



THE SPIRIT OF  
**ENDURANCE**



ANNUAL REPORT 2008-09





THE SPIRIT OF  
**ENDURANCE**

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When it comes to weathering tough times it is the *spirit of endurance* that separates the winners from the rest. In the year gone by it is this *spirit* that has symbolized Motilal Oswal's approach to business.

A *spirit* fuelled by faith in the India story and the opportunity presented by the next Trillion Dollar Opportunity of India's GDP growth. A *spirit* powered by our unflinching belief in the power of knowledge. And a *spirit* based on the belief that tough times don't last; tough people do...

# OUR CORE PURPOSE

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

# OUR VALUES

**Integrity:** A company honoring commitment with highest ethical and business practices.

**Team Work:** Attaining goals collectively and collaboratively.

**Meritocracy:** Performance gets differentiated, recognized and rewarded in an apolitical environment.

**Passion & Attitude:** High energy and self motivated with a “Do It” attitude and entrepreneurial spirit.

**Excellence in Execution:** Time bound results within the framework of the company’s value system.

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# BOARD OF DIRECTORS, BANKERS & AUDITORS

## **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 Agarwal**  
Independent Director

**Mr. Balkumar Agarwal**  
Independent Director

**Mr. Madhav Bhatkuly**  
Independent Director

## **Company Secretary & Compliance Officer**

Tarun Khurana

## **Bankers**

Citibank N.A.  
HDFC Bank  
Standard Chartered Bank

## **Auditors**

M/s Haribhakti & Co., Chartered Accountants

## **Registered Office**

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

## **Corporate Office**

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

## MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I write to you at the close of this very challenging and tough year which has been a true test of investor confidence and the strength of the business models of capital market participants.

In such turbulent times, we continued to lead our clients to find a right path in this journey; by providing them best in-class research, advisory and execution services. We continue to expand our client base across business segments and remain fully committed to the trust we have developed over the years, by working towards a better financial future for each of our clients.

A focused approach, strong balance sheet, consistent margins, a successful time-tested business model and well diversified income streams helped your company deliver sound results in challenging times. Our constant focus to rationalize costs and maintain our margins (and thus returns) for the businesses delivered results. Our plans for existing as well as new business lines are well in place to capture the long term growth potential, while striking the right balance between current profitability and investing for future.

On a consolidated basis, your company posted revenue of Rs. 4,661 million (down 33% as compared to FY08) and an adjusted PAT of Rs. 926 million (down 41% as compared to FY08). Our endeavor to diversify our revenue streams resulted in 30% of our revenue coming from non-broking businesses vis-à-vis 20% in the previous year. Investment Banking advisory fees was Rs. 452 million and contributed to 10% of total revenues for the group. Income from Fund based activities was Rs. 639 million and contributed to 14% of total revenues. Asset Management fees were Rs. 214 million and contributed to 5% of total revenues. Despite the fluctuations in market volumes and revenues, our margins continue to be stable with EBITDA and PAT margins at 39% (FY 2008: 39%) and 20% (FY 2008: 22%) respectively.

During the last financial year, your company received several accolades including:

- 'The Best Franchisor in Financial Services' in the retail and franchising industry by Franchising World Magazine for the second year in succession
- 'Limca Book of Records' for creating India's largest dealing room in Mumbai
- Awards in 3 out of 4 categories in the latest Starmine India Broker Rankings 2009 from Thomson Reuters
- The prestigious NASSCOM - CNBC TV 18 IT User Award - 2008 for the Financial Services category

In terms of outlook, FY 2010 has started on a positive note for the equity markets with the Sensex almost doubling from recent lows to around 15,000 levels and the daily equity volumes averaging at Rs. 890 billion in the first few months of FY 2010 versus Rs. 554 billion in Q4 FY09 and Rs. 612 billion in FY09. Sustained improvement in the economy and capital markets augur well for all our key businesses. We are confident of capturing the resulting opportunities through our all season business model and a strong unleveraged Balance Sheet.

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,




**Motilal Oswal**

*Chairman and Managing Director*

Mumbai, 29th June, 2009

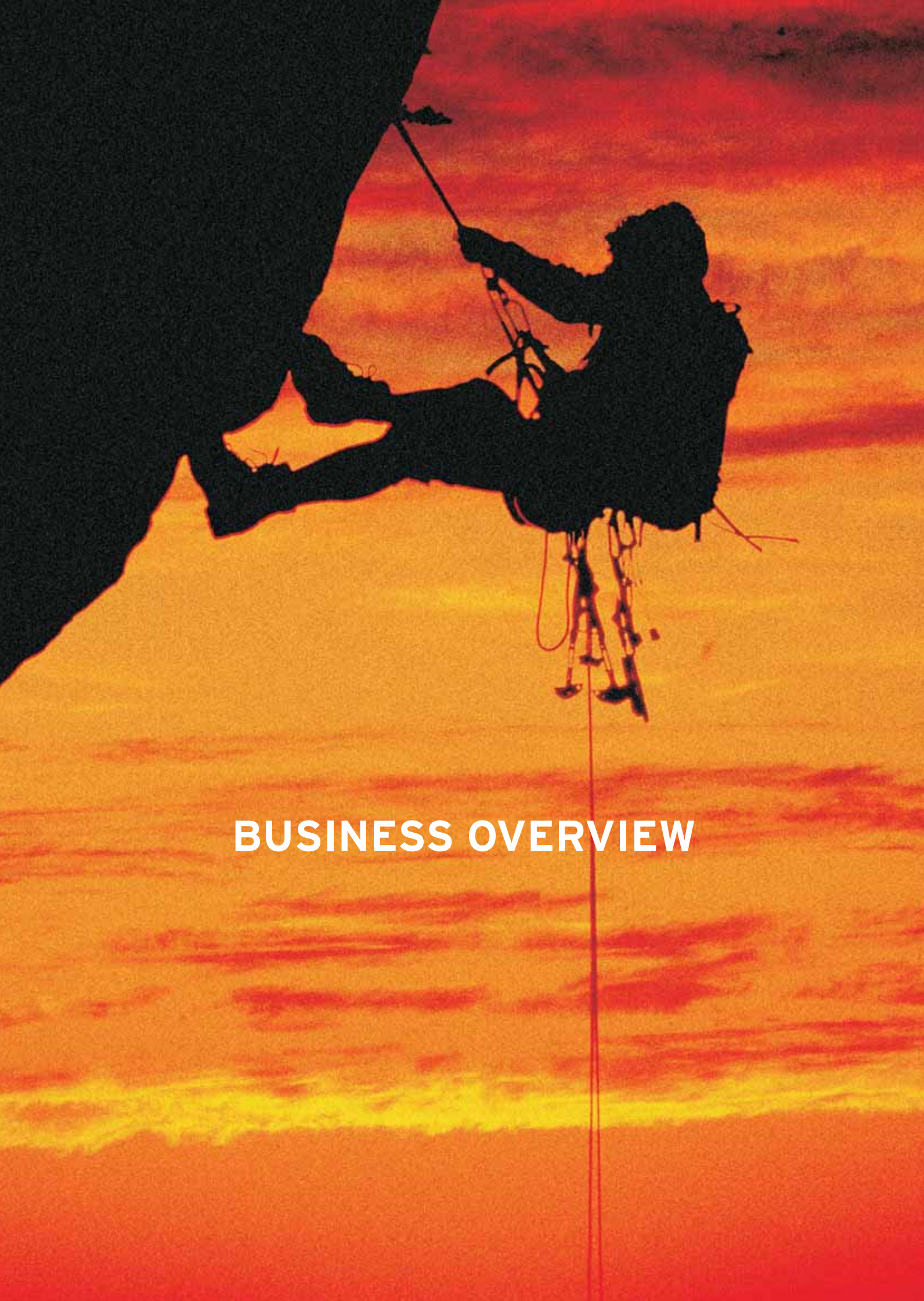




## Mountain Climbing

A physically and mentally demanding sport that often tests a climber's strength, endurance, agility, and balance along with mental control. Traversing an inclined face, or completing a climbing route is possible only with true skill and a strong work ethic. All the hard work, all the mental strength is geared to one simple objective. ASCENT.





# BUSINESS OVERVIEW



## THE YEAR THAT WAS

Motilal Oswal Securities Ltd. (MOSL) entered the 'Limca Book of Records' for creating India's Largest Dealing Room in Malad, Mumbai



MOSL conducted over 100 investor seminars covering various aspects of investing to educate investors on how to invest during challenging market conditions. The largest of these seminars were held in Nashik and Mehsana with over 3000 attendees at each venue



The 13th Motilal Oswal Wealth Creation Study & Awards was held in Mumbai in December 2008 and was covered live on CNBC TV 18



The promoter company of Motilal Oswal Financial Services Ltd. (MOFSL) - Passionate Investment Management Private Ltd. received in-principle approval from the Securities Exchange Board of India (SEBI) to set up a mutual fund business in India



In its three years of operations, Motilal Oswal Investment Advisors Pvt. Ltd. (MOIA) has successfully completed 44 transactions with over Rs. 1.3 billion revenue, spanning the entire gamut of its product offerings across industry sectors





MOSL Awarded 'Best Franchisor in Financial Services Category - India' by Franchising World Magazine; for the second consecutive year



MOSL awarded the prestigious NASSCOM - CNBC TV 18 IT User Award 2008 in the Financial Services category



The domestic real estate fund i.e. India Realty Excellence Fund (IREF), which is advised by our private equity subsidiary, successfully completed its first closing with commitments of Rs. 1 billion.  
The US\$ 125 million India Business Excellence Fund made investments in 8 companies

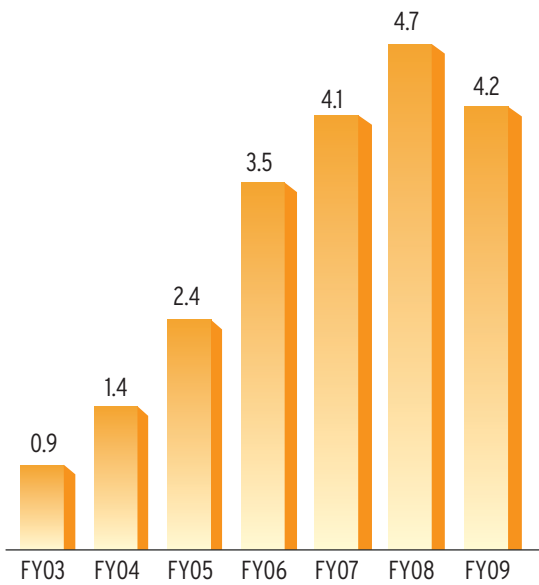


MOSL won awards in 3 out of 4 categories at the Starmine India Broker Rankings 2009 from Thomson Reuters

