC Ltd. (market value as on 31-03-08 is Rs.20,695,491)	136,649	6,312,364	6,312,364
<b>Unquoted Investments -</b>			
<b>Equity Shares in subsidiary companies</b>			
Motilal Oswal Securities Ltd	1,318,218	13,182,180	13,182,180
Motilal Oswal Commodities Brokers Pvt Ltd	400,000	4,000,000	4,000,000
Motilal Oswal Investment Advisors Pvt Ltd	750,000	7,500,000	7,500,000
Motilal Oswal Venture Capital Advisors Pvt Ltd	50,000	500,000	500,000
		<u>31,494,544</u>	<u>31,494,544</u>
<b>Unquoted Investments - Preference Shares</b>			
Motilal Oswal Investment Advisors Pvt Ltd	9,000,000	-	90,000,000
Motilal Oswal Commodities Brokers Pvt Ltd	600,000	6,000,000	-
<b>Other Investments</b>			
Investments In India Business Excellence Fund		136,500,000	24,000,000
<b>Current Investments</b>			
Investment in Mutual Funds :			
Birla Sunlife Mutual Fund (4,629,677.839 units of Birla Sunlife Mutual Fund of NAV 10.7999)		50,000,000	
ICICI Prudential Mutual Fund (90014916.233 units of ICICI Prudential Mutual Fund of NAV 9.9983)		900,000,000	
Principal Mutual Fund (23002783.613 units of Principal Mutual Fund of NAV 9.9988 and Previous Year 32997690.162 units of Principal Mutual Fund of NAV 10.0007)		230,000,000	330,000,000
<b>TOTAL</b>		<u><u>1,353,994,544</u></u>	<u><u>475,494,544</u></u>

## Schedules to Balance Sheet as at 31st March, 2008

	As at 31-Mar-08 (Rupees)	As at 31-Mar-07 (Rupees)
<b>Schedule E : Current Assets, Loans &amp; Advances</b>		
<b>Cash &amp; Bank Balance</b>		
Cash in hand	1,836	1,836
Balance With :		
Scheduled Bank - In Current Account	4,514,591	71,623,541
Fixed Deposit with Banks (lien with stock exchange)	6,152,000	-
<b>TOTAL (A)</b>	<b>10,668,426</b>	<b>71,625,377</b>
<b>Loans &amp; Advances</b>		
Loans, Advances & Deposits Recoverable in Cash or In Kind or for Value to be received		
<b>Standard Assets</b>		
Loans to Subsidiary	3,100,929	71,587,275
Loans to Others		
Unsecured (includes interest accrued on loans)	341,933,438	
Secured (includes interest accrued on loans)	2,390,190,381	2,732,123,819
<b>Sub-Standard Assets</b>		
Non Performing Assets (Debts outstanding for a period exceeding Six months)	392,537	-
Less: Provision for bad & doubtful debts	(39,254)	-
Other Advances		6,125,535
Loan to staff	196,263	231,990
<b>TOTAL (B)</b>	<b>2,735,774,295</b>	<b>1,061,207,295</b>
<b>Other Assets</b>		
Advance Tax & Tax Deducted at Source	79,686,654	19,549,073
Accrued Interest on Fixed Deposit Receipt	44,043	
Interest On Staff Loan Receivable	-	1,927
IPO expenses carried forward	-	4,485,626
Deposit with BSE for IPO	12,320,929	-
Prepaid expenses	11,009	-
Service tax credit	12,330,813	-
<b>TOTAL (C)</b>	<b>104,393,447</b>	<b>24,036,626</b>
<b>TOTAL (A + B + C)</b>	<b>2,850,836,168</b>	<b>1,156,869,298</b>

## Schedules to Balance Sheet as at 31st March, 2008

	Quantity	As at 31-Mar-08 (Rupees)	As at 31-Mar-07 (Rupees)
<b>Schedule F : Stock in Trade (shares)</b>			
Aia Engineering Limited	204	307,306	-
Amtek Auto Limited	38	9,724	-
Andhra Bank	250	18,400	-
Alstom Projects India Limited	8	4,542	-
Ashok Leyland Ltd.	1,000	35,260	-
Bajaj Auto Limited	3,070	2,023,235	-
Bharat Electronics Ltd.	47	50,168	-
Bharti Airtel Limited	4	2,999	-
Bhushan Steel Limited	42	27,974	-
Biocon Limited	451	190,376	-
Brigade Enterprises Limited	104	17,529	-
BSEL Infrastructure Realty Limited	5,341	233,936	-
CESC Ltd.	802	323,254	-
Corporation Bank	306	86,290	-
Cummins India Ltd.	9	2,902	-
The Dhanalakshmi Bank Ltd.	3,686	231,297	-
DLF Limited	44	28,297	-
Donear Industries Limited	541	33,785	-
Elgitread (India) Ltd.	15,099	269,517	-
Foseco India Ltd.	545	207,999	-
Global Broadcast News Limited	1,687	226,311	-
Gitanjali Gems Limited	84	18,560	-
Gujarat Fluorochemicals Ltd.	22,709	4,111,464	-
GVK Power & Infrastructure Limited	30	1,202	-
Harig Crankshafts Ltd.	800	1,664	-
Havells India Limited	216	99,343	-
Hero Honda Motors Ltd.	5	3,473	-
Hinduja Ventures Limited	582	191,478	-
Hinduja TMT Ltd.	1,465	481,692	-
India Infoline Limited	1	769	-
Indian Oil Corporation Ltd.	71	31,634	-
IVRCL Infrastructures & Projects Ltd.	695	277,705	-
Jayshree Tea & Industries Ltd.	1,001	108,358	-
Jaiprakash Associates Limited	2,250	509,738	-
Jindal Stainless Limited	125	17,650	-
Kesoram Industries Ltd.	682	264,740	-
Kotak Mahindra Bank Limited	1,204	750,626	-
Lanco Infratech Limited	21	8,160	-
Larsen & Toubro Limited	4	11,830	-
Lupin Limited	77	37,509	-
United Spirits Limited	11	16,521	-
MH Mills and Industries Ltd.	1,150	11,155	-
Moser-Baer (I) Ltd.	21	3,029	-
Myffe	5,061	72,170	-
National Aluminium Company Limited	25	11,295	-

Schedules to Balance Sheet as at 31st March, 2008

	Quantity	As at 31-Mar-08 (Rupees)	As at 31-Mar-07 (Rupees)
<b>Schedule F : Stock in Trade (shares) (contd.)</b>			
Info Edge (India) Limited	1,115	921,720	-
Oil & Natural Gas Corpn. Ltd.	195	191,207	-
Peninsula Land Limited	3	267	-
Rajesh Exports Ltd.	1	73	-
Redington (India) Limited	378	133,570	-
Remi Metals Gujarat Ltd.	5,000	39,250	-
Steel Authority of India Ltd.	270	50,031	-
Sanghi Industries Limited	2,003	146,738	-
Shipping Corporation of India Ltd.	4,000	794,600	-
Sesa Goa Ltd.	443	1,389,234	-
Shree Cements Ltd.	3	3,273	-
Shri Dinesh Mills Ltd.	500	614,301	-
SKM Egg. Products Export (India) Ltd.	5,000	79,500	-
Solectron Ems India Limited	1	181	-
Syschem	25,500	37,740	-
Tata Communications Limited	13	6,668	-
Tata Investment Corporation Limited	500	245,550	-
Tata Consultancy Services Limited	3	2,431	-
Ultratech Cement Limited	322	251,485	-
United Phosphorous Limited	3	786	-
Unitech Limited	9	2,486	-
Voltas Limited	14	2,494	-
Wipro Limited	1	420	-
Yashraj	1,900	17,670	-
<b>TOTAL</b>		<b>16,304,540</b>	

NOTE: Market Value of stock as on 31.03.08 is Rs.165.35 Lacs

**Schedule G : Current Liabilities & Provisions**

**Current Liabilities :**

Sundry Liabilities - due to others	3,874,985	5,154,132
<b>TOTAL (A)</b>	<b>3,874,985</b>	<b>5,154,132</b>

**Provisions :**

Provision for Gratuity	277,441	1,343,944
Provision for Fringe Benefit Tax	729,972	62,878
Provision for Income Tax	99,350,594	27,662,723
Provision for Ex Gratia	4,318,200	2,129,863
Proposed Dividend	113,616,000	-
<b>TOTAL (B)</b>	<b>218,292,207</b>	<b>31,199,408</b>
<b>TOTAL (A + B)</b>	<b>222,167,192</b>	<b>36,353,540</b>



## Schedules to the Profit and Loss Account for the year ending 31st March, 2008

	For the year ended 31-Mar-08 (Rupees)	For the year ended 31-Mar-07 (Rupees)
<b>Schedule H - Income From Operations</b>		
Interest (TDS Rs.24,247,145)	312,532,474	107,486,110
Profit / (Loss) from Arbitrage Transaction	6,929,453	-
Processing Charges	1,500,000	-
	<b>320,961,927</b>	<b>107,486,110</b>
<b>Schedule I - Other Income</b>		
Dividend From Indian Companies	151,978	136,649
Dividend on Mutual Fund	33,435,431	2,122,425
Interest on Fixed Deposits	287,907	17,868
Miscellaneous Income	923,300	18,980
<b>TOTAL</b>	<b>34,798,615</b>	<b>2,295,922</b>
<b>Schedule J - Operating Expenses</b>		
Stamp duty & Miscellaneous	2,111,764	239,936
Depository charges	79,261	-
<b>TOTAL</b>	<b>2,191,025</b>	<b>239,936</b>
<b>Schedule K : Personnel Expenses</b>		
Salary, Bonus and Allowances	9,364,110	10,957,585
Ex-gratia	4,548,200	2,129,863
Directors sitting fees	360,000	178,050
Contribution to provident and other funds	194,772	54,101
Staff welfare expenses	206,889	-
Gratuity	(1,066,503)	604,553
<b>TOTAL</b>	<b>13,607,468</b>	<b>13,924,152</b>
<b>Schedule L : Administrative &amp; Other Expenses</b>		
Rent, rates and taxes	9,720	-
Legal & Professional Fees	5,007,424	6,946,121
Remuneration to auditors	278,247	84,180
Membership and subscription	1,602,900	21,043
Marketing and Brand Promotion	36,334,382	46,350
Printing & Stationery	1,301,027	2,504
Communication Expenses	58,749	14,959
Travelling Expenses	1,564,663	496,836
Conveyance Expenses	34,380	29,290
Courier Expenses	10,912	-
Office Expenses	4,830	3,654
Entertainment Expenses	654,470	276,070
Miscellaneous Expenses	69,891	34,844

## Schedules to the Profit and Loss Account for the year ending 31st March, 2008

	For the year ended 31-Mar-08 (Rupees)	For the year ended 31-Mar-07 (Rupees)
<b>Schedule L : Administrative &amp; Other Expenses (contd.)</b>		
Filing Fees	20,992	43,427
Provision for bad & doubtful debts	39,254	-
Listing and credit rating fees	2,000,000	-
Preliminary Expenses Written Off	-	42,520
Foreign Exchange Gain / (Loss)	1,596	-
Busines Support Charges	600,000	-
Donation	59,000	-
<b>TOTAL</b>	<b>49,652,436</b>	<b>8,041,798</b>
<b>Schedule M : Interest &amp; Finance Charges</b>		
Bank Charges	334,909	41,816
Interest cost	44,288,472	1,956,165
<b>TOTAL</b>	<b>44,623,381</b>	<b>1,997,981</b>

## Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

### Schedule N : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2008

#### I Nature of Business:

The Company is 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 Rs.34,580,866 to Reserve Fund, it being 20% of the Profit After Tax.

#### II Significant Accounting Policies:

##### 2.1 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.

##### 2.2 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.

##### 2.3 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 Rs.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.

##### 2.4 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. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investment.

##### 2.5 Revenue Recognition:

- a) Interest Income is recognized on the time proportionate basis as per agreed terms.
- b) Interest income on non-performing assets is recognized on cash basis.

**Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008**

- c) Dividend income is recognized when the right to receive payment is established.
- d) In respect of other heads of income, the Company accounts the same on accrual basis.
- e) Equity index/stock - Futures:
  - a) Initial Margin and additional margin paid, for entering into contracts for equity index/stock futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed under 'Current Assets, Loans and Advances'.
  - b) Equity index/stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Current Assets, Loans and Advances or Current Liabilities, respectively represents the net amount paid or received on the basis of movement in the prices of index/stock futures till the balance sheet date.
  - c) As on the balance sheet date, profit/loss on open positions in index/stock futures are accounted for as follows :
 

Profit and loss on hedged transactions are recognized on net basis. In respect of other transactions, credit balance being anticipated profit is ignored and no credit for the same is taken in the profit and loss account. Debit balance being anticipated loss is adjusted in the profit and loss account.
  - d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract is recognised in the profit and loss account.
- f) Equity index/stock - Options:
  - a) Initial margin and additional margin paid for entering into contracts for equity index/stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under Current Assets, Loans and Advances.
  - b) As at the balance sheet date, profit and loss account on hedged transactions are recognized on net basis. In case of other transactions, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options.
  - c) When the option contracts are squared-up before expiry of the options, the profit and loss on account of difference in the premium paid / received is recognized in Profit and Loss Account. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up/settled contracts.

**2.6 Stock in Trade:**

Stock in trade, comprising of securities is valued at cost or net realizable value, whichever is lower. Cost is considered on First In First Out basis (FIFO).

**2.7 Expenditure on an Intangible Item:**

Expenditure on an intangible item that cannot be treated as an asset is recognised as an expense.

**2.8 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 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 except those related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

## Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

### 2.9 Employee Benefits:

#### Providend Fund:

Contribution payable to the recognised providend 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 recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date and less the fair value of plan assets, 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.

#### Bonus / Ex-gratia Plans:

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.

### 2.10 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 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 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.

#### Fringe Benefit Tax:

Provision for Fringe Benefit Tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

### 2.11 Preliminary Expenses:

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

### 2.12 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 recognised in the financial statements. However, contingent assets are assessed

**Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008**

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.

**2.13 Discount on issue of Commercial Paper:**

Discount on commercial paper is amortised over the tenure of the commercial paper.

**2.14 Classification of Non-performing assets:**

The Company follows the norms applicable to NBFC as per the RBI regulations for classification of Non-performing assets.

**III NOTES TO ACCOUNTS:**

**3.1 Contingent Liabilities:**

The company has given corporate guarantees of Rs.47,000,000 (Previous Year : 712,000,000) to various banks for its subsidiary companies.

**3.2 Credit rating:**

During the year, Crisil Limited assigned the Credit Rating of 'P1+' (pronounced 'P One Plus') to the Short Term Debt Programme of Rs.200 crores of the Company. Commercial Papers of Rs.100 crores and Non-Convertible Debentures of Rs.100 Crores were issued by the Company under this Programme, all of which were redeemed during the year.

**3.3 Employees' Stock Options Scheme (ESOS) :**

During the year, the company has granted 700,000 Employee Stock Options to various employees of the company and its subsidiary companies.

The company has adopted intrinsic value method of accounting for Employee Compensation Cost in respect of ESOS. The intrinsic value of the shares is excess of the 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 amortised over the vesting period is Rs.Nil (Previous Year: Rs.47,770,000). Accordingly, the company has charged off to the Profit and Loss Account an amount of Rs.Nil for the year ended 31st March 2008 (Previous Year: Rs.42,640,000) towards Employee Compensation Cost. Considering the frequency and materiality of this cost, it is reflected as Exceptional Item in Profit and Loss Account.

**3.4 Auditor's Remuneration (exclusive of Service Tax) : -**

(Rupees)

Particulars	2007-08	2006-07
<b>As Auditors:</b>		
Audit Fees	208,000	50,000
Tax Audit Fees	25,000	25,000
Out of pocket expenses	25,247	NIL
<b>In other capacity</b>	20,000	1,000,000
<b>Total</b>	<b>278,247</b>	<b>1,075,000</b>

**3.5 Deferred tax Assets/(Liability) for the year comprise timing differences on account of:**

(Rupees)

Particulars	2007-08	2006-07
<b>Deferred Tax Liability</b>		
Depreciation of fixed assets	(4,339)	-
<b>Deferred Tax Asset</b>		
Preliminary expenses	133,416	189,927
Provision for Gratuity	94,303	456,807
<b>Net Deferred Tax Asset/ (Liability)</b>	<b>223,380</b>	<b>646,735</b>

Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

**3.6 Basic & Diluted Earnings/(Loss) per share:**

Particulars	2007-08	2006-07
Net Profit/(Loss) attributable to equity shareholders [A] (Rs.)	172,629,398	9,508,293
Weighted Average of equity shares issued [B]	27,124,532 (face value of Rs.5 each)	20,025,063 (face value of Rs.5 each)
<b>Basic Earnings/(Loss) per share (Annualised EPS) [A/B] (Rs.)</b>	6.37	0.47
Weighted Number of equity shares outstanding for Diluted EPS [C]	27,339,983 (face value of Rs.5 each)	22,587,189 (face value of Rs.5 each)
<b>Diluted Earnings per share (Annualised) EPS) [A/C] (Rs.)</b>	6.32	0.42

**3.7 Related Party Disclosure :**

**Names of Related Parties :-**

- A) Enterprises where control exists  
Subsidiary companies :
- a) Motilal Oswal Securities Limited
  - b) Motilal Oswal Investment Advisors Private Limited
  - c) Motilal Oswal Venture Capital Advisors Private Limited
  - d) Motilal Oswal Commodities Broker Private Limited
  - e) Motilal Oswal Capital Market Private Limited (with effect from 18th December, 2007)
- B) Enterprises in which Key Managerial Personnel exercise Significant Influence :
1. Passionate Investment Management Private Limited
  2. Motilal Oswal Insurance Broker Private Limited
  3. Nagori Agro & Cattle Feeds Private Limited
  4. Rishabh Securities Private Limited
  5. Windwell Securities Private Limited
  6. Textile Exports Private Limited
- C) Key Management Personnel :
- Mr. Motilal Oswal - Chairman & Managing Director  
Mr. Raamdeo Agrawal - Director

**Transactions with related parties for the year ended 31.03.2008:**

(Rupees)

Transaction	Subsidiaries	
	2007-08	2006-07
Business Support Service	600,000	
Business Support Service	(900,000)	
Interest	(12,146,737)	-
Brokerage	233,507	
Corporate Guarantees	(47,000,000)	(712,000,000)
Loans (Maximum balance)	676,562,285	880,110,000
<b>Outstanding Balances:</b>		
a) Loans & Advances	3,100,928	71,587,275

**Note:** 'Income/Liabilities shown as minus figure.



**Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008**

**3.8 Segment Reporting:**

The Company is engaged in single segment and there are no separate reportable segments as defined in AS - 17.

**3.9** Out of the issue proceeds of Rs.2,460,700,000, the Company has utilized an amount of Rs.1,922,425,457 as per the Objects of the Issue and the unutilised amount is lying in the Mutual Funds.

**The status of utilization of IPO proceeds amount upto 31st March 2008 is as under (Rupees)**

Activity	IPO Proceeds	Actual Utilization as on 31st March 2008	Unutilized Money as on 31st March 2008
Augmenting Long Term Working Capital Financing Activity	400,000,000	359,673,986	40,326,014
Purchase / Lease of new office space for business expansion	1,100,000,000	1,100,000,000	-
General Corporate Purpose	350,000,000	21,197,173	328,802,827
Technology	407,700,000	279,952,664	127,747,336
Issue Expenses	102,000,000	60,601,634	41,398,366
	101,000,000	101,000,000	-
<b>Total</b>	<b>2,460,700,000</b>	<b>1,922,425,457</b>	<b>538,274,543</b>

**3.10** The Company has adjusted share issue expenses of Rs.117,639,000 in respect of its Initial Public Offering against reserves in Share Premium Account.

**3.11 Provisions made for the year ended 31st March, 2008 comprises of:**

(Rs.)

Particulars	Opening balance as on 01.04.2007	Provided on 31.03.2008	Provision reversed / paid during the year ended 31.03.2008	Closing balance as of 31.03.2008
Exgratia	21,29,863	43,18,200	21,29,863	43,18,200
Administrative Expenses	2,557,092	399,718	2,557,092	399,718
Provision for Gratuity	1,343,944	Nil	1,066,503	277,441

**3.12 Disclosure of F&O open positions:**

**1. Futures open interest:**

Name of Equity Index / Stock Futures	No. of Units		INITIAL MARGIN MONEY (Rupees)
	Long	Short	
ABB Limited	-	250	63,968
Aditya Birla Nuvo Limited	-	5,000	1,712,625
AIA Engineering Limited	-	800	254,980
Amtek Auto Ltd.	-	4,200	340,736
Alstom Projects India Limited	-	1,200	232,556
Bajaj Holdings & Investment Limited	-	250	50,228
Bharat Electronics Ltd.	-	5,796	1,323,415
Bharat Forge Co. Ltd.	-	4,000	273,160
Bharti Airtel Limited	-	2,000	317,600

Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

Name of Equity Index / Stock Futures	No. of Units		INITIAL MARGIN MONEY
	Long	Short	(Rupees)
Bharat Heavy Electricals Ltd.	-	675	337,686
Bhushan Steel Limited	-	1,750	353,222
Biocon Limited	-	2,700	242,082
Bharat Petroleum Corpn. Ltd.	-	2,750	282,168
Brigade Enterprises Limited	-	550	59,959
CESC Ltd.	2,200	-	251,883
Corporation Bank	2,400	-	190,002
DLF Limited	-	2,000	460,484
GAIL (India) Limited	-	1,500	141,254
Global Broadcast News Limited	-	3,750	333,492
Gitanjali Gems Limited	-	41,500	2,687,092
Great Offshore Limited	-	3,250	573,061
Havells India Limited	-	3,600	450,000
Housing Development Finance Corporation Ltd.	-	300	205,997
Hero Honda Motors Ltd.	-	800	98,086
Hinduja Ventures Limited	-	24,500	5,129,402
The Jammu & Kashmir Bank Ltd.	-	1,200	38,115
Jindal Stainless Limited	-	1,000	45,879
JSW Steel Limited	-	3,575	847,630
Kesoram Industries Ltd.	-	500	46,303
Kotak Mahindra Bank Limited	-	3,575	810,831
Lakshmi Machine Works Ltd.	-	3,900	1,777,571
Lanco Infratech Limited	-	5,950	879,895
Lupin Limited	-	7,000	642,583
Maharashtra Seamless Ltd.	-	12,600	1,077,225
United Spirits Limited	-	1,000	317,446
Moser-Baer (I) Ltd.	-	1,650	89,629
Mahanagar Telephone Nigam Ltd.	1,600	-	34,865
Nagarjuna Construction Co. Ltd.	-	8,000	465,424
National Aluminium Company Limited	-	58,075	7,732,190
Info Edge (India) Limited	-	300	120,981
New Delhi Television Limited	-	2,750	177,808
Network 18 Fincap Limited	-	51,000	6,302,500
Oil & Natural Gas Corpn. Ltd.	-	4,275	944,119
Pantaloon Retail (India) Ltd.	-	27,500	3,208,896
Patel Engineering Limited	-	2,500	432,788

Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

Name of Equity Index / Stock Futures	No. of Units		INITIAL MARGIN MONEY
	Long	Short	(Rupees)
Reliance Petroleum Limited	-	13,400	618,871
Reliance Power Limited	-	19,800	1,977,249
Steel Authority of India Ltd.	-	17,550	1,009,371
Sasken Communication Technologies Limited	-	1,100	62,910
Shipping Corporation of India Ltd.	-	3,200	173,381
Sesa Goa Ltd.	-	2,025	1,988,651
Sobha Developers Limited	-	700	106,399
Strides Arcolab Limited	-	11,050	1,069,723
Sterling Biotech Limited	-	27,500	831,600
Tata Communications Limited	-	7,875	1,159,047
Tata Consultancy Services Limited	-	6,250	1,134,781
United Phosphorous Limited	-	2,800	164,927
Unitech Ltd.	-	1,800	186,905
Welspun Gujarat Stahl Rohren Limited	-	800	105,021
<b>TOTAL</b>	<b>6,200</b>	<b>425,321</b>	<b>52,946,650</b>

2. Options open interest:

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made (Rupees)
ONGC - Call	6,730

3.13 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.