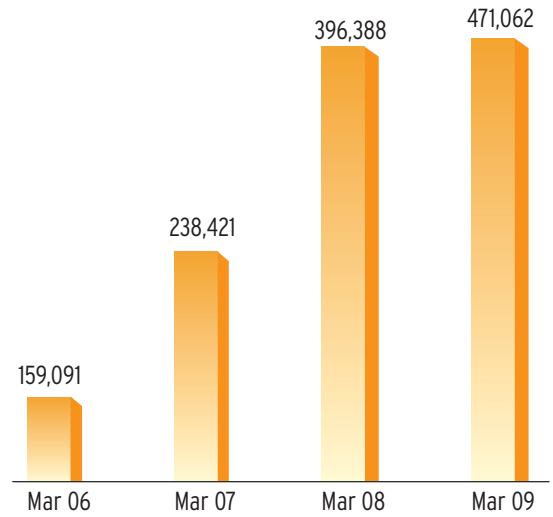


Reach expands to 1289 business locations across 548 cities

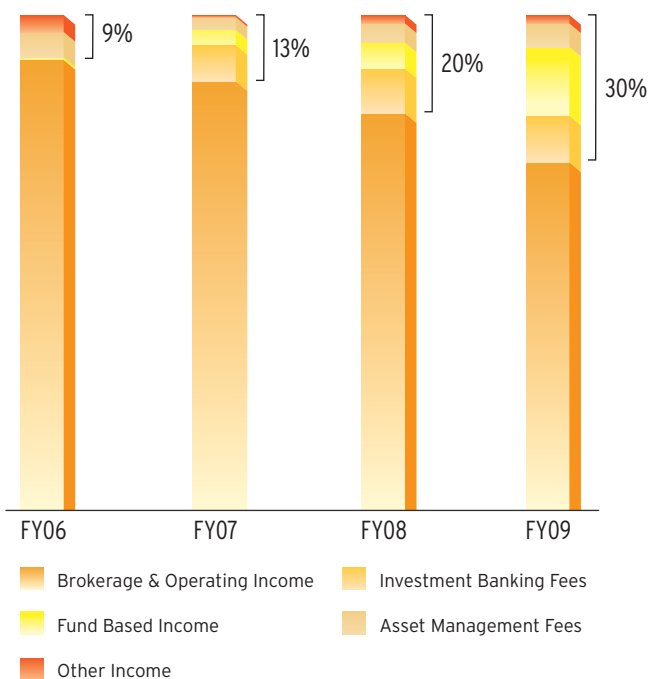
**Market Share - Equities (%)**



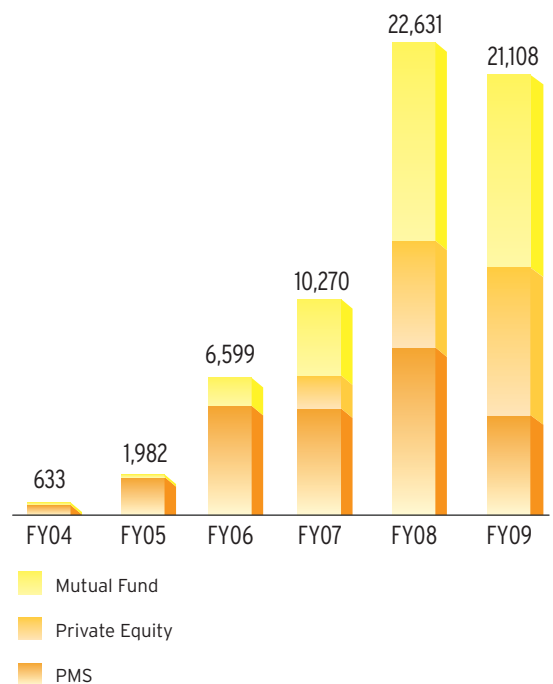
**No. of Retail Broking Clients**



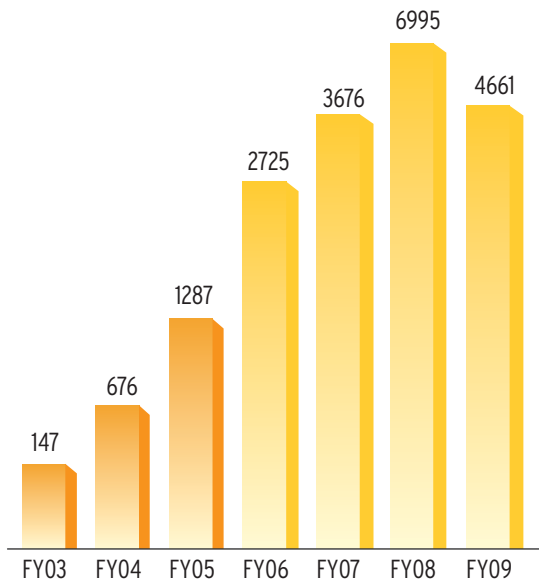
**Diversifying Revenue Base**



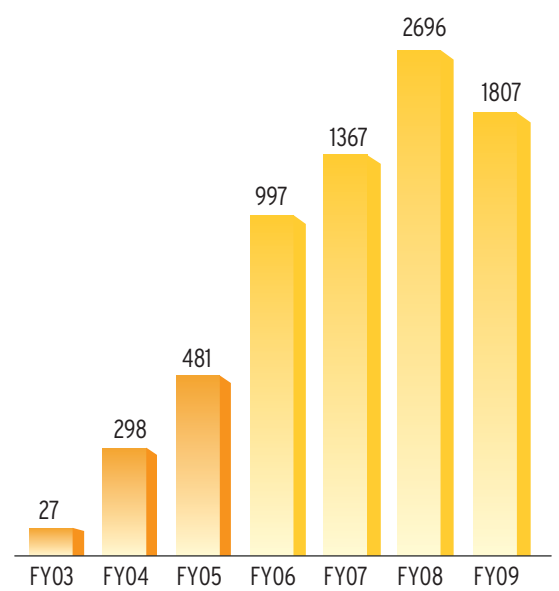
**Total Assets Under Investment Management & Distribution Business**  
INR in millions



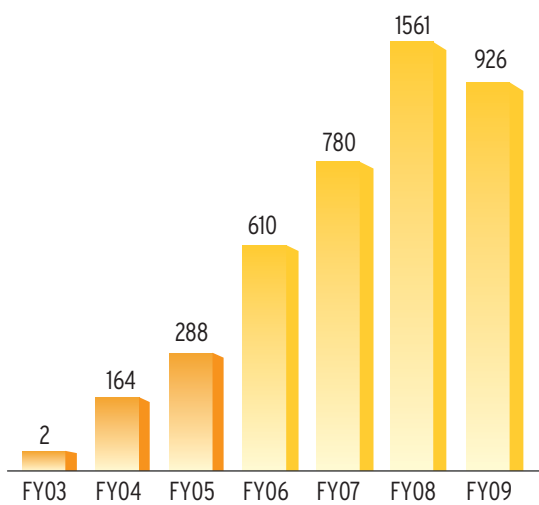
**Total Income**  
INR in millions



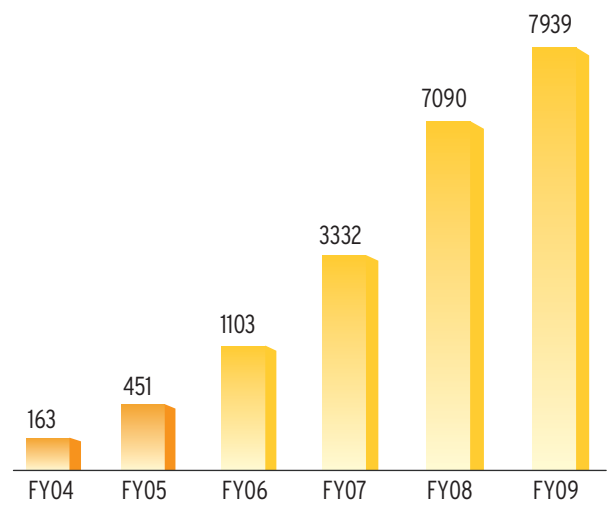
**EBITDA**  
INR in millions



**Profit after Tax**  
INR in millions



**Shareholder Equity**  
INR in millions

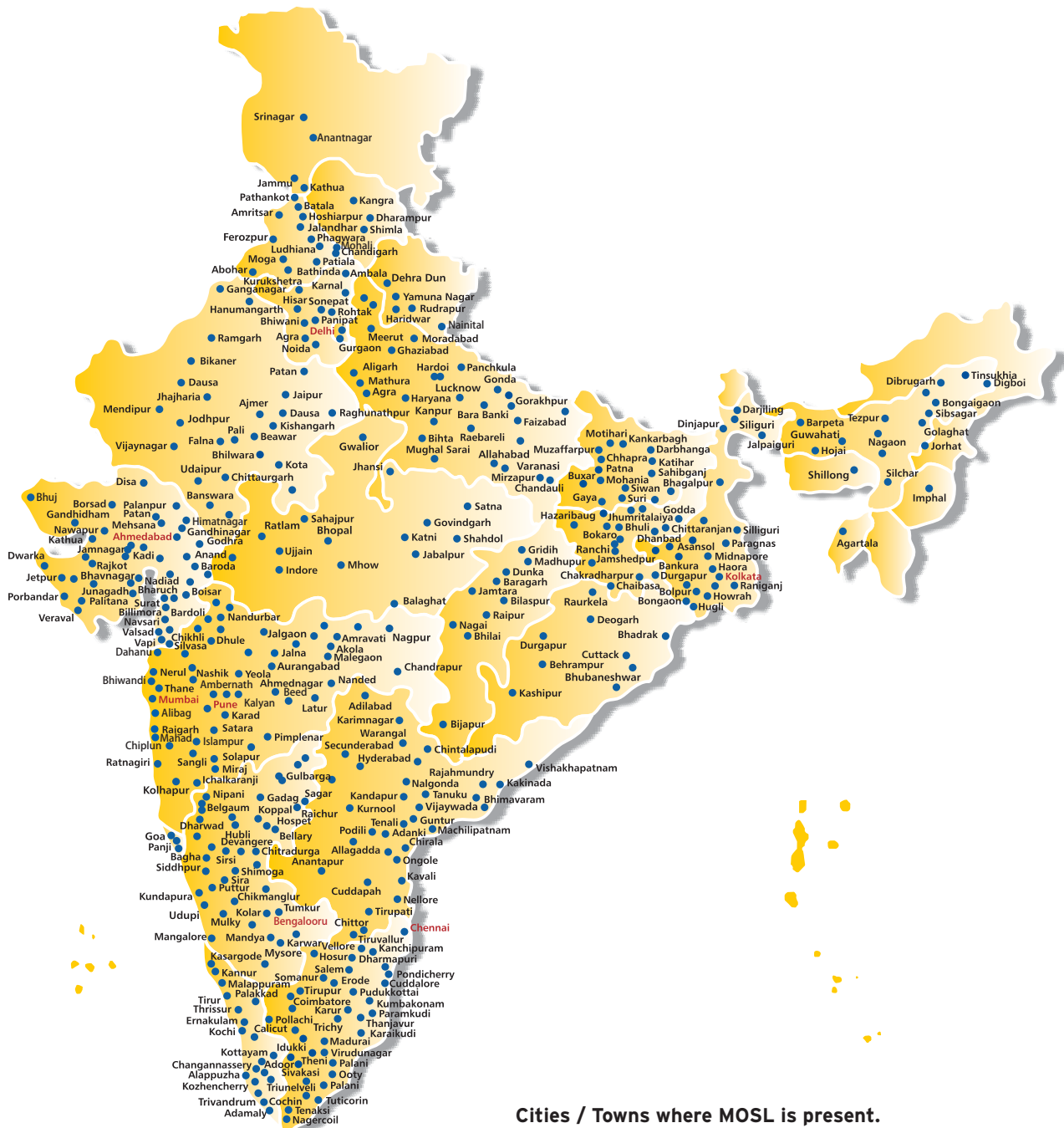


■ Standalone financials of Motilal Oswal Securities Limited (FY03 - FY05)  
■ Consolidated financials of Motilal Oswal Financial Services Limited (FY06-FY07 & FY08-FY09)

# COMPANY OVERVIEW

MOFSL is a well-diversified financial services company focused on wealth creation for all customers, such as institutional, corporate, HNI and retail. Our services and product offerings include wealth management, retail broking and distribution, institutional broking, asset management, investment banking, private equity and commodity broking. The company distributes these products via 1,289 business locations spread across 548 cities and the online medium; to over 541,372 registered customers.