**Method: Unit Credit Method**

**Assumptions**

Discount Rate	8% p.a.
Expected Return on Plan Assets	n/a
Mortality	L.I.C. 1994-96 ULTIMATE
Future salary Increases	15% p.a.
Disability	nil
Attrition	20% p.a.
Retirement	55 yrs

**Changes in the Present Value of the Obligation and in the Fair Value of the Assets**

	Mar. - 08
Present Value of obligation 01-04-2007	1,343,944
Interest Cost	705,571
Current Service Cost	171,333
Past Service Cost	-

Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

	Mar. - 08
Benefits Paid	-
Actuarial (gain) loss on Obligation	(1,943,407)
Present Value of obligation 31-03-2008	277,441
Fair value of plan Assets 01-04-2007	-
Expected Return on Plan Assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognised</b>	<b>1,943,407</b>
<b>Balance Sheet Recognition</b>	
Present Value of Obligation	277,441
Fair Value of Plan Assets	-
Liability (assets)	277,441
Unrecognised Past Service Cost	-
<b>Liability (asset) recognised in the Balance Sheet</b>	<b>277,441</b>
<b>Profit &amp; Loss - Expenses</b>	
Current Service Cost	171,333
Interest Cost	705,571
Expected Return on Plan Assets	-
Net Actuarial gain (loss) recognised in the year	(1,943,407)
Past Service Cost	-
<b>Expenses Recognised in the statement of Profit &amp; Loss</b>	<b>(1,066,503)</b>
<b>Movement in the net Liability recognised in the Balance Sheet</b>	
Opening net Liability	1,343,944
Expenses	(1,066,503)
Contribution	-
Closing Net Liability	277,441
<b>Data</b>	
No	9
Avg.Age (yrs)	37
Avg.PS (yrs)	1.78
Avg.Sal (Rs.)	48,296

**3.14** Out of the capital commitment of 10% (subject to maximum limit of Rs.450,000,000) given by the Company in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company during the last year under the Indian Trust Act, 1982, the Company has contributed an amount of Rs.136,500,000 towards its capital contribution as per the draw down intimations received from the Trust.

Schedule annexed to and forming part of the balance sheet as at 31st March, 2008 and Profit And Loss Account for the year ended 31st March, 2008

**3.15 Foreign Currency Transactions:**

Expenditure in Foreign Currency (on accrual basis):

(Rs.)

Particulars	2007-08	2006-07
Travelling Expenses	40,353	Nil
<b>Total</b>	<b>40,353</b>	<b>Nil</b>

**3.16 Foreign Exchange gain / loss:**

Monetary items being foreign currency lying on hand is valued at the exchange rate prevailing on the Balance Sheet date. The foreign exchange loss arising thereon Rs.1596/- has been debited to profit and loss account and shown separately.

**3.17** Previous year's figures have been regrouped, rearranged, reclassified to the extent considered necessary.

For **Haribhakti & Co.**  
Chartered Accountants

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

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

Accounting Year: 2007-2008

## ANNEXURE

## 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)

Particulars			
<b>(1)</b>	<b>Liabilities Side :</b>		
	<b>Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>	<b>Amount outstanding</b>	<b>Amount overdue</b>
	(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			
<b>(2)</b>	<b>Assets Side :</b>		
	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>	<b>Amount outstanding</b>	
	(a) Secured	2,027,213,571	
	(b) Unsecured	708,560,724	
	<b>2,735,774,295</b>		
<b>(3)</b>	<b>Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities</b>		
	(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
<b>(4)</b>	<b>Break-up of Investments :</b>		
	<b>Current Investments :</b>		
	1. Quoted :		
	(i) Shares :		
(a) Equity		NIL	
(b) Preference		NIL	

Particulars		Amount outstanding		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of mutual funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (please specify)			
	2. Unquoted :			
	(i) Shares :			
	(a) Equity	NIL		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of mutual funds	1,180,000,000		
	(iv) Government Securities	NIL		
	(v) Others (Please specify)	136,500,000		
	<b>Long Term investments :</b>			
	1. Quoted :			
	(i) Share :			
	(a) Equity	6,312,364		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of mutual funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (Please specify)	NIL		
	2. Unquoted :			
	(i) Shares :			
	(a) Equity	25,182,180		
	(b) Preference	6,000,000		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of mutual funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (Please specify)	NIL		
	<b>Total</b>	<b>1,353,994,544</b>		
<b>(5)</b>	<b>Borrower group-wise classification of assets financed as in (2) and (3) above :</b>			
	Please see Note 2 below			
	<b>Category</b>	<b>Amount net of provisions</b>		
		<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	1. Related Parties **			
	(a) Subsidiaries	NIL	3,100,929	3,100,929
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	2. Other than related parties	2,027,213,571	705,459,795	2,732,673,366
	<b>Total</b>	<b>2,027,213,571</b>	<b>708,560,724</b>	<b>2,735,774,295</b>

Particulars			
<b>(6)</b>	<b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):</b>		
	Please see note 3 below		
	<b>Category</b>	<b>Market Value / Break up or fair value or NAV</b>	<b>Book Value (Net of Provisions)</b>
	1. Related Parties **		
	(a) Subsidiaries	3,163,163,582	31,182,180
(b) Companies in the same group	Nil	Nil	
(c) Other related parties	Nil	Nil	
2. Other than related parties	Nil	Nil	
<b>Total</b>	<b>3,163,163,582</b>	<b>31,182,180</b>	
** As per Accounting Standard of ICAI (Please see Note 3)			
<b>(7)</b>	<b>Other information</b>		
	<b>Particulars</b>		<b>Amount</b>
	(i) Gross Non-Performing Assets		392,537
	(a) Related parties		Nil
	(b) Other than related parties		392,537
	(ii) Net Non-Performing Assets		353,284
	(a) Related parties		Nil
(b) Other than related parties		353,284	
(iii) Assets acquired in satisfaction of debt		Nil	

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.



**Balance Sheet Abstract and Company's General Business Profile**

Additional Information Pursuant to the Provisions of Part IV of the Schedule VI of the Companies Act, 1956

**I Registration Details**

Registration No.	153397	State Code	11
Balance Sheet Date	31	03	2008
	Day	Month	Year

**II Capital Raised during the year**

Public Issue	14,913,550	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III Position of Mobilisation and Development of funds**

**Sources of funds**

Total Liabilities	3,999,242,357	Total Assets	3,999,242,357
Paid-up Capital	142,020,000	Reserve and Surplus	3,857,222,357
Secured Loans	Nil	Unsecured Loans	Nil

**Application of funds**

Net Fixed Assets	50,916	Investments	1,353,994,544
Net Current Assets	2,644,973,517	Misc. Expenditure	Nil
Deferred Tax Assets	223,380		

**IV Performance of the Company**

Turnover	355,760,543	Total Expenditure	110,077,894
Profit before Tax	245,682,649	Profit After Tax	172,904,329
Earning per Share in Rs.	6.32	Dividend Rate %	80

**V Generic Names of the Principal Products / Services of the Company (As per Monetary items)**

Item Code No. (ITC Code)	Product Description
	Investment & Finance activities

For and on behalf of the Board of  
**Motilal Oswal Financial Services Ltd.**

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

**Auditor's report on the Consolidated Financial Statements of Motilal Oswal Financial Services Limited and its subsidiaries**

To,  
The Board of Directors,  
Motilal Oswal Financial Services Limited

We have audited the attached Consolidated Balance Sheet of Motilal Oswal Financial Services Limited and its subsidiaries (the group) as at 31st March, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of Rs.774 million as at 31st March, 2008, total revenue of Rs.688 million and cash flow amounting to Rs.253 million 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 auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the Group in the consolidated financial statements.

Based on our audit and on consideration of separate audit reports on the individual audited financial statements of the Group, we are of the opinion that the said Consolidated Financial Statements read together with the significant accounting policies and the other Notes thereon give a true and fair view in the conformity with the accounting principles generally accepted in India :

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Motilal Oswal Group as at 31st March, 2008;
- (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Motilal Oswal Group for the year ended on that date; and
- (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Motilal Oswal Group for the year ended on that date.

For **HARIBHAKTI & CO.,**  
*Chartered Accountants*

**Manoj Daga**  
*Partner*

Membership No. 048523

Place : Mumbai  
Dated : 21st April, 2008

Consolidated Balance Sheet as at 31st March, 2008

	Schedule No.	Consolidated As at 31-Mar-08 (Rupees)	Consolidated As At 31-Mar-07 (Rupees)
<b>SOURCES OF FUNDS :</b>			
<b>Share Holders' Funds :</b>			
Share Capital	A	142,020,000	127,106,450
Reserves and Surplus	B	6,948,247,971	3,204,522,437
<b>TOTAL SHARE HOLDERS FUND</b>		<b>7,090,267,971</b>	<b>3,331,628,887</b>
<b>Loan Funds :</b>			
Secured Loans	C	-	497,714
Unsecured Loans	D	1,454,684,762	-
Minority Interest		79,912,773	30,296,110
Deferred Tax Liability		13,283,891	14,773,020
<b>TOTAL LOAN FUNDS</b>		<b>1,547,881,426</b>	<b>45,566,844</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>8,638,149,397</b>	<b>3,377,195,731</b>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets:</b>			
Gross Block	E	1,275,987,601	966,316,497
Less:- Depreciation		(443,615,158)	(297,448,998)
Net Block		832,372,443	668,867,499
Capital work-in-progress		22,112,025	16,049,492
		<b>854,484,468</b>	<b>684,916,991</b>
<b>Investments</b>	F	3,638,714,474	856,237,514
<b>Current Assets, Loans and Advances :</b>			
Sundry Debtors	G	3,174,549,849	2,807,669,530
Stock-in-trade	H	16,575,868	44,116
Cash & Bank Balances	I	4,267,194,757	2,164,793,973
Loans & Advances	J	4,737,250,987	2,409,895,889
Other Assets	K	119,053,631	80,748,632
	(i)	<b>12,314,625,092</b>	<b>7,463,152,140</b>
<b>Less : Current Liabilities and Provisions :</b>			
Current Liabilities	L	5,573,883,756	4,497,502,285
Provisions	M	2,595,790,881	1,129,608,629
	(ii)	<b>8,169,674,637</b>	<b>5,627,110,914</b>
<b>Net Current Assets</b>	(i)-(ii)	<b>4,144,950,455</b>	<b>1,836,041,226</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>8,638,149,397</b>	<b>3,377,195,731</b>
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of the Consolidated Financial Statements	T		

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.**

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

Consolidated Profit and Loss Account for the year ending 31st March, 2008

	Schedule No.	Consolidated For The Year Ended 31-Mar-08 (Rupees)	Consolidated For The Year Ended 31-Mar-07 (Rupees)
<b>INCOME</b>			
Income from Operations	N	6,897,613,484	3,653,933,077
Other Income	O	111,428,306	21,812,873
<b>TOTAL (A)</b>		<b>7,009,041,789</b>	<b>3,675,745,949</b>
<b>EXPENDITURE</b>			
Operating Expenses	P	1,769,125,966	837,222,913
Personnel Expenses	Q	1,763,967,582	1,011,602,648
Administrative & Other Expenses	R	780,063,119	459,466,160
<b>TOTAL (B)</b>		<b>4,313,156,667</b>	<b>2,308,291,721</b>
<b>Profit Before Depreciation, Interest and Taxation ( C ) = (A) - (B)</b>		<b>2,695,885,122</b>	<b>1,367,454,228</b>
Depreciation (D)	E	148,472,693	109,983,986
<b>Profit Before Interest and Taxation (E) = (C) - (D)</b>		<b>2,547,412,429</b>	<b>1,257,470,242</b>
Interest & Finance Charges (F)	S	149,026,782	39,384,803
<b>Profit before Taxation &amp; exceptional Items (G) = (E) - (F)</b>		<b>2,398,385,647</b>	<b>1,218,085,440</b>
Exceptional Items		-	(42,641,006)
Prior Year Income/(Expenses)		-	(11,358,006)
<b>Profit before Taxation and Extraordinary Items</b>		<b>2,398,385,647</b>	<b>1,164,086,428</b>
<b>Less: Provision for Taxation</b>			
i) For current year			
Current tax		772,107,975	398,939,164
Deferred tax (Asset)/Liability		(1,489,129)	1,962,240
Fringe Benefit Tax		12,432,886	8,716,383
Wealth Tax		188,469	192,847
ii) For Previous year (s)		4,767,486	633,391
		<b>788,007,687</b>	<b>410,444,026</b>
<b>Profit before Extraordinary Items and after tax</b>		<b>1,610,377,960</b>	<b>753,642,402</b>
Extraordinary Items (Income)/expense (Net of Tax)		(145,355,969)	41,971,083
<b>Profit after Tax (PAT) before Minority Interest</b>		<b>1,755,733,928</b>	<b>711,671,319</b>
Less : Minority interests (Profit)/Loss		(49,528,412)	(27,195,422)
<b>Profit after Tax (PAT) &amp; Minority Interests</b>		<b>1,706,205,516</b>	<b>684,475,897</b>
<b>Balance brought forward from previous year</b>		<b>784,712,774</b>	<b>126,387,481</b>
Profit Available For Appropriations		2,490,918,290	810,863,377
<b>Appropriations</b>			
Transfer to Statutory Reserve for the year		(34,580,866)	(1,901,659)
Transfer to Capital Redemption Reserve		(90,000,000)	(1,034)
Preacquisition (Profit)/Loss		201,496	(24,247,911)
Proposed Dividend		(265,116,000)	-
Provision for Dividend Distribution Tax		(25,747,425)	-
Transfer to General Reserve		(30,592,600)	-
<b>Balance Carried to Balance Sheet</b>		<b>2,045,082,895</b>	<b>784,712,774</b>
<b>Consolidated Earnings Per share(Rs.)</b>			
Basic Earnings per share before Extraordinary Items (Face Value of share Rs.5 each)		57.54	36.28
Diluted Earnings per share before Extraordinary Items (Face Value of share Rs.5 each)		57.09	32.16
Basic Earnings per share after Extraordinary Items (Face Value of share Rs.5 each)		62.90	34.18
Diluted Earnings per share after Extraordinary Items (Face Value of share Rs.5 each)		62.41	30.30
Significant Accounting Policies & Notes to Accounts	T		
Schedules 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

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

For and on behalf of the Board of  
**Motilal Oswal Financial Services Ltd.**

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

Consolidated Cash Flow Statement

Particulars	(Amounts in Rupees)	
	For the Year Ended 31st March 2008	For the Year Ended 31st March 2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAX</b>	2,398,385,647	1,218,086,563
Add :		
1) Depreciation	148,472,693	109,982,862
2) Loss on Sale of Fixed Assets	1,773,286	2,578,128
3) Loss on sale of Investments	-	4,639,964
4) Interest Paid	104,403,401	21,893,906
	<u>254,649,380</u>	<u>139,094,860</u>
	2,653,035,027	1,357,181,423
Less :		
1) Interest Received	1,925,474	4,795,866
2) Profit on Investments	40,084,064	
3) Dividend Received	36,611,162	24,176,220
	<u>78,620,700</u>	<u>28,972,086</u>
<b>OPERATING PROFIT</b>	<b>2,574,414,327</b>	<b>1,328,209,337</b>
Adjustment For:		
1) (Increase)/Decrease In Sundry Debtors	(366,880,320)	(1,415,371,338)
2) (Increase)/Decrease In Stock-in-trade	(16,531,752)	18,428,135
3) (Increase)/Decrease In Loans & Advances	(1,512,704,130)	(837,044,997)
4) Provision for Gratuity	6,942,007	15,137,780
5) (Increase)/Decrease In Interest Accrued/ Other Current Assets	(38,304,999)	(65,703,415)
6) Increase In Current Liabilities & Provisions	1,414,361,769	1,865,709,531
	<u>(513,117,425)</u>	<u>(418,844,304)</u>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2,061,296,902</b>	<b>909,365,033</b>
Taxes Paid	(773,751,263)	(386,966,385)
	<u>(773,751,263)</u>	<u>(386,966,385)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE EXTRA ORDINARY / EXCEPTIONAL ITEMS</b>	<b>1,287,545,639</b>	<b>522,398,648</b>
Add /(Less) Extraordinary Items (net of tax) / Exceptional Items	145,355,969	(84,612,089)
	<u>145,355,969</u>	<u>(84,612,089)</u>
<b>NET CASH FLOW AFTER EXTRAORDINARY ITEMS / EXCEPTIONAL ITEMS</b>	<b>1,432,901,608</b>	<b>437,786,559</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease In Investments-	(193,499,808)	(220,715,016)
(Increase)/Decrease In Capital WIP	(6,062,533)	24,153,919
Interest Received	1,925,474	4,795,866
Increase in Fixed Assets	(315,609,130)	(305,315,009)
Sale of Fixed Assets	1,858,208	4,092,696
Dividend Received	36,611,162	24,176,220
	<u>(474,776,627)</u>	<u>(468,811,324)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) In Share capital	14,913,550	166,294,293
Increase/(Decrease) In Minority Share capital	88,250	
Increase/(Decrease) In Securities Premium Account	2,328,383,442	1,461,922,824
Increase/(Decrease) In Borrowing	1,454,187,048	(483,608)
Interest Paid	(104,403,401)	(21,893,906)
	<u>3,693,168,889</u>	<u>1,605,839,603</u>
<b>Net Cash Flow For The year ended</b>	<b>4,651,293,869</b>	<b>1,574,814,838</b>
<b>Cash &amp; Cash Equivalents as at beginning of year:</b>		
Cash as at beginning of year	2,164,793,973	1,252,942,133
Cash Equivalents (Mutual Fund Investment) as at beginning of year	662,962,998	-
	<u>2,827,756,970</u>	<u>1,252,942,133</u>
<b>Cash &amp; Cash Equivalents as at end of year :</b>		
Cash as at end of year	4,267,194,757	2,164,793,973
Cash Equivalents (Mutual Fund Investment) as at end of year	3,211,856,082	662,962,998
	<u>7,479,050,839</u>	<u>2,827,756,971</u>

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**  
Chartered Accountants

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

For and on behalf of the Board of  
**Motilal Oswal Financial Services Ltd.**

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008

## Schedules to Consolidated Balance Sheet as at 31st March, 2008

	<b>Consolidated As at 31-Mar-08 (Rupees)</b>	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule A : Share Capital</b>		
<b>Authorised</b>		
17,40,00,000 Equity Shares of Rs.5 each (Previous year 17,40,00,000 Equity Shares of Rs.5/- each)	870,000,000	870,000,000
50,00,000 Redeemable Preference Shares of Rs.100 each	500,000,000	500,000,000
<b>TOTAL</b>	<b>1,370,000,000</b>	<b>1,370,000,000</b>
<b>Issued, Subscribed &amp; Paid Up</b>		
2,84,04,000 Equity Shares of Rs.5/- each fully Paid up (Previous year - 2,54,21,290 Equity Shares of 5 each fully paid up which includes 24,04,940 equity shares allotted on conversion of 1,24,79,244 Optionally Convertible Preference Shares of the face value of Rs.100 each)	142,020,000	127,106,450
<b>TOTAL</b>	<b>142,020,000</b>	<b>127,106,450</b>
<b>Schedule B : Reserves &amp; Surplus</b>		
<b>Statutory Reserve</b>		
Opening balance	1,901,659	
Add : Transfer from Profit & Loss A/c for the Year	34,580,866	36,482,524
	<u>36,482,525</u>	1,901,659
<b>Capital Redemption Reserve</b>		
Opening balance	1,034	
Addition during the year	90,000,000	90,001,034
	<u>90,001,034</u>	1,034
<b>Securities Premium</b>		
Opening balance	1,461,922,824	
Addition during the year	2,445,822,200	
	<u>3,907,745,024</u>	
Less : Utilisation for IPO expenses	117,438,758	3,790,306,266
	<u>3,790,306,266</u>	1,461,922,824
<b>Capital Reserve</b>		
Opening balance	955,984,147	
Addition during the year	[201,496]	955,782,651
	<u>955,782,651</u>	955,984,147
<b>General Reserve</b>		
Opening balance	-	
Addition during the year	30,592,600	
	<u>30,592,600</u>	
Profit & Loss Account	2,045,082,895	784,712,773
<b>TOTAL</b>	<b>6,948,247,971</b>	<b>3,204,522,437</b>
<b>Schedule C : Secured Loans</b>		
ICICI Bank Car loan (Previous year - Secured by hypothecation of Motor Car, re-payment due within one year Rs.497,714)	-	497,714
<b>TOTAL</b>	<b>-</b>	<b>497,714</b>

Schedules to Consolidated Balance Sheet as at 31st March, 2008

	Consolidated As at 31-Mar-08 (Rupees)	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule D : Unsecured Loan</b>		
<b>Commercial Paper Borrowings</b>		
SBI Mutual Fund	238,811,750	-
ABN AMRO Mutual Fund	488,401,991	-
The Federal Bank Ltd.	239,209,364	-
DBS Chola Mutual Fund	146,478,497	-
Prudential ICICI Trust Ltd. Liquid Plan	97,652,331	-
Prudential ICICI	244,130,828	-
<b>TOTAL</b>	<b>1,454,684,762</b>	<b>-</b>

**Schedule E : Consolidated Fixed Assets**

PARTICULARS	(Amounts in Rupees)									
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
BSE/MCX CARDS	65,571,000	-	-	65,571,000	65,059,614	152,000	-	65,211,614	359,386	511,386
COMPUTER	223,790,526	111,993,583	899,557	334,884,552	119,109,784	53,750,547	432,427	172,427,904	162,456,648	104,680,742
FURNITURE & FITTINGS	85,743,855	42,745,052	912,066	127,576,841	25,076,130	22,865,312	289,504	47,651,938	79,924,903	60,667,726
OFFICE EQUIPMENTS	160,013,794	101,730,423	1,939,290	259,804,927	28,859,069	23,270,836	470,112	51,659,793	208,145,134	131,154,725
OFFICE PREMISES	321,687,194	54,360,420	-	376,047,614	31,081,030	26,966,379	-	58,047,409	318,000,205	290,606,164
LAND	2,905,664	-	-	2,905,664	-	-	-	-	2,905,664	2,905,664
VEHICLES	29,252,136	4,779,652	2,187,113	31,844,675	12,632,921	4,797,453	1,114,489	16,315,885	15,528,790	16,619,215
CUSTOMER RIGHTS	68,352,328	-	-	68,352,328	12,770,005	13,670,466	-	26,440,471	41,911,857	55,582,323
GOODWILL	9,000,000	-	-	9,000,000	2,860,445	2,999,699	-	5,860,144	3,139,856	6,139,555
<b>TOTAL</b>	<b>966,316,497</b>	<b>315,609,130</b>	<b>5,938,026</b>	<b>1,275,987,601</b>	<b>297,448,997</b>	<b>148,472,693</b>	<b>2,306,532</b>	<b>443,615,158</b>	<b>832,372,443</b>	<b>668,867,500</b>
PREVIOUS YEAR	672,475,859	305,315,009	11,474,371	966,316,497	192,269,683	109,982,862	4,803,547	297,448,998	668,867,499	-
CAPITAL W-I-P	16,049,492	501,851,674	495,789,141	22,112,025	-	-	-	-	22,112,025	16,049,492