MOFSL has strong research capabilities, which enables us to identify market trends and stocks with high growth potential, helping clients to take well-informed and timely decisions. MOFSL has been ranked by various polls such as the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in the AsiaMoney Brokers Polls for India. In the Starmine India Broker Rankings 2009 from Thomson Reuters, we won awards in 3 out of 4 categories for our research pedigree.





### Institutional Broking

We offer institutional broking services in the cash and derivatives segment to a large institutional clientele in India and abroad. These clients include mutual funds, banks, financial institutions, insurance companies, and Foreign Institutional Investors (FII). As at 31st March, 2009, we were empanelled with over 300 institutional clients including 200 FIIs. Our institutional team comprises staff from Sales and Dealing, Research and Corporate Access.

Despite the global crisis and fall in foreign investments, India is still one of the favoured destinations for equity investments with an increasing number of FII registrations year-on-year. We believe that the two key differentiators for players competing in this space would be the strength of research and

advisory support coupled with best execution platforms.

Our strong clientele base spread across the globe and our constant endeavour to provide best in-class research, advice and execution support also helps us to tap emerging opportunities and gain higher market share across all institutional client segments.

### Investment Banking

Motilal Oswal Investment Advisors Private Limited (MOIA), offers comprehensive Investment Banking solutions and transaction expertise covering private placement of equity, debt and convertible instruments covering international & domestic capital markets, mergers & acquisitions advisory and restructuring advisory & implementations.

Our team comprises of multi-disciplinary professionals with a collective banking and corporate finance advisory experience of more than twelve decades. An extensive understanding of different sectors within the Investment Banking team underpinned by the two decade old research strength of the group company, MOSL enables us to provide customized financial solutions to our clients across industries.



Our established track record, strong corporate relationships, experienced team and synergy of investment banking business with other segments of our business would help us in gaining further profitable franchise in this business.

This year the Company completed its third financial year since inception and is now; on a cumulative basis; 44 transactions old.

### Broking and Distribution

Our services under the 'Broking and Distribution' business include offering products such as Equities, Derivatives, Commodities, Depository Services, Portfolio Management Services, and distribution of Mutual Funds, Primary Equity Offerings and Insurance products. As at 31st March, 2009, we had over 541,372 registered customers, whom we serve through this business. This includes 471,062 broking clients of which 396,758 have depository accounts with us.

Our services to Broking and Distribution clients are made through a strong branch and franchisee network spread across India. We have one of the largest pan-India networks with a presence in 1,289 business locations across 548 cities/towns.



This extensive distribution network provides us further opportunities to cross-sell products and services as we diversify into new business streams. In addition to our aforementioned physical network, we have a strong online platform helping our clients to use our services at their convenient location. We also have strategic alliances with State Bank of India, IDBI Bank and Axis Bank to offer online brokerage services to their retail banking clients. Our clients are advised by the centralized advisory and dealing desk based in Mumbai; situated over a 26,500 sq.ft. area.

The focus of the business has been to provide both customers and business partners with the knowledge and confidence to negotiate the tough market conditions prevailing throughout the year. This



## OUR BUSINESSES

was addressed by a series of over 100 seminars in over 90 cities that were attended by over 11,000 customers, prospective investors and business partners. An added initiative was to increase width and depth of reach by aggressively acquiring business partners with a 'Win-Win' value proposition.

### Private Equity

Our private equity subsidiary, Motilal Oswal Private Equity Advisors Private Limited (MOPE) is currently in the business of managing and advising funds in both the growth capital space as well as the real estate space. MOPE is an investment manager and advisor to a private equity fund, India Business Excellence Fund, which has commitments of US\$ 125 million from investors in India and overseas. 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\$ 10 million. The fund has already made investments in eight companies till 31st March, 2009 committing around 45% of the funds under management.



During 2008-09, MOPE has also been appointed as Investment Manager to India Realty Excellence Fund (IREF), a domestic real estate fund. IREF has successfully done its first closing at Rs. 1 billion. It is currently open to subscription to both institutional and retail investors for its second closing. MOPE has been able to build a strong deal pipeline for IREF and is evaluating several investment opportunities.

We believe that over the next couple of years the private equity model in India will evolve further. Global private equity funds and large domestic funds will continue to be significant players. In the SME space, private equity funds backed by larger financial services/corporates will gain prominence over the funds started by a group of individuals.

While private equity investment is a preferred route for large investors overseas; significantly, domestic investors are also realising the attractiveness and potential of investing through private equity funds. Some of the recent launches of domestic private equity funds have received good response from the investors. We feel that this trend will gather momentum with savings touching 35 -40% of the GDP.

Our private equity subsidiary is well poised to take full advantage of the favorable environment and expand its business and establish a market leading franchise in the SME space.



### Asset Management

Our Portfolio Management Services (PMS) are offered through MOSL. As on 31st March, 2009, assets under management for this business were Rs. 4,767 million with 3,504 registered customers. For the PMS business, we have a 5 member fund management team; they are supported by MOSL Research Team of 24 research analysts.

We have received an in-principle approval from Securities Exchange Board of India (SEBI) to set up a mutual fund business in India, through our promoter company, Passionate Investment Management Private Ltd.

We feel that there is a huge opportunity for new entrants as the industry is still in its nascent stage in terms of AUM size, number of players and number of schemes, when analyzing and comparing it with countries like Brazil and other emerging economies. We will grow our asset management business by leveraging our existing investment management capabilities in managing funds, our strong research and a large in-house retail franchisee network to spread our reach and capture the investment potential in India and abroad.

### Wealth Management

Our Wealth Management services are offered to Mass Affluent and High Net Worth clients, through a separate offering called 'Purple'. The strategy for this business is to engage with clients by consolidating their needs across personal, family and business arenas; and provide them the best solution and product mix leading to high profitability.





**Research**

Our business philosophy is based on the fact that research and advisory is the key differentiator; everything else is table stakes. Since the inception of the company we have focused on a dedicated research team which is engaged in analyzing the Indian economy and industry to identify equity investment ideas. The research team currently comprises of 24 research analysts covering over 200 companies in 27 sectors and 16 commodities. The continuum of our research is reflected in the table below:

**DIFFERENT RESEARCH REPORTS GENERATED**

FOR TRADERS		FOR INVESTORS		
	Market Analysis & Information	Technical Analysis	Fundamental Research	Thematic Research
As & When		Precious Metal and more	Inquire Company & Sector Report	
Yearly				Wealth Creation Study Budget Coverage
Quarterly			Results Preview	India Strategy
Monthly	Derivatives Roll Over MOST Commodities* MF Research Report MOST MF Product Notes MOST MF Occasional Papers	MOST Momentum*	MOST Wealth MOST Value* MOST Mutual* MOST PMS* PMS Monthly Newsletter	
Weekly	MOST Weekly MOST MF Weekly	Future Weekly Guide	MOST 3 x 3 MOST Universe Valuation	
Daily	Derivative Daily Commodities Margin MOST MF Daily Corporate News Daily Margin (futures and options)	Morning Calls Market Diary Pivot Points	MOST Market Action	
Market hours	Market Information & Intra day calls			

Available: ■ Printed Copies   ■ Email / Website   ■ Telephonically  
 \*Part of monthly products-MOST Wealth. All reports are subject to access and availability

Our consistent efforts towards quality equity research have reflected in an increase in the ratings & rankings across various categories in the AsiaMoney Brokers Poll over the years. In the latest rankings of Starmine India Broker Rankings 2009 from Thomson Reuters; we won awards in 3 out of 4 categories. We were rated No.1 in the India Mid & Small-Caps - Best Recommendations category, rated Top-3 in the India BSE Sensex - Earnings Estimates category and rated Top-4 in the India Mid & Small-Caps - Earnings Estimates category.

**Advisory**

The investment ideas identified by the research team are presented and communicated with conviction to our clients by our advisory team.

The centralized advisory team based in India's largest dealing and advisory floor in Malad, Mumbai communicates investment ideas customized to different customers and business partners requirements; in a seamless, speedy and reliable manner using state-of-the-art technology and telecommunications infrastructure.

To improve the overall experience for our clients while they interact with our advisors, we have implemented a contact centre solution, Ameyo, in our dealing room. This solution helps advisors to manage their client base more efficiently and effectively, and also provides clients with a rich advisory experience.



# OPERATIONS

With a team of over 400; Operations are in a sense the backbone of the organization and key touchpoint for Customer and Business Partner experience. Its activities include the Back Office, Business Process Excellence, Business Solutions Group and Information Technology.

## Back Office

- We operate from the 28000 sq. ft. centralized office at Malad, Mumbai. These premises are connected to our 1289 outlets via leased lines, ISDN and V-SATs.
- To enhance customer service; we have set up a 70 member dedicated desk to help customers solve their day to day issues. A specialized team has also been set up to manage systematic issues which come in the form of customer grievances.



- During the year, we implemented a new Risk Management System (RMS) policy, which takes care of normal and abnormal market conditions.

We have also built MOSL's own Internet based Online Risk Management System which is capable of squaring up clients' transactions on a real time basis. In addition to this, MOSL's F&O Risk Management Systems have been made margin driven to avoid risk in a much leveraged segment.

- We have achieved payment gateway tie ups with 19 banks, so far, to enable both our online as well as offline customers to transfer funds from any of their banks to MOSL's Account in a hassle free manner. MOSL has been the first broking house to get an in-house cheque printing facility from Standard Chartered Bank. We also provide the largest Cash Management Services tie-up covering more than 700 locations across the country.
- To improve the skills of our operational staff; we have invested in providing them need based training in areas like basic & advanced Excel, soft skills like e-mail & telephone etiquette, Leadership Skills and Quality related training like Green Belt and Black Belt.



### Business Process Excellence

In accordance with our strategic objective of going from good to great; we have been systematically focusing on maximizing process efficiency & effectiveness and delivering customer experience excellently & profitably.

Our Business Process Excellence team, headed by a deployment leader, has a team of full time Master Black Belts and full time Black Belts committed to making excellence a part of the organization DNA.

In FY 2008-09, we successfully completed 31 high impact projects across various business functions and generated a quantified annualized financial benefit of Rs. 29.2 million, along with positive impact on customer and employee experiences.

Apart from the above projects, inculcating and enhancing a Quality & Process Excellence culture was also a key focus area for the year. Three types of training programs were kicked off in which a total of

176 people were trained. To ensure that people's efforts are duly recognized and rewarded, 3 certification programs, viz. White Belt certification, Green Belt certification and Black Belt certification were also launched this year.

In FY09; MOSL also received the ISO 9001:2008 re-certification successfully.



### Business Solutions Group



The Business Solutions Group (BSG) has been formed during the current year with an objective to provide solutions to the needs of our business channels servicing various client segments across products and services.

Our recent focus has been on designing customer centric IT solutions that enhance our customer experience and help deepen client level engagement in a structured and efficient manner for all business units.

Some of the initiatives of this group were:

- Wealth Management System - a unique offering from MOSL that enables clients to keep track of their investments with MOSL; as well as a facility to keep track of their overall portfolio (including Equities, Mutual Funds, IPO and Alternate Assets). The Wealth Management System also acts as an efficient tool for our Financial Advisors in reviewing clients' portfolio in a structured manner.





- Customer 1st (inhouse CRM application) - the system captures the customer profile, demographics and client interactions at a single point thereby giving a 360 degree view of the customer.

Further, the sales force automation module of the CRM has enabled various MOFSL business units to track client conversion through a simple but structured workflow thereby ensuring complete standardization of the sales process.

- Financial Planning - Financial Planning Software (FPS) helps our advisors and business associates gauge the risk appetite and financial goals of customers. FPS has been fully integrated with the Wealth Management System and the Customer 1st CRM system enabling our advisors and business associates do a periodic review of our customers portfolio in line with the overall strategic asset allocation, and suggest tactical rebalancing based on clients' risk profile, needs and market conditions.



## Information Technology

Continuing with the emphasis on customer experience and providing cost effective solutions that enable business and employee productivity, MOFSL has implemented state-of-the-art IT infrastructure and solutions last year.

Our IT infrastructure includes a world class data centre, offline and online trading platforms with 99.8% planned uptime and a cost effective combination of VSAT, leased lines, VPN and other modes to provide superior connectivity to our widespread business network.

Over 8500 terminals are managed through this network across various equity & commodity segments. Redundancy in connectivity is created by engaging various service providers.

Our IT solutions include over 70 applications like CRM, real time Risk Management System, single view Wealth Management System, state of the art CTI/ IVR based contact centre, Single Data Entry for KYC, end-to-end Human Resource Management System; among others.



*In recognition of these efforts; MOSL won the 2008 NASSCOM-CNBC TV18 IT User Award for the financial services category. The award is an acknowledgment of the company's proactive and holistic approach to IT adoption and the seamless alignment of IT with the company's overall business strategy. The award was presented by Mr. Jairam Ramesh, Minister of State for Commerce & Industry*



In the present scenario, managing finance is at the core of business operations and integrity of financial reporting has assumed more importance. Being closely aligned to the needs of business decisions Finance has become more dynamic, efficient and effective by closely aligning to the needs of the business decisions and at the same time it has strengthened its conventional role as guardian of the assets and ensuring controls. At MOFSL, the Finance Department contributes in making business decisions, finance & treasury management, statutory compliance, financial reporting, tax compliance and various other functions.

**1. Corporate Finance:** At MOFSL, a key portion of the finance function is strategic and focused on long & short term prudent financial management and readiness to enable the company to invest for growth on an on-going basis. Treasury plays an important role in ensuring banking relationships, credit ratings, working capital optimization, liquidity management and analyzing returns on capital employed in the Strategic Business Units (SBUs).

**2. Financial Reporting:** MOFSL encourages fair, transparent and clear financial reporting to all its stakeholders. It provides strong platform for finance professionals to learn strategic and tactical aspects that provide them not only experience in situations that have an immediate impact on the Company but also invest their time to learn emerging issues.

**3. Statutory & Regulatory Compliance:** The department handles the most important function related to statutory and regulatory compliance that includes compliance with laws & regulations of SEBI, RBI, Exchanges, depository regulations, corporate laws, tax compliances and various other acts.

**4. Corporate Governance:** The Company endeavors to comply with the requirements of Corporate Governance, including the compliance with clause 49 of the listing agreement. Multiple committees have been instituted with the intention of learning of best practices in the area of Corporate Governance.

## CORPORATE PLANNING AND INVESTOR RELATIONS

### Corporate Planning

Corporate Planning at MOFSL is responsible for enabling and supporting SBUs in scanning of environment, developing strategic plans, facilitating smooth execution and effective monitoring of strategic initiatives. The team with the support of a highly customized Business Intelligence System has been able to provide valuable insights to Business Heads on sources of profitability, employee productivity, efficiency of retail distribution channels, customer analytics and similar reports for better monitoring and execution of stated business plans.



Some of the initiatives by the team in the last year involve:

- Creation of Strategic and Tactical plans at Group and SBU level which helped MOFSL manage its resources effectively in challenging market conditions.
- Scanning of external environment and tracking key developments within the industry for identifying critical business opportunities within the Financial Services space.
- Creating a framework for leveraging upon synergies between the various MOFSL SBUs.
- Development of a robust system for identification & monitoring of profitability within the SBUs at economic unit level.
- Creating a business analytics framework for helping our channel partners get deeper insights on areas of focus for maximizing business growth.
- Financial modelling and scenario planning for new business initiatives.

### Investor Relations

The Investor Relations function within the MOFSL group seeks to maintain a continuous and healthy dialogue with our investors and provides the investment community with periodical information on the Company's business operations and important financial information. In this endeavour, we aim to follow global benchmarks with respect to transparency of business operations and corporate governance. We strive to create the highest value for our shareholders through legal and ethical business practices.

The Company has adopted regular and open communication channels. The Investor Relations team plays a proactive role in disseminating information to the investor community via press releases, conference calls, one-on-one briefings and the investor relations section of the company website. Its communication programme goes beyond statutory disclosure and reporting norms, and voluntarily adheres to best international practices. The Company is confident that these practices will establish enduring relationships with all its investors, other important market constituents and the society at large.



- During the past year the cornerstones of our HR & OD initiatives were:
1. Enhancing the Performance Management initiatives launched last year
  2. Building employee capability
  3. Increasing Employee Engagement and Motivation
  4. Establishing MOFSL's role as a good corporate citizen

### Enhancing Performance Management

In line with the balance score card initiative launched the previous year, this year we worked on ensuring that KRAs were populated for all major roles within the organization. A KRA audit launched in January 2009 ensured 98% (approx.) of employees' KRAs were loaded and mapped before the start of the appraisal cycle this year.

### Building Employee Capability

To improve motivation and build capability; new training modules like 7 Effective Habits, stock market basic and advanced courses, negotiation skills etc. were introduced. Through the 138 programmes, over 5000 man days of training was imparted across the organization. The team also undertook several tie ups with educational institutes thus bringing subsidized education to the employee's doorstep.



### Increasing Employee Engagement



Based on the premise that improvements are best initiated by people closest to the process, we launched an ideation programme called 'TING!' to leverage on our associates' innovative ability.

A total of 451 business process improvement ideas (TING!s) were received in less than 2 months. Of these, the top 33 ideas were selected and the 31 contributors of these ideas were recognized and rewarded.

These, and other worthy ideas have been implemented to improve business efficiency, customer experience and employee experience.

During the year we also undertook non-business related pan-India engagement initiatives. Some of these included health consciousness events, fun events which engaged the employees with their families; eye care camps, woman's day celebrations, an online library, movie clubs as well as cricket and carrom tournaments.

The team also conducted an Employee Engagement Survey across 11 verticals, with a random sample of 500 employees. The results of this survey were used to draw-up an action plan.

Another unique initiative called "Coffee with the Chairman" was kicked off this year. As a part of this initiative, a small set of employees are short listed by HR and invited to Mr. Oswal's cabin for a 'tete-a-tete'.



These interactions prove to be very motivating for the employees who feel honored to meet the chairman of our company and share their thoughts with him. This program has become a platform to appreciate employees' efforts and encourage them to provide new ideas and suggestions for the benefit of our organization.



### Corporate Social Responsibility

During the year some key CSR activities included a blood donation drive across all branches, participation in the Standard Chartered Marathon (to promote the cause of Children's Education) and visits to hospitals to help and comfort victims of the 26th November terrorist attacks.

In addition; the promoters of the company contributed Rs. 52 million towards the building of a 73,000 square foot, 150 room hostel for Chartered Accountancy students under the aegis of the Rajasthan Vidyarthi Grah.



The Brand and Marketing Communication focus during the year was on acquiring new customers as well as addressing the needs of current relationships; given the prevailing market conditions.



### Business Partner Seminar Series

MOSL rolled out a series of seminars for Business Partners on how to do business in a challenging scenario.

Titled 'Business Strategies in Tough Market Conditions'; these seminars educated current and prospective Business Partners on the role of a sub-broker and future of sub-broking; given the market scenario.

A total of 20 such educative seminars were held all across the country.



### Point Blank

Purple, our Wealth Management business rolled out 'Point Blank' - a series of one-on-one interactions with Raamdeo Agrawal; for HNI clients. These interactions allowed direct and exclusive access for clients to Mr. Raamdeo Agrawal. In these interactions Mr. Agrawal provided market outlook and customized advice on investing.

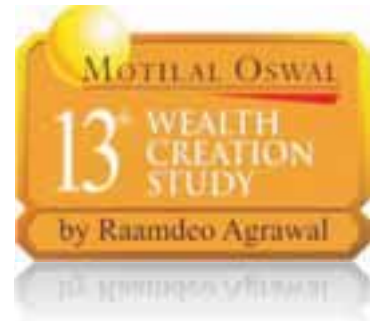
A total of 12 Point Blank sessions were held over the year.

### 13th Wealth Creation Study & Awards

The 13th Annual Motilal Oswal Wealth Creation Study & Awards presentation was held on 21st December, 2008, at the Rotunda Hall, BSE, Mumbai.

Mr. Raamdeo Agrawal presented the 13th Wealth Creation Study with the theme - 'Good. Great. Gruesome!'. This year's awards went to Unitech for being the fastest Wealth Creator, Reliance Industries Ltd. for being the biggest wealth creator and Infosys for being the most consistent wealth creator.

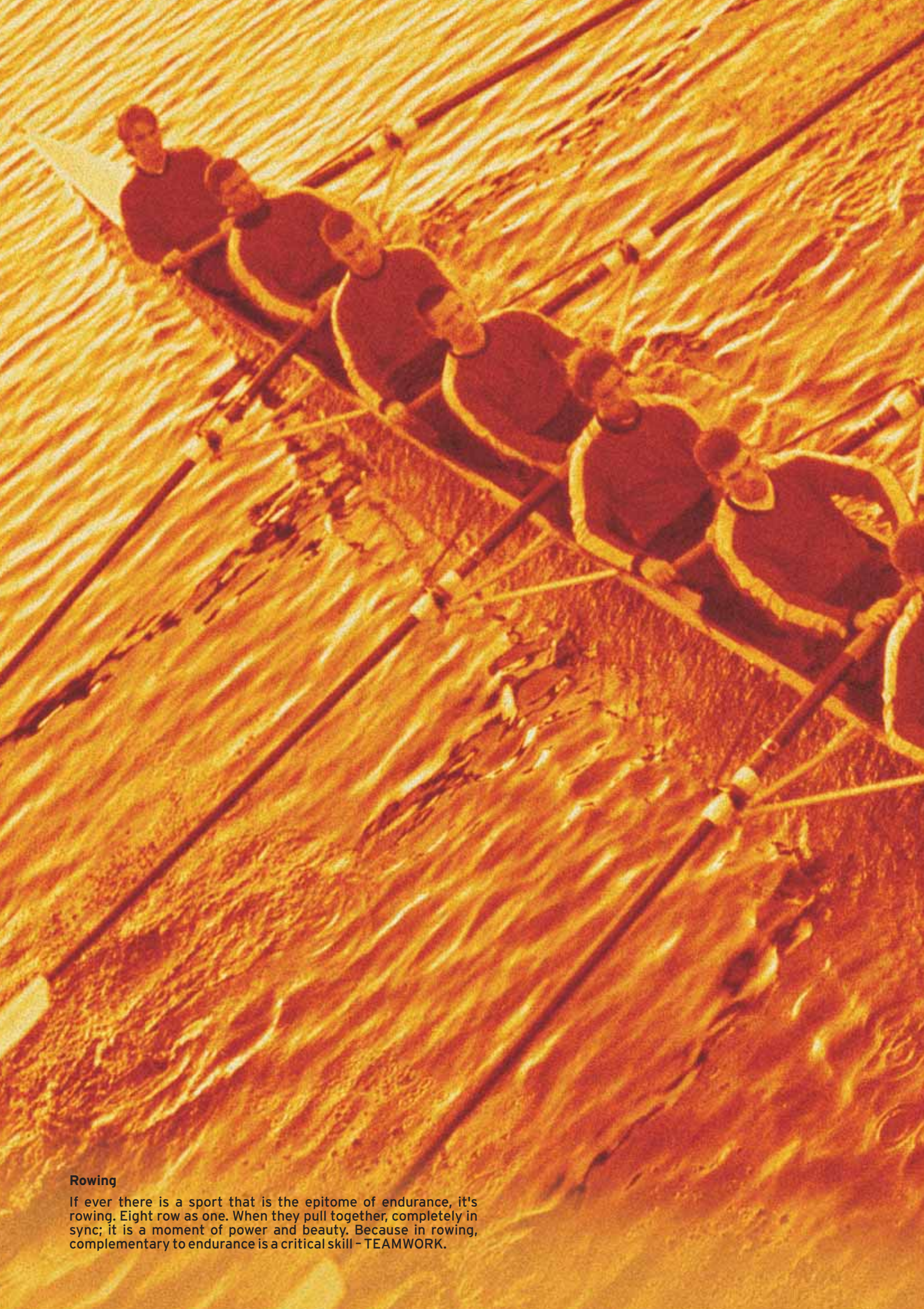
This year's study also consisted of a panel discussion on 'Good, Great and Gruesome Companies' between stock market doyens - Raamdeo Agrawal, Rakesh Jhunjhunwala, Ramesh Damani and Sanjoy Bhattacharyya. The event was telecast live on CNBC TV 18.