	Quantity	Consolidated As at 31-Mar-08 (Rupees)	Quantity	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule F : Investments - Long Term</b>				
<b>Investment in Equity Shares</b>				
<b>Quoted Investments</b>				
Cenlub Industries Ltd	6,774	137,715	6,774	137,715
Indian Oil Corporation Ltd	25,000	9,468,529	25,000	9,468,529
Helios & Matheson Information Technology Ltd	154,000	7,579,374	154,000	7,579,374
Sanghvi Movers Ltd	82,843	9,889,966	82,843	9,889,966
Central Depository Services India Ltd	100	1	100	1
Dolphin Offshore Enterprises India Ltd	-	-	11,460	2,772,240
DS Kulkarni Developers Ltd	154,868	21,612,209	154,868	21,612,209
ICSA India Ltd	80,000	6,105,667	16,000	6,105,667
IDFC Ltd	271,087	12,707,252	271,087	12,707,252
Sarla Polyester Ltd	77,730	8,181,970	77,730	8,181,970
Stone India Ltd	-	-	37,000	3,267,840
MRF Ltd	11,000	38,513,869	25,000	87,511,753

## Schedules to Consolidated Balance Sheet as at 31st March, 2008

	Quantity	Consolidated As at 31-Mar-08 (Rupees)	Quantity	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule F : Investments - Long Term (contd.)</b>				
JK Tyre Ltd	1,000,000	176,158,333		-
<b>Unquoted Investments</b>				
BSE Ltd	3,507	3,507	40,000	40,000
Investments In India Business Excellence Fund		136,500,000		24,000,000
<b>Current Investments</b>				
UTI Gold Exchange Traded Fund [NAV Per Unit is Rs.NIL (Previous Year Rs.959.1406)]	-	-	10,426	10,000,000
Prudential ICICI Mutual Fund [NAV Per Unit is Rs . 9.9983 (Previous Year Rs.10)]	90,014,916	900,000,000	10,006,202	100,062,022
Birla Sunlife Mutual Fund [NAV Per Unit Rs.10.7999 (Previous Year NIL)]	4,629,678	50,000,000	-	-
Principal Mutual Fund [NAV Per Unit is Rs . 10.0006 (Previous Year Rs.10.0007)]	216,164,323	2,161,762,621	55,286,228	552,900,976
Mirae Asset Global Fund [NAV Per Unit is Rs . 1,000.7145 (Previous Year Rs.NIL)]	100,022	100,093,462	-	-
<b>TOTAL</b>	<b>312,775,849</b>	<b>3,638,714,474</b>	<b>66,204,719</b>	<b>856,237,514</b>
Note : Market Value of quoted Investments as on 31-03-2008 is Rs.373,884,296 (Previous Year: Rs.266,540,626)				
<b>Schedule G : Sundry Debtors</b>				
(Secured & Considered good)				
A. Debts outstanding for a period exceeding Six months		42,902,474		23,741,583
B. Other debts		3,131,647,375		2,783,927,947
<b>TOTAL</b>		<b>3,174,549,849</b>		<b>2,807,669,530</b>
<b>Schedule H: Stock-In-Trade</b>				
(As valued & certified by the management)				
<b>Equity Shares</b>				
<b>Unquoted</b>				
XLO United Limited	5,300	26,500	5,300	26,500
Shyam Vinyl	100	500	100	500
<b>Quoted</b>				
Bharti Air Tel	10	7,806	-	-
Hindustan Unilever	466	106,621	-	-
IT People	5,150	112,785	-	-
H.P. Cotton	150	390	150	390
TCM Ltd.	5,000	13,800	5,000	13,800
Laxmi Vilas Bank	77	2,926	77	2,926
Aia Engineering Limited	204	307,306	-	-
Amtek Auto Limited	38	9,724	-	-



## Schedules to Consolidated Balance Sheet as at 31st March, 2008

	Quantity	Consolidated As at 31-Mar-08 (Rupees)	Quantity	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule H : Stock-In-Trade (contd.)</b>				
Andhra Bank	250	18,400	-	-
Alstom Projects India Limited	8	4,542	-	-
Ashok Leyland Ltd	1,000	35,260	-	-
Bajaj Auto Limited	3,070	2,023,235	-	-
Bharat Electronics Ltd	47	50,168	-	-
Bharti Airtel Limited	4	2,999	-	-
Bhushan Steel Limited	42	27,974	-	-
Biocon Limited	451	190,376	-	-
Brigade Enterprises Limited	104	17,529	-	-
Bsel Infrastructure Realty Limited	5,341	233,936	-	-
Cesc Ltd.	802	323,254	-	-
Corporation Bank	306	86,290	-	-
Cummins India Ltd.	9	2,902	-	-
The Dhanalakshmi Bank Ltd.	3,686	231,297	-	-
Dlf Limited	44	28,297	-	-
Donear Industries Limited	541	33,785	-	-
Elgitread (India) Ltd	15,099	269,517	-	-
Foseco India Ltd	545	207,999	-	-
Global Broadcast News Limited	1,687	226,311	-	-
Gitanjali Gems Limited	84	18,560	-	-
Gujarat Fluorochemicals Ltd	22,709	4,111,464	-	-
Gvk Power & Infrastructure Limited	30	1,202	-	-
Harig Crankshafts Ltd	800	1,664	-	-
Havells India Limited	216	99,343	-	-
Hero Honda Motors Ltd.	5	3,473	-	-
Hinduja Ventures Limited	582	191,478	-	-
Hinduja Tmt Ltd	1,465	481,692	-	-
India Infoline Limited	1	769	-	-
Indian Oil Corporation Ltd	71	31,634	-	-
Ivrcil Infrastructures & Projects Ltd.	695	277,705	-	-
Jayshree Tea & Industries Ltd	1,001	108,358	-	-
Jaiprakash Associates Limited	2,250	509,738	-	-
Jindal Stainless Limited	125	17,650	-	-
Kesoram Industries Ltd.	682	264,740	-	-
Kotak Mahindra Bank Limited	1,204	750,626	-	-
Lanco Infratech Limited	21	8,160	-	-
Larsen & Toubro Limited	4	11,830	-	-
Lupin Limited	77	37,509	-	-
United Spirits Limited	11	16,521	-	-
Mh Mills And Industries Ltd	1,150	11,155	-	-
Moser-Baer (I) Ltd	21	3,029	-	-
Myffe	5,061	72,170	-	-

## Schedules to Consolidated Balance Sheet as at 31st March, 2008

	Quantity	Consolidated As at 31-Mar-08 (Rupees)	Quantity	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule H : Stock-In-Trade (contd.)</b>				
National Aluminium Company Limited	25	11,295	-	-
Info Edge (India) Limited	1,115	921,720	-	-
Oil & Natural Gas Corp'n Ltd	195	191,207	-	-
Peninsula Land Limited	3	267	-	-
Rajesh Exports Ltd.	1	73	-	-
Redington (India) Limited	378	133,570	-	-
Remi Metals Gujarat Ltd.	5,000	39,250	-	-
Steel Authority Of India Ltd.	270	50,031	-	-
Sanghi Industries Limited	2,003	146,738	-	-
Shipping Corporation Of India Ltd.	4,000	794,600	-	-
Sesa Goa Ltd.	443	1,389,234	-	-
Shree Cements Ltd	3	3,273	-	-
Shri Dinesh Mills Ltd	500	614,301	-	-
Skm Egg Products Export (India) Ltd.	5,000	79,500	-	-
Solectron Ems India Limited	1	181	-	-
Syschem	25,500	37,740	-	-
Tata Communications Limited	13	6,668	-	-
Tata Investment Corporation Limited	500	245,550	-	-
Tata Consultancy Services Limited	3	2,431	-	-
Ultratech Cement Limited	322	251,485	-	-
United Phosphorous Limited	3	786	-	-
Unitech Limited	9	2,486	-	-
Voltas Limited	14	2,494	-	-
Wipro Limited	1	420	-	-
Yashraj	1,900	17,670	-	-
<b>TOTAL</b>	<b>134,998</b>	<b>16,575,868</b>	<b>10,627</b>	<b>44,116</b>
Note: Market Value of quoted stock as on 31.03.2008 is Rs.16,814,232 (Previous Year Rs.37,617)				
<b>Schedule I : Cash &amp; Bank Balances</b>				
<b>Cash:</b>				
Cash balance on Hand		3,172,141		1,144,521
Cheques on Hand		452,996		-
<b>Bank :</b>				
Scheduled Banks- In Current Accounts		712,187,684		575,449,099
In Fixed Deposits*		3,551,381,936		1,588,200,353
[* Under lien with Banks Rs.1,963,336,461 (previous year Rs.1,134,700,353) & with Exchanges Rs.1,524,384,169 (previous year Rs.354,000,000)]				
<b>TOTAL</b>		<b>4,267,194,757</b>		<b>2,164,793,973</b>

## Schedules to Consolidated Balance Sheet as at 31st March, 2008

	<b>Consolidated As at 31-Mar-08 (Rupees)</b>	Consolidated As at 31-Mar-07 (Rupees)
<b>Schedule J : Loans &amp; Advances</b>		
(Unsecured considered Good unless otherwise stated)		
<b>Loans, Advances &amp; Deposits Recoverable in Cash or In Kind or for Value to be received</b>		
<b>Standard Assets</b>		
<b>Loans</b>		
Unsecured (includes interest accrued on loans)	341,933,438	
Secured (includes interest accrued on loans)	2,390,190,381	983,672,493
<b>Sub-Standard Assets</b>		
Non Performing Assests (Debts outstanding for a period exceeding Six months)	392,537	
Less: Provision for bad & doubtful debts	(39,254)	-
Others Loans	89,765,701	58,365,785
Prepaid Expenses & Accrued Interest	1,929,131	1,362,754
Loan to staff	9,828,025	13,521,663
Deposits	248,194,578	512,567,713
NSE Membership Deposit	5,000,000	5,000,000
Advance Tax & Tax Deducted at Source	1,650,056,450	835,405,482
<b>TOTAL</b>	<b>4,737,250,987</b>	<b>2,409,895,889</b>
<b>Schedule K : Other Assets</b>		
Accrued interest on Fixed Deposits	63,094,073	37,978,984
Stock of Stamps	1,101,740	1,565,600
Sign on Bonus	25,271,979	28,901,918
IPO expenses carried forward	-	4,485,626
Non-Compete Fees	-	2,089,041
Other Receivable	29,585,839	5,727,463
<b>TOTAL</b>	<b>119,053,631</b>	<b>80,748,632</b>
<b>Schedule L : Current Liabilities</b>		
<b>Trade Creditors :</b>		
Due to Others	4,459,653,168	3,656,591,213
Bank balance (temporary book overdraft)	34,456,798	73,391,887
Sundry Liabilities	551,274,436	289,215,208
Margin Money Deposits	528,499,354	478,303,978
<b>TOTAL</b>	<b>5,573,883,756</b>	<b>4,497,502,285</b>
<b>Schedule M : Provisions</b>		
Provision for Taxation (Including Wealth Tax)	1,629,742,401	811,201,974
Provision for Fringe Benefit Tax	25,992,683	14,136,588
Provision for Ex-Gratia	627,112,586	289,132,287
Provision For Gratuity	22,079,787	15,137,780
Proposed Dividend	265,116,000	-
Provision for Proposed Dividend Distribution Tax	25,747,425	-
<b>TOTAL</b>	<b>2,595,790,881</b>	<b>1,129,608,629</b>