### Business Partner Acquisition Initiative

MOSL initiated an aggressive programme to Partner Growth for current and prospective business partners. With the theme 'Think Big!'; this campaign started with a series of testimonials from current Motilal Oswal business partners and was followed by a campaign titled '108 Benefits of being a Motilal Oswal Sub-Broker' that elaborated on the different things MOSL does to help its Business Partners grow.





### Rowing

If ever there is a sport that is the epitome of endurance, it's rowing. Eight row as one. When they pull together, completely in sync; it is a moment of power and beauty. Because in rowing, complementary to endurance is a critical skill - TEAMWORK.





# KEY PEOPLE



## KEY PEOPLE

At Motilal Oswal Financial Services Ltd. (MOFSL), 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 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 well as Indian Merchant's Chamber (IMC); and has also served on various committees of BSE, NSE, SEBI & CDSL. 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. Recently, Mr. Oswal was also felicitated by The Institute of Chartered Accountants of India with the prestigious "**Excellent Business Achiever in Financial Services**" award. He was also 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 inducted into "**The Hall of Fame**" for Excellence in Franchising by - Franchising World Magazine.

### Raamdeo Agrawal - Director

Mr. Raamdeo Agrawal is the man behind the strong research capabilities at MOFSL. 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 MOFSL. He is a member of the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. He heads the Institutional Broking business at Motilal Oswal Financial Services 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 Ltd. (MOSL) in 2000. He has co-authored a book on stock markets "India's Money Monarchs".

### 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 FMS, University of Delhi.

Prior to joining Motilal Oswal, he was the Executive Director with Rabo India Finance Private Limited. Mr. Maheshvari has 16 years of experience in the financial sector and has held various senior positions. Previously, he has worked with CRISIL and ICI India Limited.

Mr. Maheshvari heads the Investment Banking Business at Motilal Oswal Financial Services.



### Vishal Tulsyan - CEO - MOPEAPL

Mr. Vishal Tulsyan holds a bachelor's degree in commerce from St. Xavier's 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 Motilal Oswal in 2006, 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.

He started his career with SBI Capital Markets Limited, Mumbai.

Mr. Tulsyan heads the Private Equity Business at Motilal Oswal Financial Services.

### Nitin Rakesh - CEO, Asset Management Business

Mr. Nitin Rakesh has over 14 years of experience in the Financial Services industry. His last role was as the CEO and Executive Director of State Street Syntel Services, the JV between State Street Bank (NYSE: STT) & Syntel (NASDAQ: SYNT). In addition, he has held various positions in organizations such as TCG Investments and Unit Trust of India (UTI Mutual Fund). Mr. Rakesh is a B.E. (Computers) from Delhi College of Engineering and MBA (Finance) from NMIMS, Mumbai.

Mr. Rakesh heads the Asset Management Business at Motilal Oswal Financial Services.



### Srikanth Iyengar - Director - Principal Strategies

Mr. Srikanth Iyengar, after being a part of the core group to set up the derivatives market and risk management in the country with National Stock Exchange of India in 1996; had been associated in consulting assignments with one of the largest industrial groups in India to set up a commodity hedging desk for hedging the metal price risk of their metals production.

Later, in his overseas assignments he was consulting on Risk Management with one of the largest insurance companies and financial firms in the world in New York and Singapore respectively. After the start of the derivatives market in India in 2001, he has been associated in setting up and managing the alternative investments management businesses at Edelweiss Capital and Sharekhan. His primary focus has been in conceptualizing quantitative trading ideas and strategies in the Indian equities and derivatives market with a focus on absolute returns.

Mr. Iyengar is a management graduate and heads the Principal Strategies at Motilal Oswal Financial Services.

### Vijay Kumar Goel - Associate Director, Broking & 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 the 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 Broking & Distribution business of MOSL.



## KEY PEOPLE

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### **Harsh Joshi - Head, Wealth Management**

Mr. Harsh Joshi is a management graduate from the Institute of Technology & Management, Mumbai. Mr. Joshi started his career with Harvest Financials in 1993. In 1995 he moved to Lexicon Group of Companies where he was involved in managing the company's portfolio as well as managing the stock broking business.

Mr. Joshi joined MOSL in 2000 and has handled various profiles including Client Servicing, Client Acquisition and Franchisee Acquisition. He is also responsible for developing the entire Franchisee and Branch Business and was associated with the Chairman's Office.

Mr. Joshi heads the Wealth Management business of MOSL.

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### **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.

He heads a research team of 24 research analysts covering over 200 companies across 27 sectors and 16 commodities at Motilal Oswal Financial Services.



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

Mr. Ajay Kumar Menon is a member of the Institute of Chartered Accountants of India and has done his graduation from N.M. College of Commerce, Mumbai. He started his career with Sesa Seat Information Systems and joined MOSL in 1998.

With his experience of over 11 years in Capital Markets, he currently Heads the Risk Management and Operations function for the Institution, Retail and Wealth Management Business. He is also the Whole Time Director of MOSL.

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### **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 the group. He was Head of Institution of HRS from 1999-2001. He then moved on as Sr. VP - Institution Sales Equity & Derivatives for Refco (Now MF Global).

Mr. Dharamshi joined MOSL 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 senior analyst as well as head of research.

Mr. Parekh joined MOSL in 2003. He has been rated No.1 sales person for India in the AsiaMoney Brokers poll for 2 consecutive years in 2006 and 2007 and No. 2 sales person for 2008.

Mr. Parekh is Head of Institution Sales for MOSL.

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### **Manish Shah - Associate Director, Business Strategy & New Initiatives**

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 started his career 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

He then worked as a manager at Mafatlal Securities Ltd. from July 1995 and was responsible for developing the Institutional and Retail business.

Mr. Shah joined MOSL in 1999.

He currently heads Business Strategy and New Initiatives at MOSL.

### **Anish Unadkat - Sr. Vice President, Corporate Finance, Compliance, Legal and Taxation**

Mr. Anish Unadkat, joined MOSL in March, 2006. He is a qualified Chartered Accountant, Certified Public Accountant, CISA and CIA.

He has rich and varied experience of more than 12 years in Corporate Finance and related fields.

Mr. Unadkat heads Corporate Finance, Compliance, Legal and Taxation at MOSL. He is involved in framing financing strategies and controls the deployment of funds for all Strategic Business Units of Motilal Oswal Financial Services.



### **Sameer Kamath - Sr. Vice President, Corporate Planning, Business Solutions Group 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. Over the past 12 years, he has worked on several assignments covering business planning and intelligence, processes re-engineering, strategic initiatives and feasibility studies.

He is a qualified Chartered Accountant and has completed his PGDBM from NMIMS. Mr. Kamath heads the Corporate Planning, Business Solutions Group and Investor Relations function at Motilal Oswal Financial Services.

### **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® (American Marketing Association International Business Awards) and Indian Marketing Association awards for work done on clients like Philips and HPCL.

Mr. Chhabra heads the Marketing function for Motilal Oswal Financial Services.



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

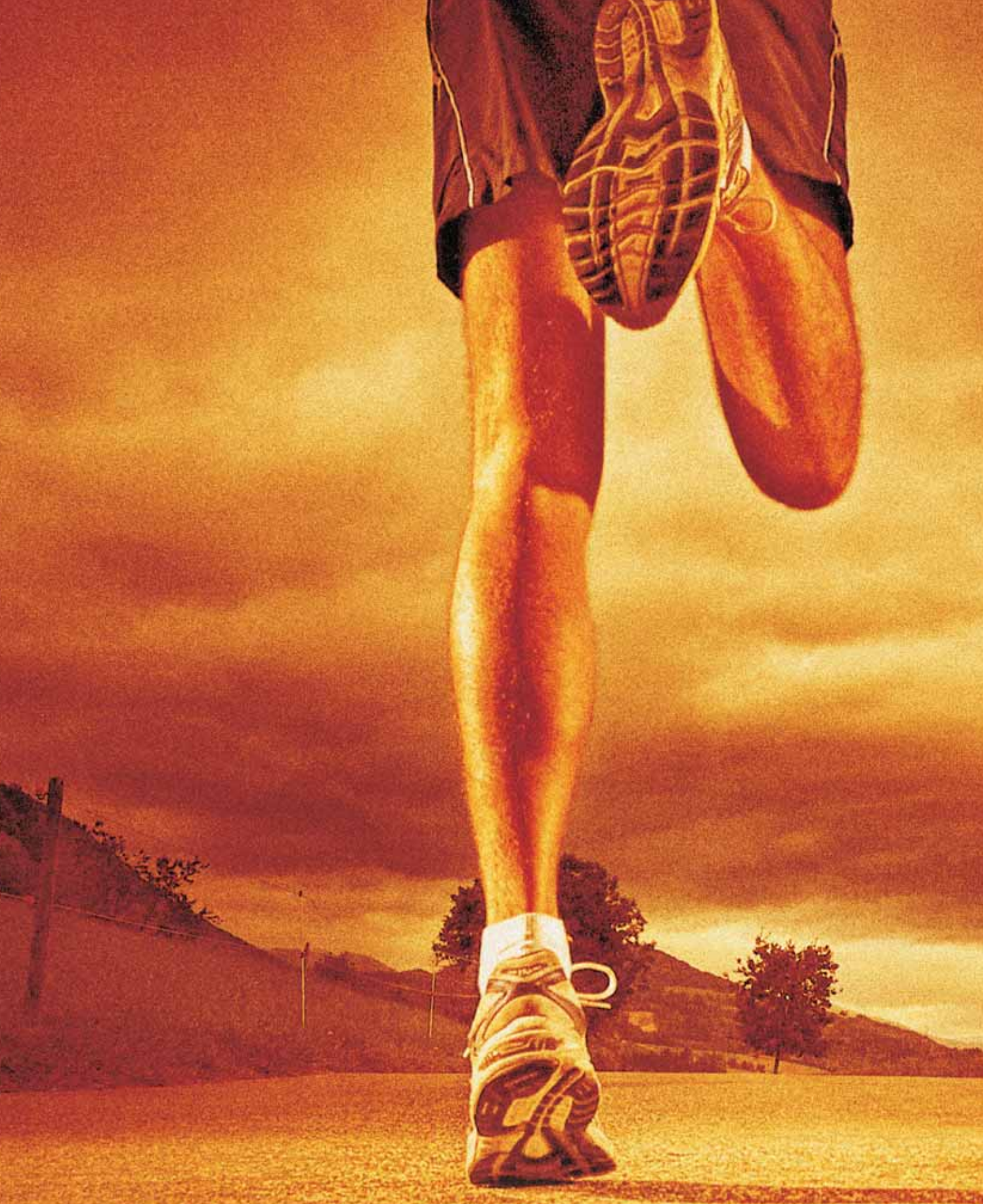
Mr. Anuragi Raman started his career with Marubeni Corporation after graduating from IIM-Ahmedabad. He also holds B. Tech (Hons.) from IIT-Kharagpur. He did business planning for Modi Telstra (later acquired by Airtel) and headed roaming operations for Airtel's Kolkata circle.

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 and a 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.

He is a certified Six Sigma Master Black Belt.

Mr. Raman heads the Information Technology & Business Process Excellence teams at Motilal Oswal Financial Services.





**The Marathon**

A marathon is more than just long-term physical exertion. It is a real test of stamina, mental toughness and the spirit of endurance. It requires commitment, motivation, and a belief that the accumulation of all your training will help you to REACH YOUR GOAL.





# FINANCIAL RESULTS

# DIRECTORS' REPORT

## To the Members

Your Directors have pleasure in presenting their 4th Report together with the audited Accounts of your Company for the year ended 31st March, 2009.

### Financial Highlights

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

#### Motilal Oswal Financial Services Limited (Standalone)

	31st March, 2009	Rs. in million 31st March, 2008
Income	<b>722.36</b>	355.76
Profit before Interest and Taxation	<b>683.33</b>	290.30
Interest	<b>(73.18)</b>	(44.62)
Profit before Taxation	<b>610.15</b>	245.68
Less: Provision for Taxation		
Current Tax	<b>156.76</b>	71.69
Deferred Tax Asset	<b>0.05</b>	0.42
Fringe Benefit Tax	<b>0.22</b>	0.67
Profit for the year	<b>453.12</b>	172.90
Balance brought forward from previous year	<b>16.60</b>	5.73
Profit Available for appropriation	<b>469.72</b>	178.63
Less: Appropriations		
Transfer to Statutory Reserve	<b>90.63</b>	34.58
Proposed dividend	<b>113.62</b>	113.62
Dividend Distribution Tax	<b>5.09</b>	-
Transfer to General Reserve	<b>36.25</b>	13.83
Balance of Profit carried forward	<b>224.13</b>	16.60

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

	31st March, 2009	Rs. in million 31st March, 2008
Income	<b>4,661.23</b>	6,995.47
Profit before Interest, Depreciation and Taxation and Exceptional Items	<b>1,806.91</b>	2,695.88
Interest	<b>(178.40)</b>	(149.03)
Depreciation	<b>(202.71)</b>	(148.47)
Profit before Taxation and Exceptional Items	<b>1,425.80</b>	2,398.38
Exceptional Items	<b>(30.00)</b>	-
Profit before Taxation	<b>1,395.80</b>	2,398.38
Less:- Provision for Taxation		
Current Tax	<b>479.58</b>	772.11
Deferred Tax Asset/(liability)	<b>(25.09)</b>	(1.49)
Fringe Benefit Tax	<b>11.42</b>	12.43
Wealth Tax	<b>0.26</b>	0.19
Tax for the prior year	<b>(4.68)</b>	4.77
Profit after Taxation before Extraordinary Items	<b>934.31</b>	1,610.37
Extraordinary Items (net of tax)	<b>-</b>	145.36
Profit after tax before Minority Interest	<b>934.31</b>	1,755.73
Minority Interest in profits	<b>(38.35)</b>	(49.53)
Profit after tax and Minority Interest	<b>895.96</b>	1,706.20



Rs. in million

	<b>31st March, 2009</b>	31st March, 2008
Profit brought forward from previous year	<b>2,046.25</b>	784.71
Minority share in dividend and others for previous financial year	<b>45.44</b>	-
Dividend from subsidiary Company for the previous financial year	<b>113.63</b>	-
Profit available for the Appropriations	<b>3,101.28</b>	2,490.91
Less:- Appropriations		
Transfer to Statutory Reserve & Capital Redemption Reserve	<b>90.62</b>	124.58
Pre acquisition (Profits)/Loss	<b>1.68</b>	(0.20)
Proposed Dividend	<b>113.62</b>	265.12
Distribution tax on proposed Dividend	<b>19.30</b>	25.75
Transfer to General Reserve	<b>51.19</b>	30.59
Balance of Profit carried to Balance Sheet	<b>2,824.87</b>	2,045.08

### Dividend

Keeping in view the overall performance during the year, your Directors are pleased to recommend a dividend of Rs. 0.80 per Equity Share on the face value of Re. 1 each, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The Dividend including the Dividend Distribution Tax will absorb a sum of Rs. 118.71 million.

### Results Of Operations (MOFSL Standalone)

The Revenue for the year increased by 103% from Rs. 355.76 million to Rs. 722.36 million. The Profit before taxation registered a growth of 148% and was up from Rs. 245.68 million to Rs. 610.15 million. The Company's net profit for the year was Rs. 453.12 million up from Rs. 172.90 million in the previous year - a growth of 162% over the previous financial year.

During the year under review, the Company earned the revenues by the way of Interest income from financing and other related activities including arbitrage business. The Company also received dividend of Rs. 113.63 million from its subsidiary company. As at 31st March, 2009, the total loan book was Rs. 1.47 billion as against Rs 2.73 billion as at 31st March, 2008. The drop in loan book is attributable to overall slowdown in equity market activity during Financial Year (FY) 2009 as compared to FY 2008. Excess liquidity was deployed at attractive yields.

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

### Subsidiary Companies and the Consolidated Results of Operations

During the year under review, Antop Traders Private Limited became the subsidiary of Motilal Oswal Securities Limited and, in turn of the Company. Subsequent to the year-end, Motilal Oswal Insurance Brokers Private Limited and Motilal Oswal Asset Management Company Limited became the subsidiaries of your Company.

On a consolidated basis, your company posted consolidated revenue of Rs. 4,661 million (down 33% as compared to FY08) and a consolidated PAT (before exceptional and extra-ordinary items) of Rs. 926 million (down 41% as compared to FY08). Our constant focus to rationalize costs and optimize resources helped us deliver stable EBIDTA and PAT margins at 39% (FY 2008: 39%) and 20% (FY 2008: 22%) respectively despite the drop in revenues.

Our businesses are directly linked to the activity levels in the capital markets. The overall revenues and profits of the Company were adversely impacted by the overall slowdown in the equity markets, which registered drop of 16% in the average daily volumes from Rs. 726 billion in FY08 to Rs. 612 billion in FY09. The market share of MOFSL in FY 2009 was 4.2% as against 4.7% in FY 2008.

The endeavor to diversify our revenue streams resulted in 30% of our revenue coming from non-broking businesses vis-à-vis 20% in previous year.

- Investment banking business, which was also adversely impacted by the turmoil in the financial markets, registered revenues of Rs. 452 million and contributed to 10% of total revenues for the group.
- Income from Fund based activities was Rs. 639 million and contributed to 14% of total revenues. The Principal strategies group, which completed its first full year of operations, helped your Company deploy excess liquidity at attractive yield.

## DIRECTORS' REPORT

- Asset management and Advisory fees (revenues earned on PMS and Private Equity businesses) were Rs. 214 million and contributed to 5% of total revenues. During FY 2009, the Promoter Company of MOFSL received an in-principal approval from SEBI for setting up the Mutual Fund business. The Private Equity business has deployed approximately 50% of its maiden fund - India Business Excellence Fund (IBEF) of US\$ 125 million and has received commitments worth Rs. 1 billion in its second fund - India Realty Excellence Fund. Our existing investment management capabilities in managing funds, our strong research and a large in-house retail franchisee to spread our reach and capture the investment potential in India and abroad.

In terms of outlook, FY 2010 has started on a positive note for the equity markets with the Sensex almost doubling from recent lows to around 15,000 levels and the daily equity volumes averaging at Rs. 890 billion in the first few months of FY 2010. India being the second fastest economy, Foreign investors are likely to be favorably inclined to invest in Indian markets. The corporate sector, which is the backbone of the capital market, is likely to fair better in FY 2010 as compared to FY 2009.

Sustained improvement in the economy and capital markets augur well for all our key businesses. We are confident of capturing the resulting opportunities through our all season business model and a strong unleveraged balance sheet.

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.

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

### Utilisation of IPO proceeds

The funds raised by your Company through Initial Public Offer aggregating to Rs. 2460.70 million have been fully utilised as per the objects of the issue. In accordance with the objects of the issue, the excess amount of Rs. 130.70 million in respect of purchase/lease of new office space for business expansion has been utilised for General Corporate Purpose.

The details of the fund utilisation are as under:

Rs. in million

Particulars	IPO Proceeds	Actual Utilisation
Augmenting long term working capital	400.00	400.00
Financing activity	1,100.00	1,100.00
Purchase / lease of new office space for business expansion	350.00	219.34
General corporate purpose	407.70	538.36
Technology	102.00	102.00
Issue expenses	101.00	101.00
<b>TOTAL</b>	<b>2,460.70</b>	<b>2,460.70</b>

### Sub-division of Equity Shares

Pursuant to the approval of members obtained at the 3rd Annual General Meeting held on 8th July, 2008, each Equity Share of the face value of Rs. 5 each was sub-divided into 5 (Five) Equity Shares of the face value of Re. 1 (Rupee One) each.

Consequent upon the sub-division, the paid-up Equity Share capital of the Company is Rs. 142.02 million divided into 14,20,20,000 Equity Shares of Re. 1 each.

## Credit Rating

Your Company continued to enjoy the highest rating of 'P1+' assigned by CRISIL Limited to the Short-term Debt Programme of Rs. 4 billion of your Company. The rating indicates the highest degree of safety with regard to timely payment of interest and principal on the instrument.

CRISIL Limited has also re-affirmed the rating of 'P1+' to the Short-term Debt Programme of Rs. 4 billion of Motilal Oswal Securities Limited, a subsidiary of your Company.

## Finance

During the year under review, to meet the working capital requirements, the Company has issued Commercial Papers and Unsecured 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. Ramesh Agarwal and Mr. Madhav Bhatkuly retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

## 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, 2009 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

During the year under review, the Audit Committee was re-constituted by appointing Mr. Madhav Bhatkuly as the member of the Committee. Consequently, the Audit Committee comprises of Mr. Balkumar Agarwal (Chairman of the Committee), Mr. Ramesh Agarwal, Mr. Madhav Bhatkuly 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 pursuant to the provisions of section 224 of the Companies Act, 1956. The members will be required to appoint Auditors for the current year and fix their remuneration.

## **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 were no inflow or outflow of foreign exchange during the year under review.

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

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

## **Acknowledgments**

Your Directors take this opportunity to thank the Authorities, Bankers 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, 29th June, 2009.