## Schedules to Consolidated Profit &amp; Loss Account for the year ended 31st March, 2008

	<b>Consolidated For the year ended 31-Mar-08 (Rupees)</b>	Consolidated For the year ended 31-Mar-07 (Rupees)
<b>Schedule N : Income from Operations</b>		
Brokerage Income	5,076,800,393	3,078,907,987
Research Fees	23,629,559	33,972,630
Management Fees - Portfolio Management Scheme	197,918,690	83,008,275
Depository Income	64,809,241	37,217,111
Advisory Fees	713,865,208	266,514,559
Interest Income / Transaction Processing Charges (TDS Rs.72,167,179 Previous year - Rs.17,048,518)	782,068,756	147,004,539
Profit / (Loss) from Arbitrage Transaction / Stock in trade	63,418,011	6,150,608
Profit from Peninsular Capital Markets Ltd	-	13,567,731
Profit from Mani Stock Brokers Ltd.	-	783,984
Profit / (Loss ) on Error Trade / Miscellaneous Income	(24,896,374)	(13,194,347)
<b>TOTAL</b>	<b><u>6,897,613,484</u></b>	<b><u>3,653,933,077</u></b>
<b>Schedule O : Other Income</b>		
FDR Interest	2,213,381	4,795,866
Dividend Income - Long Term Investments	3,079,317	2,791,944
Dividend Income - Current Investments	67,119,254	21,384,276
Profit / (Loss) on sale of Investments	40,084,064	(4,639,964)
Profit / (Loss) on sale of fixed assets	(1,773,286)	(2,578,128)
Miscellaneous Income	705,576	58,878
<b>TOTAL</b>	<b><u>111,428,306</u></b>	<b><u>21,812,873</u></b>
<b>Schedule P : Operating Expenses</b>		
Brokerage sharing with Intermediaries	1,665,045,611	810,994,683
Depository Charges	35,953,754	25,872,894
Advisory/Professional/Liasoning charges	68,126,601	355,336
<b>TOTAL</b>	<b><u>1,769,125,966</u></b>	<b><u>837,222,913</u></b>
<b>Schedule Q : Personnel Expenses</b>		
Salary, Bonus and Allowances	713,619,482	427,736,059
Director's Remuneration	190,000,000	104,301,522
Director's Sitting Fees	360,000	90,000
Data Processing Charges	84,162,903	59,971,539
Ex-gratia	727,652,780	377,527,982
Gratuity	7,152,919	6,631,088
Contribution to provident & other Funds	10,744,119	7,601,819
Staff Recruitment expenses	16,642,226	18,916,268
Staff Welfare Expenses	13,633,153	8,826,372
<b>TOTAL</b>	<b><u>1,763,967,582</u></b>	<b><u>1,011,602,648</u></b>

## Schedules to Consolidated Profit &amp; Loss Account for the year ended 31st March, 2008

	<b>Consolidated For the year ended 31-Mar-08 (Rupees)</b>	Consolidated For the year ended 31-Mar-07 (Rupees)
<b>Schedule R : Administrative Expenses</b>		
Rent, Rates & Taxes	104,803,865	49,081,958
Insurance	4,677,476	4,662,518
Insurance-Car	660,044	322,168
Repairs - Building	858,213	514,513
Repairs - Others	23,715,427	32,357,007
Legal & Professional Charges	63,062,441	42,377,883
Remuneration to Auditors	919,889	774,180
Membership & Subscription	4,924,514	6,179,571
Marketing & Brand Promotion Expenses	160,300,992	68,425,456
Printing & Stationery	45,283,598	48,606,851
Electricity Expenses	36,260,693	24,166,820
Communication Expenses	90,936,139	76,462,487
Travelling Expenses	75,221,642	39,047,581
SEBI Turnover Fees	13,571,214	2,867,197
Donations	1,685,887	190,000
Bad Debts Written Off	16,405,389	7,942,431
Provision for Bad and Doubtful Debts	39,254	-
Conveyance	14,353,001	8,450,966
Courier Expenses	39,960,414	18,016,407
Office Expenses	22,109,594	11,633,700
Entertainment Expenses	17,561,827	10,431,078
Miscellaneous Expenses	4,866,647	6,176,238
Preliminary Expenses Written off	180,562	779,150
Customer Claims & Settlement Account	37,704,399	-
<b>TOTAL</b>	<b>780,063,119</b>	<b>459,466,160</b>
<b>Schedule S : Interest &amp; Finance Charges</b>		
Bank Charges	37,853,612	17,490,897
Interest Cost	111,167,056	21,867,355
Interest on Term Loan from ICICI Bank (Car Loan)	6,115	26,551
<b>TOTAL</b>	<b>149,026,782</b>	<b>39,384,803</b>

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

**Schedule T : Significant Accounting Policies & Notes To Accounts For The Year Ended March 31, 2008**

**I Significant Accounting Policies:**

**1.1 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 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 and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

**1.2 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.

**1.3 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 Rs.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.

**1.4 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 Multi- Commodity Exchange has been treated as intangible asset and has been amortised over a period of five years
- e) Sign-on bonus paid to the employees is amortised over the period of minimum employment as agreed.

**1.5 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. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investment.

Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value.

**1.6 Stock in Trade:**

Stock in trade, comprising of securities is valued at cost or net realizable value, whichever is lower. Cost is considered on First In First Out basis (FIFO).

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

**1.7 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) 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.
- c) Portfolio management fees are billed as per the terms of the respective schemes/agreement entered with the clients:
  - a. In case of management fees, as a percentage of the asset under management on quarterly/monthly basis.
  - b. In case of performance based fees, as a percentage of returns on an annual basis.
- d) Advisory fees and other income are accounted on accrual basis, net of service tax.
- e) Management Fee is accounted on accrual basis net of service tax.
- f) Interest income is recognized on accrual basis.
- g) Interest income in respect of NPA is recognized on cash basis.
- h) Dividend income is recognized when the right to receive payment is established.
- i) In respect of other heads of income, income from depository operations etc., the Company accounts the same on accrual basis.
- j) Equity index/stock - Futures:
  - a) Initial Margin and additional margin paid, for entering into contracts for equity index/stock futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed as under 'Current Assets, Loans and Advances'.
  - b) Equity index/stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Current Assets, Loans and Advances or Current Liabilities, respectively represents the net amount paid or received on the basis of movement in the prices of index/stock futures till the balance sheet date.
  - c) As on the balance sheet date, profit/loss on open positions in index/stock futures are accounted for as follows:  
 Profit and loss on hedged transactions is recognized on net basis. In respect of other transactions, credit balance being anticipated profit is ignored and no credit for the same is taken in the profit and loss account. Debit balance being anticipated loss is adjusted in the profit and loss account.
  - d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract is recognised in the profit and loss account.
- k) Equity index/stock - Options:
  - a) Initial margin and additional margin paid for entering into contracts for equity index/stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under Current Assets, Loans and Advances.
  - b) As at the balance sheet date, profit and loss account on hedged transactions are recognized on net basis. In case of other transactions, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options.
  - c) When the option contracts are squared-up before expiry of the options, the profit and loss on account of difference in the premium paid / received is recognized in Profit and Loss Account. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike

## Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognized in the profit and loss account for all squared-up/settled contracts.

l) Discount on commercial paper is amortised over the tenure of the commercial paper.

### 1.8 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 except those related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

### 1.9 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 and less the fair value of plan assets, 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 Plans:

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.

### 1.10 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 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 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.

#### Fringe benefit tax:

Provision for Fringe Benefit Tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

### 1.11 Securities Transaction Tax:

Securities Transaction Tax ('STT') to the extent allowable u/s 88E of the Income Tax Act, 1961 has been excluded in provision for income tax.



**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

**1.12 Preliminary Expenses:**

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

**1.13 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.

**1.14 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.

**1.15 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.

**1.16 Reserve Bank of India Prudential Norms:**

The company follows the guidelines issued by the Reserve Bank of India Act, 1934 in respect of income recognition and provisioning for non-performing assets.

**II Notes To Accounts:**

**2.1 Principles and assumptions used for consolidated financial statements and proforma adjustments:**

- a) 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'.
- b) Following are the companies whose restated 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 ('resultant subsidiaries') as on March 31, 2008 and March 31, 2007 are as under:

Name of the Subsidiary Companies	Country	31st March, 2008			31st March, 2007		
		No. of Shares	% of Holding	Date of Acquisition	No. of Shares	% of Holding	Date of Acquisition
Motilal Oswal Securities Ltd.	India	1,318,218	99.95	18th January, 06	1,318,218	99.95	18th January, 06
Motilal Oswal Commodities Broker Pvt. Ltd.	India	400,000	97.55	6th April, 2006	400,000	97.55	6th April, 2006
Motilal Oswal Investment Advisors Pvt. Ltd.	India	750,000	75	16th June, 2006	750,000	75	16th June, 2006

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

Name of the Subsidiary Companies	Country	31st March, 2008			31st March, 2007		
		No. of Shares	% of Holding	Date of Acquisition	No. of Shares	% of Holding	Date of Acquisition
Motilal Oswal Venture Capital Advisors Pvt. Ltd.	India	50,000	85	18th May, 2006	50,000	100	18th May, 2006
Motilal Oswal Capital Markets Private Limited*	India	1250000	100	18th Dec. 2007			

During the year, Motilal Oswal Capital Markets Private Ltd (MOCMPL) became the subsidiary of Motilal Oswal Securities Ltd (Subsidiary of Motilal Oswal Financial Services Ltd) by virtue of acquiring of 100% stake on 18th December 2007 and in turn of the Company. MOCMPL was incorporated on 10th November 2006.

**2.2 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
  - (i) 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;
  - (ii) 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.
- d) 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-subsidary relationship came in existence.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

**2.3 Capital Commitments:**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs.28,806,000 (Previous Year ended 31st March 2007 Rs.15,600,000)

**2.4 Contingent liabilities not provided for:**

- a) The Company has provided bank guarantees aggregating to Rs.4,388,000,000 (Previous Year : Rs.3,245,000,000) as on 31 March 2008 for the following purposes to:
  - i) The National Stock Exchange of India Limited - Rs.3,455,000,000 for meeting margin requirements
  - ii) Bombay Stock Exchange Limited - Rs.8,310,00,000 for meeting margin requirements.
  - iii) The Multi Commodity Exchange of India Limited - Rs.55,000,000 for meeting margin requirements
  - iv) National Commodity & Derivatives Exchange Limited - Rs.47,000,000 for meeting margin requirements.

The Company has pledged fixed deposits with banks aggregating of Rs.1,993,488,716 and shares (Invesments) of Rs.118,900,000 (market value) for obtaining the above bank guarantees.
- c) Demand in respect of Income Tax matters for which appeal is pending Rs.31,582,964 (previous year

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

Rs.25,470,800). This is disputed by the Company and hence not provided for. The whole of the demand of Rs.31,582,964 (previous year Rs.8,083,874) is paid under protest against this contingent liability.

**2.5 Employees' Stock Options Scheme (ESOS) :**

During the year, the company has granted 700,000 Employee Stock Options to various employees of the company and its subsidiary companies.

The company has adopted intrinsic value method of accounting for Employee Compensation Cost in respect of ESOS. The intrinsic value of the shares is excess of the 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 amortised over the vesting period is Rs.Nil (Previous Year: Rs.47,769,983). Accordingly, the company has charged off to the Profit and Loss Account an amount of Rs.Nil for the year ended 31st March 2008 (Previous Year: Rs.42,641,006) towards Employee Compensation Cost. Considering the frequency and materiality of this cost, it is reflected as Exceptional Item in Profit and Loss Account.

**2.6 Change in Accounting Estimate :**

During the year, with effect from, 1st January 2008 the company has changed the estimate of useful life in respect of improvements to leasehold premises by depreciating the improvements over the initial period of lease which hitherto was depreciated @ 5% on Written down value basis prescribed under schedule XIV of the Companies Act, 1956. As per the Accounting Standard - 6 on "Depreciation Accounting" where there is a revision of the estimated useful life of the asset, the unamortized amount should be charged over the revised remaining useful life. Accordingly, the additional depreciation on account of change in useful life of leasehold improvements amount to Rs.8,813,278, which has been charged to the Profit & Loss account of the current period.

**2.7** 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.

**2.8** Balance of Sundry debtors and Sundry creditors are subject to confirmation.

**2.9** The Group does not have any dues in respect of Small Scale Industrial Undertakings, under the Micro, Small and Medium Enterprise Development Act, 2006.

**2.10 Managerial Remuneration:**

Managerial Remuneration paid to Chairman & Managing Director, Joint Managing Director, Executive Director and Whole Time Director.

Particulars		Year ended 31st March, 2008 (Rupees)	Year ended 31st March, 2007 (Rupees)
Salary	(i)	26,261,180	27,220,228
Commission	(ii)	163,738,820	74,444,800
Included in P & L a/c	A=(i) + (ii)+ (iii)	190,000,000	101,665,028
Contribution to P.F.	B	40,140	273,600
<b>Total</b>	<b>A+B</b>	<b>190,040,140</b>	<b>101,938,628</b>

**2.11 Auditors' Remuneration:**

Particulars	Year ended 31.03.08 (Rupees)	Year ended 31.03.08 (Rupees)
As Auditors:		
Audit Fees	671,708	510,000
Tax Audit Fees	190,000	155,000
Out of pocket expenses	38,181	
IPO Fees	-	1,000,000
In other capacity	20,000	120,000
<b>Total</b>	<b>919,889</b>	<b>1,785,000</b>

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

**2.12 Lease:**

**Operating Lease**

Lease rentals in respect of assets taken on operating lease during the year ended 31st March 2008 amounts to Rs.34,658,373 (Previous Year: Rs.10,216,202).