## STATEMENT PURSUANT TO SECTION 212

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

Particulars	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Total
	Motilal Oswal Securities Ltd.	Motilal Oswal Commodities Broker Pvt Ltd	Motilal Oswal Private Equity Advisors Pvt Ltd	Motilal Oswal Investment Advisors Pvt Ltd	Motilal Oswal Capital Markets Pvt Ltd	Antop Traders Pvt Ltd	
The Financial year of the Subsidiary ended on	31st March, 2009	31st March, 2009	31st March, 2009	31st March, 2009	31st March, 2009	31st March, 2009	
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	3	
Extent of holding (%)	99.95%	97.55%	85.00%	75.00%	99.95%	99.95%	
The net aggregate of profits/ (losses) of the Subsidiary Company for its financial period so far as they concern the member Of Motilal Oswal Financial Services Limited							
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2009	NIL	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, 2009	Rs. 423,990,089	6,380,487	11,116,492	113,357,158	(50,089)	1,677,072	556,471,209
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, 2009	NIL	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, 2009	Rs. 3,033,076,864	1,314,147	17,093,091	39,733,658	(192,145)	NIL	3,091,025,614

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 : 11th May 2009

## ANNEXURE TO THE DIRECTORS' REPORT

**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.

Name of the Company	Balance as on 31st March, 2009	Maximum outstanding during the year
Motilal Oswal Commodities Broker Pvt. Ltd	1,879	122,816,006
Motilal Oswal Private Equity Advisors Pvt. Ltd	3,681	10,003,110
Motilal Oswal Investment Advisors Pvt. Ltd.	7,933	30,016,740
Motilal Oswal Securities Ltd	574,620	543,481,030

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 disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as at 31st March, 2009:-

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)	Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI (ESOS - VI)
a)	Options granted	12,61,500	2,00,000	50,00,000	21,10,000
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.	The closing price of the Company's Equity Shares, prior to the date of grant of the Options, on the Stock Exchanges where the highest trading volume is recorded, discounted / increased by such percentage as may be determined by the Committee.
c)	Options vested	5,70,000	Nil	Nil	Nil
d)	Options exercised	4,88,750	Nil	Nil	Nil
e)	The total number of shares arising as a result of exercise of option	1,95,500	Nil	Nil	Nil
f)	Options lapsed (upto 31.03.09)	5,72,750	1,90,000	29,38,500	60,000
g)	Variation of terms of options	N. A.	N. A.	N. A.	N. A.
h)	Money realised by exercise of options	*Rs. 10,14,44,950	Nil	Nil	Nil
i)	Total number of options in force (as at 31.03.09)	2,00,000	10,000	20,61,500	20,50,000
j)	Employee-wise details of options granted to:				
	(i) Senior managerial personnel	Mr. Sameer Kamath - 10,000 Options	Ms. Smita Affinwala - 50,000 Options	i) Mr. Sudhir Dhar - 25,000 Options ii) Mr. Sameer Kamath - 25,000 Options	Nil
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	(i) **Mr. Hitungshu Debnath - 2,00,000 options. (ii) **Mr. Vishal Tulsyan - 150,000 options.	Options granted in accordance with the provisions of ESOS - IV and ESOS - V during the financial year ended 31st March, 2008 i) Ms. Smita Affinwala - 50,000 options ii) Mr. Vijay Kumar Goel - 2,50,000 options iii) Mr. Mohit Batra - 50,000 options iv) Mr. Rajat Rajgarhia- 2,50,000 options v) Mr. Rajesh Dharamshi - 2,50,000 options Options granted in accordance with the provisions of ESOS - V and ESOS - VI during the financial year ended 31st March, 2009 i) Mr. Rajat Rajgarhia- 5,00,000 options ii) Mr. Rajesh Dharamshi - 5,00,000 options iii) Mr. Srikanth Iyengar 7,50,000 options iv) Mr. Jayesh Parekh 3,25,000 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.	N. A.

# ANNEXURE TO THE DIRECTORS' REPORT

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)	Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI (ESOS - VI)
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'	Rs. 3.19	Rs. 3.19	Rs. 3.19	Rs. 3.19
l)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Nil	Nil	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted under ESOS - V and ESOS - VI, the employee compensation cost would have been higher by Rs. 5,20,27,310 Profit after tax lower by Rs. 5,20,27,310 and the basic earnings per share would have been lower by Re.0.37.	
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: 5th May, 2008. ii) Exercise Price: Rs. 166.56 per option iii) Fair Value: Rs. 76.09 per option	i) Option Grant Date: 10th October, 2008. ii) Exercise Price: Rs. 165 per option iii) Fair Value: Rs. 14.54 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:-	N. A.	N. A.	The fair-value of the stock options granted on 5th May, 2008 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows:	The fair-value of the stock options granted on 10th October, 2008 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows:
	(i) risk-free interest rate,	N. A.	N. A.	7%	7%
	(ii) expected life,	N. A.	N. A.	4 years	3.26 years
	(iii) expected volatility,	N. A.	N. A.	50%	50%
	(iv) ***expected dividends, and	N. A.	N. A.	0.50%	0.50%
	(v) the price of the underlying share in market at the time of option grant.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price at which Shares were issued to Private Equity Investor i.e. Rs. 518.90 per share.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price which was determined with reference to the expected Issue Price.	Rs. 166.97 per share	Rs. 77.90 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.

\*\*\* Expected dividend yield.



**1. Macro-Economic Scenario**

The Indian economy, which witnessed robust growth up to the second quarter of FY09, recorded sharp deceleration thereafter in the wake of persistent global economic slowdown.

India's real GDP grew 6.7% during Financial Year (FY) 09 as compared with 9% during the corresponding period of FY08. Though India's growth trajectory has been impacted both by the financial crisis and the global economic downturn, the structural drivers of the Indian economy continue to be intact, sustaining overall growth at a level much higher than most other economies in the world.

**2. Capital Markets**

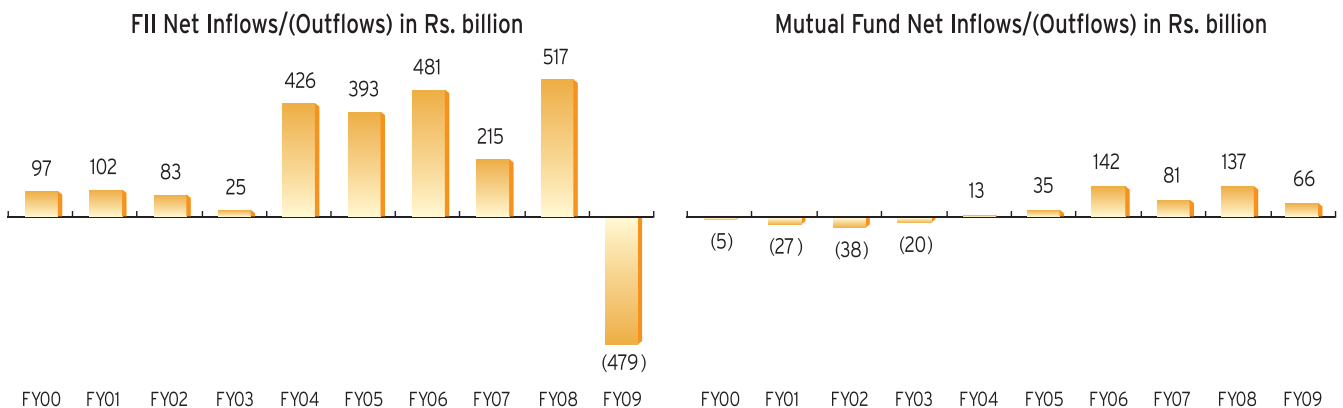
**Index Movement**

The BSE Sensex saw an unprecedented swing in Calendar Year (CY) 08 - from 20,873 in January 2008 to 8,451 in November 2008. The key negatives that drove down Indian markets were weakness in global financial markets, slowdown in the domestic economy, tight monetary policy in 1 HFY09, and heavy selling by Foreign Institutional Investors (FII). All these factors contributed to a series of large downgrades in corporate sector earnings. Another highlight of FY09 has been a 27% depreciation in the Indian rupee v/s the US dollar, which has also had a negative impact on earnings.

**FII & MF Activity in Equity Markets**

FY09 was the first fiscal in India's history when FIIs were net sellers in Indian equities; secondary market FII outflows for the year were Rs. 479 billion. Interestingly, FY08 was the year of record net FII inflows of Rs. 517 billion.

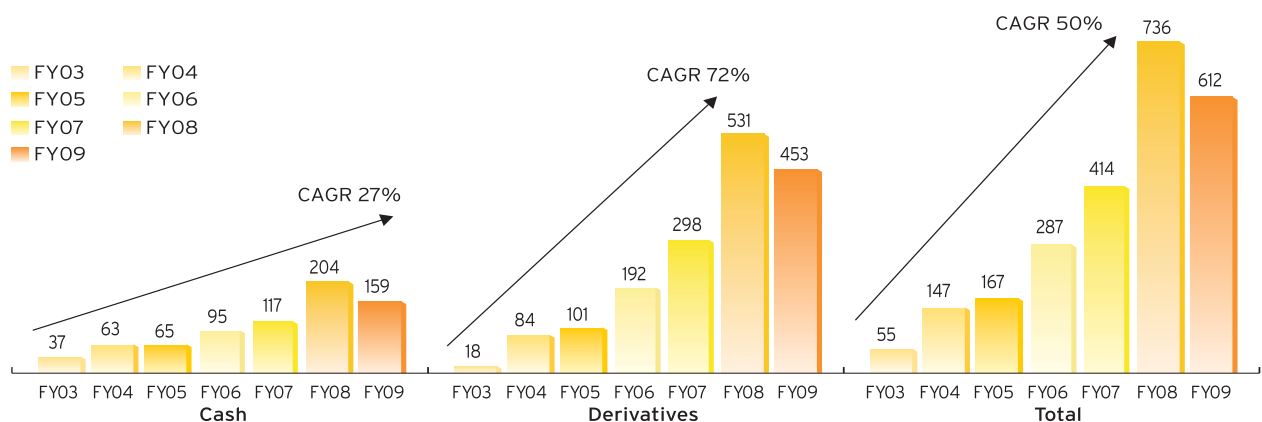
However, mutual funds continued to be net buyers for the sixth consecutive year. In FY09, mutual funds were net buyers to the tune of Rs. 66 billion, which is a 52% drop from Rs. 137 billion of net buying in FY08.



**3. Broking Industry**

**Equity Market Volumes**

Growth in average daily volumes on the NSE & BSE from FY03 to FY09 (Rupees in billions)



Source: NSE & BSE

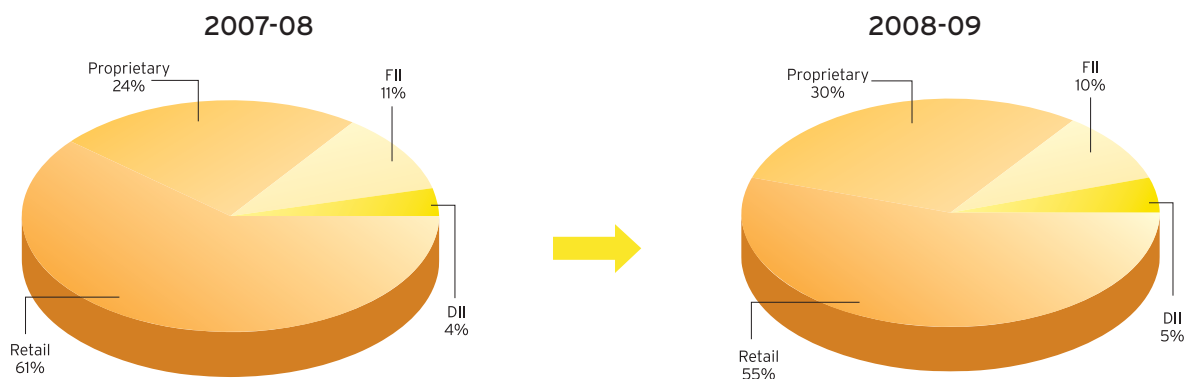
## MANAGEMENT DISCUSSION AND ANALYSIS

The average daily equity market volumes for FY09 were Rs. 612 billion, down 16% from Rs. 726 billion in FY08. However, during the six years beginning FY03, the year when cash and derivatives were fully active on both the exchanges, total market volumes have grown by 50% compounded annually. During this period, volumes in the derivatives and cash segments have grown at a compounded annual growth rate (CAGR) of 72% and 27%, respectively.

The notable trends in customer segmental volume mix that influence market volumes are as follows:

- The contribution of retail volumes has declined from 61% in FY08 to 55% FY09; the retail contribution ratio has been more volatile than the other two market segments.
- The contribution of institutional volumes, i.e. volumes from FII and domestic institutional investors (DIIs) such as mutual funds, banks and insurance companies has remained stable at 15% for FY08 and FY09.
- The contribution of proprietary volumes, which include arbitrage and other proprietary volumes of stock brokers, has increased from 24% in FY08 to 30% in FY09.