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2008 amounts to Rs.30,434,479 (Previous Year: Rs.13,105,024) Details of lease rentals payable within one year and thereafter are as under:-

(Rupees)

Particulars	2007-08	2006-07
Within one year	22,324,570	7,834,790
Later than one year and not later than five year	8,109,909	5,270,234
Later than five years	NIL	NIL

- 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.

**2.13 Basic & Diluted Earnings per share:**

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Net Profit attributable to equity shareholders before extraordinary items & after minority interests [A] (Rs.)	1,560,849,547	726,446,980.
Net Profit attributable to equity shareholders after extraordinary items & minority interests [B] (Rs.)	1,706,205,106	684,475,897
Weighted Number of equity shares for Basic EPS Face value Rs.5 each [C]	27,124,532	20,025,063
Weighted Number of equity shares outstanding for Diluted EPS [D]	27,339,983	22,587,189
Basic Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/C]	57.54	36.28
Diluted Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/C]	57.09	32.16
Basic Earnings per share (DEPS) after extraordinary items and minority interests (Rs.) [B/D]	62.90	34.18
Diluted Earnings per share (DEPS) after extraordinary items and minority interests (Rs.) [B/D]	62.41	30.30

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

2.14 Deferred tax (Assets) / Liability at the year-end comprise timing differences on account of:

Particulars	For the Year ended 31st March 2008 (Rupees)	For the Year ended 31st March 2007 (Rupees)
<b>Deferred Tax Liability</b>		
Difference in Closing Net Block of fixed Assets.	(27,826,820)	(22,666,945)
Customer rights (Depreciation)	(1,177,301)	(1,467,714)
Non compete fees		(710,065)
Sign-on Bonus	(7,214,919)	(9,823,762)
Disallowance under section 40(a)(ia) of the Income tax Act, 1961		(267,900)
<b>Deferred Tax Assets</b>		
Gratuity Provision	7,087,267	2,291,126
Preliminary Expenses	349,943	390,205
Profit / (Loss) on sale of Investments		1,577,124
Disallowance under Section 43 B of the Income Tax Act, 1961	14,414,096	9,077,715
Disallowance under Section 40(a)(ia) of the Income tax Act, 1961		2,549,250
Loss to be C/f virtual certainty with convincing	1,083,843	4,277,948
<b>Deferred Tax (Assets) / Liability</b>	<b>(13,283,891)</b>	<b>(14,773,018)</b>

2.15 Related Party Disclosure:

**Related Parties :-**

Enterprises in which Key Managerial Personnel exercise Significant Influence :

1. Nagori Agro & Cattlefeeds Private Limited
2. Rishabh Securities Private Limited
3. Windwell Securities Private Limited
4. Textile Exports Private Limited
5. Motilal Oswal Insurance Brokers Private Limited
6. Passionate Investment Management Pvt. Ltd.

**Key Management Personnel :-**

- Mr. Motilal Oswal - Chairman & Managing Director  
 Mr. Raamdeo Agrawal - Joint Managing Director  
 Mr. Navin Agrawal - Executive Director  
 Mr. Ajay Menon - Whole-time Director  
 Mr. Rajesh Dharamshi - Executive Director

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

Transactions with related parties for the period-ended 31.03.08:

(Rupees)

Transaction	Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Managerial Remuneration			190,000,000	100,032,178	190,000,000	100,032,178
Corporate Guarantees	(501,666,667)	(653,666,667)			(501,666,667)	(653,666,667)
Rent	4,340,385	1,248,000			4,064,985	1,248,000
Brokerage	(2,060,591)	(1,164,382)			(2,060,591)	(1,164,382)
Personal Guarantees			(3,639,333,333)	(118,733,333)	(3,639,333,333)	(118,733,333)
Collaterals (Market Value)	(1,972,251,419)	(1,923,723,034)			(1,972,251,419)	(1,923,723,034)
Loans (Maximum balance)	(57939430)	(66,500,000)			(57939430)	(66,500,000)
Outstanding Balances:						
a) Security Deposit	20,000,000	20,000,000			20,000,000	20,000,000

Note: 'Income/Liabilities shown as minus figure.

2.16 SEGMENT INFORMATION:

(Rupees)

Particulars	Year Ended 31.03.2008	Year Ended 31.03.2007
<b>1. Segment Revenue</b>		
(a) Equity Broking & Other related activities	5,936,805,177	3,247,674,482
(b) Financial Activity	355,760,543	109,782,032
(c) Investment Banking	628,197,229	266,911,991
(d) Unallocated	215,892,446	76,767,871
<b>Total</b>	<b>7,136,655,394</b>	<b>3,701,136,376</b>
Less: Inter Segment Revenue	127,613,605	25,390,428
<b>Net sales/Income From Operations</b>	<b>7,009,041,789</b>	<b>3,675,745,948</b>
<b>2. Segment Results Profit / (Loss) before tax and interest from Each segment)</b>		
(a) Equity Broking & Other related activities	1,778,600,214	1,000,861,868
(b) Financial Activity	233,469,419	85,578,165
(c) Investment Banking	359,191,643	153,485,676
(d) Unallocated	131,527,772	(38,452,462)
<b>Total</b>	<b>2,502,789,048</b>	<b>1,201,473,247</b>
Less: (i) Interest	104,403,401	37,386,822
(ii) Other Un-allocable Expenditure net off	-	-
(iii) Un-allocable income	-	-
<b>Total Profit Before Tax &amp; Extra Ordinary Item</b>	<b>2,398,385,647</b>	<b>1,164,086,424</b>

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

(Rupees)

Particulars	Year Ended 31.03.2008	Year Ended 31.03.2007
<b>3. Capital Employed</b>	-	-
(Segment assets - Segment Liabilities)	-	-
(a) Equity Broking & Other related activities	2,589,261,481	1,021,823,567
(b) Financial Activity	3,985,353,162	1,409,887,580
(c) Investment Banking	(134,757,567)	215,727,124
(d) Unallocated	730,323,666	714,486,725
<b>Total</b>	<b>7,170,180,741</b>	<b>3,361,924,996</b>

The above Segment information is presented on the basis of the audited consolidated financial statements. The company's operations predominantly relate to equity broking and related activities, financing, investment banking, commodities broking & venture capital advisory. In accordance with Accounting Standard -17 on segment reporting, the Company has equity broking and related activities, financing & investment banking as reportable segments. The balance is shown as unallocated Items.

2.17 The following table set out the gratuity plan as required under Accounting Standard 15.

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

**I) Motilal Oswal Financial Services Ltd.**

Method	Unit Credit Method
Assumptions	
Discount Rate	8% p.a.
Expected Return on Plan Assets	N/A
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Disability	NIL
Attrition	20% p.a.
Retirement	55 yrs

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

Mar - 08

Present Value of obligation 01-04-2007	1,343,944
Interest Cost	705,571
Current Service Cost	171,333
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	-1,943,407
Present Value of obligation 31-03-2008	277,441

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

Fair value of plan Assets 01-04-2007	-
Expected Return on plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognized</b>	<b>1,943,407</b>

**Balance Sheet Recognition**

Present Value of Obligation	277,441
Fair Value of Plan Assets	-
Liability (assets)	277,441
Unrecognised Past Service Cost	-
Liability (asset) recognised in the Balance Sheet	277,441

**Profit & Loss - Expenses**

Current Service Cost	171333
Interest Cost	705,571
Expected Return on Plan Assets	-
Net Actuarial gain (loss) recognised in the year	-1,943,407
Past Service Cost	-
Expenses Recognised in the statement of Profit & Loss	-1,066,503

**Movement in the net Liability recognised in the Balance Sheet**

Opening net Liability	1,343,944
Expenses	-1,066,503
Contribution	-
Closing Net Liability	277,441

**Data**

No.	9
Avg. Age	37 yrs
Avg. PS	1.78 yrs
Avg. Sal	Rs.48,296

**II) Motilal Oswal Securities Ltd.**

Method	Unit Credit Method
Assumptions	
Discount Rate	7% p.a.
Expected Return On Plan Assets	N/A
Mortality	L.I.C. 1994-96 Ultimate
Future Salary Increases	15% p.a.
Disability	NIL
Attrition	20% p.a.
Retirement	55 yrs



Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

	Mar - 08
Present Value of obligation 01-04-2007	13,366,251
Interest Cost	701,728
Current Service Cost	960,741
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	5,034,379
Present Value Of obligation 31-03-2008	20,063,099
Fair value of plan Assets 01-04-2007	-
Expected Return on plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognised</b>	<b>-5,034,379</b>

Balance Sheet Recognition

Present Value of Obligation	20,063,099
Fair Value of Plan Assets	-
Liability (assets)	20,063,099
Unrecognised Past Service Cost	-
<b>Liability (asset) recognised in the Balance Sheet</b>	<b>20,063,099</b>

Profit & Loss - Expenses

Current Service Cost	960,741
Interest Cost	701,728
Expected Return on plan assets	-
Net Actuarial gain (loss) recognised in the year	5,034,379
Past Service Cost	-9782
<b>Expenses Recognised in the statement of Profit &amp; Loss</b>	<b>6,687,066</b>

Movement in the net Liability recognised in the Balance Sheet

Opening net Liability	13,376,033
Expenses	6,687,066
Contribution	-
Closing Net Liability	20,063,099

Data

No	1,569
Avg. Age	29 yrs
Avg. PS	1.34 yrs
Avg. Sal	Rs.18034

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

III) Motilal Oswal Venture Capital Advisors Pvt. Ltd.

Method	Unit Credit Method
Assumptions	
Discount Rate	8%P.A.
Expected Return on Plan Assets	N/A
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Disability	NIL
Attrition	20% p.a.
Retirement	55yrs

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

	Mar - 08
Present Value of obligation 01-04-2007	51,010
Interest Cost	2,678
Current Service Cost	129,887
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	28,491
Present Value of obligation 31-03-2008	212,066
Fair value of plan Assets 01-04-2007	-
Expected Return on plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognised</b>	<b>-28,491</b>

Balance Sheet Recognition

Present Value of Obligation	212,066
Fair Value of Plan Assets	-
Liability (assets)	212,066
Unrecognised Past Service Cost	-
Liability (asset) recognised in the Balance Sheet	212,066
Profit & Loss - Expenses	
Current Service Cost	129,887
Interest Cost	2,678
Expected Return on plan assets	-
Net Actuarial gain (loss) recognised in the year	28,491
Past Service Cost	-
Expenses Recognised in the statement of Profit & Loss	161,056

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

Movement in the net Liability recognised in the Balance Sheet

Opening net Liability	51,010
Expenses	161,056
Contribution	-
Closing Net Liability	212,066

Data

No	9
Avg. Age	33 yrs
Avg. PS	1 yr
Avg. Sal	Rs.72,130

**IV) Motilal Oswal Commodities Broker Pvt. Ltd.**

Method	Unit Credit Method
Assumptions	
Discount Rate	8%P.A.
Expected Return On Plan Assets	N/A
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Disability	NIL
Attrition	20% p.a.
Retirement	55yrs

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

	Mar - 08
Present Value Of obligation 01-04-2007	304,725
Interest Cost	15,998
Current Service Cost	210,261
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	-38,562
Present Value of obligation 31-03-2008	492,422
Fair value of plan Assets 01-04-2007	-
Expected Return on plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognised</b>	<b>38,562</b>

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

Balance Sheet Recognition

Present Value of Obligation	492,422
Fair Value of Plan Assets	-
Liability (assets)	492,422
Unrecognised Past Service Cost	-
Liability (asset) recognised in the Balance Sheet	492,422

Profit & Loss - Expenses

Current Service Cost	210,261
Interest Cost	15,998
Expected Return on plan assets	-
Net Actuarial gain (loss) recognised in the year	-38,562
Past Service Cost	-62,068
Expenses Recognised in the statement of Profit & Loss	125,629

Movement in the net Liability recognised in the Balance Sheet

opening net Liability	366,793
Expenses	125,629
Contribution	-
Closing Net Liability	492,422

**V) Motilal Oswal Investment Advisors Pvt. Ltd.**

Method	Unit Credit Method
Assumptions	
Discount Rate	8%P.A.
Expected Return on Plan Assets	N/A
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Disability	NIL
Attrition	20% p.a.
Retirement	55yrs

Changes in the Present Value of the Obligation and in the Fair Value of the Assets

	Mar - 08
Present Value of obligation 01-04-2007	508,920
Interest Cost	26,718
Current Service Cost	304,798
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	194,323
Present Value of obligation 31-03-2008	1,034,759

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

Fair value of plan Assets 01-04-2007	-
Expected Return on plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2008	-
<b>Total Actuarial gain (loss) to be recognised</b>	<b>(194,323)</b>

**Balance Sheet Recognition**

Present Value of Obligation	1,034,759
Fair Value of Plan Assets	-
Liability (assets)	1,034,759
unrecognised Past Service Cost	-
Liability (asset) recognised in the Balance Sheet	1,034,759

**Profit & Loss - Expenses**

Current Service Cost	304,798
Interest Cost	26,718
Expected Return on plan assets	-
Net Actuarial gain (loss) recognised in the year	194,323
Past Service Cost	-
Expenses Recognised in the statement of Profit & Loss	525,839

**Movement in the net Liability recognised in the Balance Sheet**

Opening net Liability	508,920
Expenses	525,839
Contribution	-
Closing Net Liability	1,034,759

Data

No	23
Avg. Age	34 yrs
Avg. PS	1.57 yrs
Avg. Sal	104,384

**Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008**

**2.18 Provisions:**

Provisions made for the Year ended 31st March, 2008 comprises of :

Particulars	Opening balance (Rupees)	Provided during the Year ended 31.03.08 (Rupees)	Provision paid / reversed during the period ended 31.03.08 (Rupees)	Closing balance as of 31.03.08 (Rupees)
Exgratia	346,670,691	626,587,778	346,145,883	627,112,586
Gratuity	15,646,700	8,890,952	2,457,865	22,079,787
Administrative Expenses	61,164,401	234,751,307	55,931,852	239,983,856

**2.19 Disclosure of F&O open positions:**

**A) Futures open interest:**

Name of Equity Index / Stock Futures	No. of Units		INITIAL MARGIN MONEY
	Long	Short	(Rupees)
ABB Limited	-	250	63,968
Aditya Birla Nuvo Limited	-	5,000	1,712,625
Alia Engineering Limited	-	800	254,980
Amtek Auto Ltd.	-	4,200	340,736
Alstom Projects India Limited	-	1,200	232,556
Bajaj Holdings & Investment Limited	-	250	50,228
Bharat Electronics Ltd.	-	5,796	1,323,415
Bharat Forge Co. Ltd.	-	4,000	273,160
Bharti Airtel Limited	-	2,000	317,600
Bharat Heavy Electricals Ltd.	-	675	337,686
Bhushan Steel Limited	-	1,750	353,222
Biocon Limited	-	2,700	242,082
Bharat Petroleum Corpn. Ltd.	-	2,750	282,168
Brigade Enterprises Limited	-	550	59,959
CESC Ltd.	2,200	-	251,883
Corporation Bank	2,400	-	190,002
DLF Limited	-	2,000	460,484
GAIL (India) Limited	-	1,500	141,254
Global Broadcast News Limited	-	3,750	333,492
Gitanjali Gems Limited	-	41,500	2,687,092
Great Offshore Limited	-	3,250	573,061
Havells India Limited	-	3,600	450,000
Housing Development Finance Corporation Ltd.	-	300	205,997
Hero Honda Motors Ltd.	-	800	98,086
Hinduja Ventures Limited	-	24,500	5,129,402
The Jammu & Kashmir Bank Ltd.	-	1,200	38,115
Jindal Stainless Limited	-	1,000	45,879
JSW Steel Limited	-	3,575	847,630
Kesoram Industries Ltd.	-	500	46,303
Kotak Mahindra Bank Limited	-	3,575	810,831
Lakshmi Machine Works Ltd.	-	3,900	1,777,571
Lanco Infratech Limited	-	5,950	879,895
Lupin Limited	-	7,000	642,583

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

Name of Equity Index / Stock Futures	No. of Units		INITIAL MARGIN MONEY
	Long	Short	(Rupees)
Maharashtra Seamless Ltd.	-	12,600	1,077,225
United Spirits Limited	-	1,000	317,446
Moser-Baer (I) Ltd.	-	1,650	89,629
Mahanagar Telephone Nigam Ltd.	1,600	-	34,865
Nagarjuna Construction Co. Ltd.	-	8,000	465,424
National Aluminium Company Limited	-	58,075	7,732,190
Info Edge (India) Limited	-	300	120,981
New Delhi Television Limited	-	2,750	177,808
Network 18 Fincap Limited	-	51,000	6,302,500
Oil & Natural Gas Corpn. Ltd.	-	4,275	944,119
Pantaloon Retail (India) Ltd.	-	27,500	3,208,896
Patel Engineering Limited	-	2,500	432,788
Reliance Petroleum Limited	-	13,400	618,871
Reliance Power Limited	-	19,800	1,977,249
Steel Authority of India Ltd.	-	17,550	1,009,371
Sasken Communication Technologies Limited	-	1,100	62,910
Shipping Corporation Of India Ltd.	-	3,200	173,381
Sesa Goa Ltd.	-	2,025	1,988,651
Sobha Developers Limited	-	700	106,399
Strides Arcolab Limited	-	11,050	1,069,723
Sterling Biotech Limited	-	27,500	831,600
Tata Communications Limited	-	7,875	1,159,047
Tata Consultancy Services Limited	-	6,250	1,134,781
United Phosphorous Limited	-	2,800	164,927
Unitech Ltd.	-	1,800	186,905
Welspun Gujarat Stahl Rohren Limited	-	800	105,021
<b>TOTAL</b>	<b>6,200</b>	<b>425,321</b>	<b>52,946,650</b>

**B) Options open interest:**

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made (Rupees)
ONGC - Call	6,730

**2.20** During the year, Crisil Limited assigned the Credit Rating of 'P1+' (pronounced 'P One Plus') to the Short Term Debt Programme of Rs.5,000,000,000 of the company. During the year, the company issued Commercial papers of Rs.3,25,00,00,000 and Non Convertible Debentures of Rs.1,000,000,000. As at 31st March 2008, Commercial Papers of Rs.1,454,684,761 were outstanding.

**2.21** Out of the capital commitment of 10% (subject to maximum limit of Rs.450,000,000) given by the Company in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company during the last year under the Indian Trust Act, 1982, the Company has contributed an amount of Rs.136,500,000 towards its capital contribution as per the draw down intimations received from the Trust.

**2.22 Extraordinary Items comprises of :**

- Non-compete fees amortised by the Company of Rs.1,378,976 (net of tax), which is amortized over the period of non-compete (previous year Rs.41,971,083 (net of tax))
- Profit of Rs.146,734,945 (net of tax) on sale of 36,493 shares (Long term Investments) of Bombay Stock Exchange Limited (BSE) allotted in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme)

Schedule annexed to and forming part of the Consolidated Balance Sheet at at 31st March, 2008 and Consolidated Profit and Loss Account for the year ended 31st March, 2008

**2.23 IPO Utilization :**

The status of utilization of IPO proceeds amount upto 31st March, 2008 is as under (Rupees)

Activity	IPO Proceeds	Actual Utilization as on 31st Mar. '08	Unutilized Money as on 31st March, 2008
Augmenting Long Term Working Capital Financing Activity	400,000,000	359,673,986	40,326,014
Purchase / Lease of new office space for business expansion	1,100,000,000	1,100,000,000	-
General Corporate Purpose	350,000,000	21,197,173	328,802,827
Technology	407,700,000	279,952,664	127,747,336
Issue Expenses	102,000,000	60,601,634	41,398,366
	101,000,000	101,000,000	-
<b>Total</b>	<b>2,460,700,000</b>	<b>1,922,425,457</b>	<b>538,274,543</b>

Out of the issue proceeds of Rs.2,460,700,000, the Company has utilized an amount of Rs.1,922,425,457 as per the Objects of the Issue and the unutilised amount is lying in the Mutual Funds.

**2.24** The Company has adjusted share issue expenses of Rs.117,639,000 in respect of its Initial Public Offering against reserves in Share Premium Account.

**2.25 Customer Claims & Settlement Account**

The markets turned very volatile during the last quarter and this led to erosion in the market value of the collaterals offered by the customers as margins. The Company has provided for loss of Rs.37,704,399 for the claims and settlement thereof. The management believes that any further claims in respect thereof shall be insignificant in context of the amount already provided.

**2.26 Reporting date of the subsidiary**

The financial statement of the subsidiary Motilal Oswal Capital Market Private Limited (MOCMPL) ended on 31st January, 2008. In accordance with Accounting Standard (AS) 21 Consolidated Financial Statements, adjustments have been made in the Consolidated Financial Statement for the effect of transaction / events of MOCMPL that have occurred between 1st February, 2008 to 31st March, 2008. The statement of adjustment is given below:-

(Rupees)

Particulars of adjustments	For the period ended 31st January 2008	For the period 1st February 2008 to 31st March 2008	For the period ended 31st March 2008
<b>Profit &amp; Loss Items</b>			
Administrative Expenses	265,731	24,417	290,148
Interest and Finance Charges	-	930	930
Deferred Tax Income / (expense)	90,322	8,615	98,937
Profit / (Loss) After Tax	(175,409)	(16,732)	(192,141)
<b>Balance Sheet Items</b>			
<b>Asset Side</b>			
Deferred Tax Asset	90,322	8,615	98,937
Cash and Bank Balance	12,267,977	(25,347)	12,242,630
Profit and Loss Account	175,409	16,732	192,141

**2.27** Figures of previous years have been re-grouped / re-arranged / restated wherever considered necessary.

For **Haribhakti & Co.**  
Chartered Accountants

For and on behalf of the Board of  
**Motilal Oswal Financial Services Ltd.**

**Manoj Daga**  
Partner

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 21st April, 2008



Financial Highlights of Subsidiaries for the year ended 31st March, 2008

(Rs.)

Name of the Subsidiary Company	Capital (including Preference Shares Capital)	Reserves & Surplus	Total Assets	Total Liabilities	Details of Investments (excluding Investments in subsidiaries)	Gross Turnover	Profit Before Tax	Provision for Tax	Extra - Ordinary Items (Income)/ Expense	Profit after Tax	Proposed Dividend & Tax thereon
Motilal Oswal Securities Limited	13,188,300	3,044,875,293	11,847,077,288	11,847,077,289	1,884,426,039	6,006,146,682	1,849,332,079	612,958,347	(145,355,969)	1,381,729,700	-
Motilal Oswal Commodities Broker Private Limited	10,100,440	1,347,131	144,200,216	144,200,216	-	50,897,845	(4,241,153)	(415,103)		(3,826,050)	-
Motilal Oswal Investment Advisors Private Limited	10,000,000	106,760,254	630,279,072	630,279,072	416,446,985	637,470,987	272,933,415	90,809,106		182,124,309	(177,247,425)
Motilal Oswal Venture Capital Advisors Private Limited	588,250	15,453,037	57,024,419	57,024,419	15,029,082	86,379,338	34,969,736	11,975,955		22,993,781	
Motilal Oswal Capital Markets Private Limited	12,500,000	(175,409)	12,533,708	12,533,708	-	-	(265,731)	(90,322)	-	(175,409)	-

**Disclaimer :** Sources of information / history of the different inventors (Einstein, Graham Bell, Newton, Wright Brothers) mentioned in this report are based on internet reports and articles.

Knowledge First