**Segmental mix of total volumes (NSE & BSE combined)**

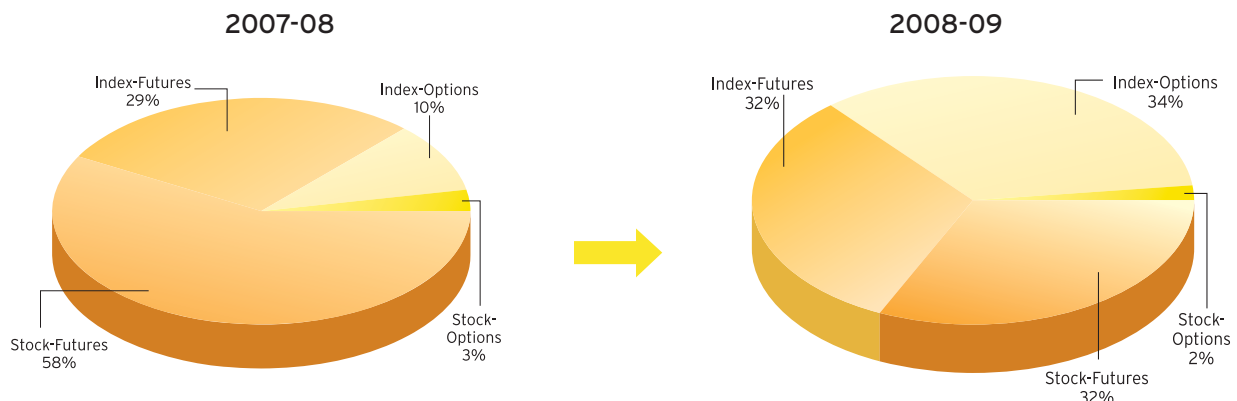


Source: NSE & BSE

Another notable trend which developed in the current fiscal (beginning from June'08) is the rising proportion of index options in derivatives volume. The summary of these movements and shifts in derivatives market volume is as follows:

- Contribution from Index options has increased to 34% in FY09 from 10% in FY08 and it is on an increasing trend with the latest figure being 43% in March'09. There has been clear shift in volumes from stock futures to index options segment.
- The stock futures contribution has fallen from 58% in FY08 to 32% in FY09.
- The other segments of derivatives market i.e. index futures and stock options contributed 32% and 2% respectively in FY09. The contribution from index futures segment also rose from 29% in FY08 to 32% in FY09.

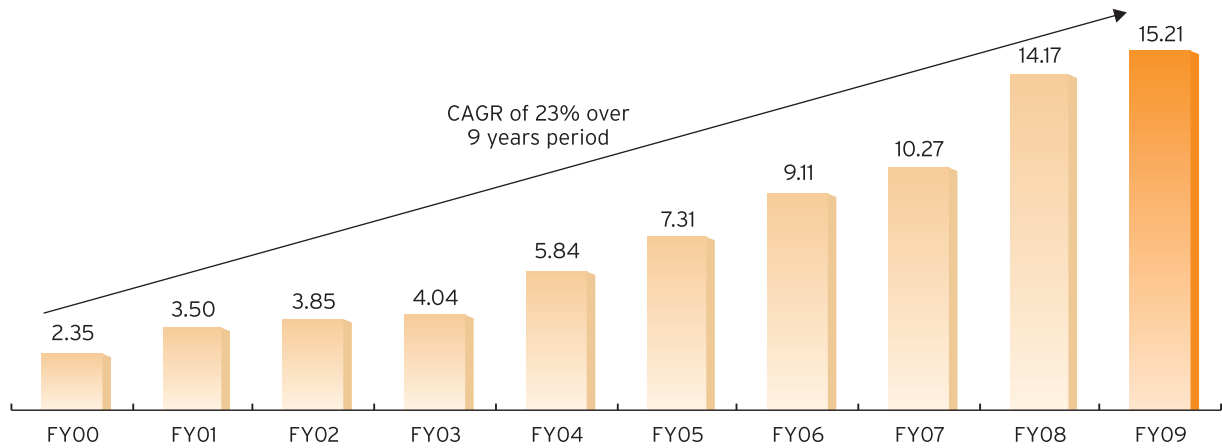
**Segmental mix of total derivatives volumes in NSE**



Source: NSE

**Demat Accounts**

Growth in demat accounts (CDSL & NSDL) over FY00-FY09



Source: CDSL & NSDL

**Note:**

1. Number of demat accounts in million
2. FY09 figure includes figures of NSDL as on 31 March 2009 and figures of CDSL as on 28 February 2009
3. All the above numbers indicate active accounts except of CDSL for the period between FY00 to FY05, which are total number of demat accounts with CDSL

The number of demat accounts in the country shows the depth of equity penetration. CDSL and NSDL together have over 15 million active demat accounts.

**4. Investment Banking**

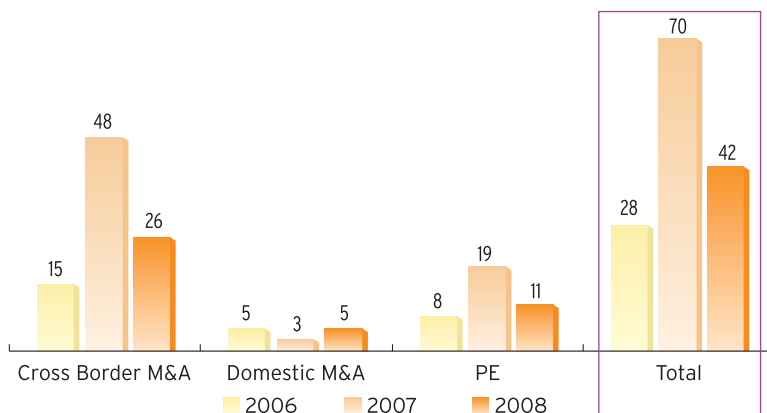
**M&A and Private Equity**

The CY 2008 saw a decline in total deal activity in terms of volume and value of deals both in the Mergers and Acquisitions (M&A) and Private Equity (PE) space. However, the volume and value of deals for both M&A and PE were higher in CY08 than in CY06. Also, the average deal size for both M&A and PE was larger in CY08 than in CY06.

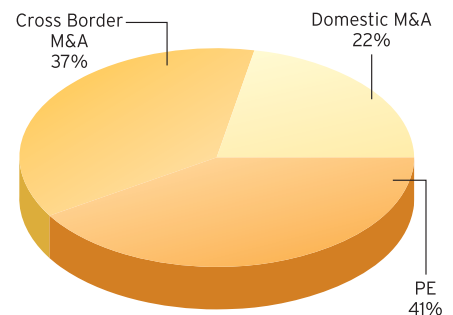
The key highlights of the deal activity are as follows:

- The total value of deals (M&A and PE) announced during CY08 was US\$42 billion
- The average deal size during the year was US\$68.17 million for M&A and US\$33.93 million for PE
- There were 766 deals (M&A and PE) during CY08

Value of different types of deals during CY06, CY07 and CY08 (Rupees billion)



Break-down of volume of deals for CY08



Source: Grant Thornton Deal Tracker 2008

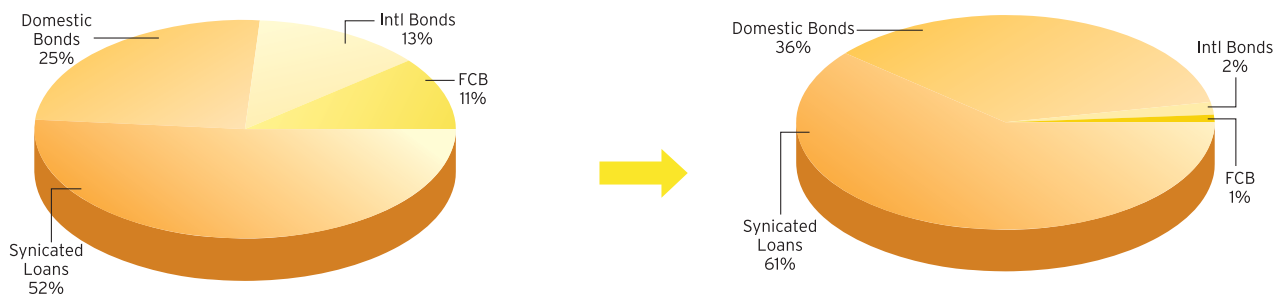


**Fund raising activity by companies:**

Corporate India raised Rs. 3.21 trillion in CY08 through debt and syndicated loans and offerings in equity capital markets - a 19% drop in the amount raised compared to the Rs. 3.96 trillion in CY07.

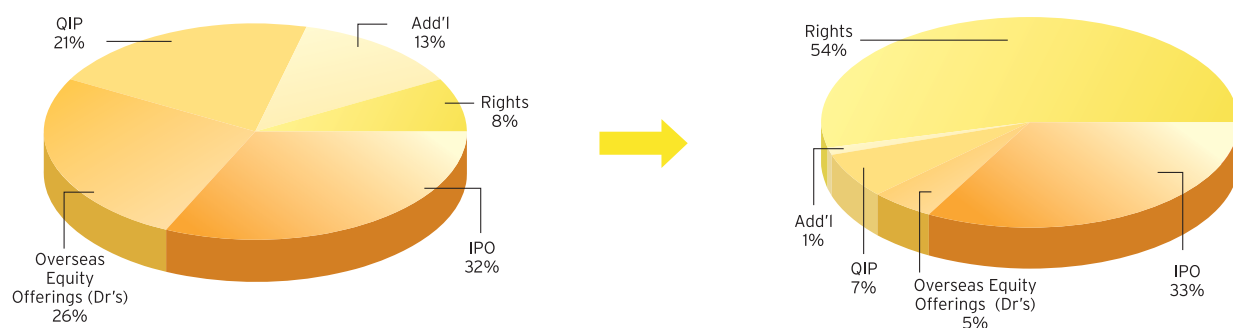
**Break-down of capital raised by Indian companies in CY07 & CY08**

**Debt & Syndicated loans 2007 - Size Rs. 2901 billion Debt & Syndicated loans 2008 - Size Rs. 2657 billion**



**Equity Capital Markets 2007 - Size Rs.1059 billion**

**Equity Capital Markets 2008 - Size Rs.549 billion**



Source: Bloomberg League Tables, Prime database, internal calculations.

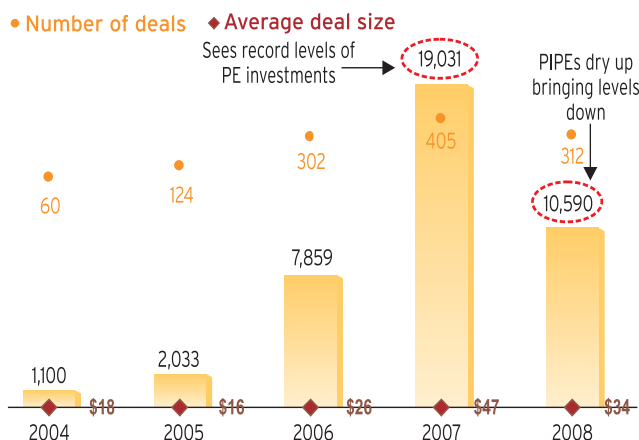
Indian companies raised equity of Rs. 549 billion in CY08 through IPOs, QIPs, additional offerings and rights issues and other equity offerings - a decrease of 48% compared to CY07.

A total of 34 companies raised funds through IPOs in the domestic stock markets in CY08 amounting to Rs. 183 billion - a 46% drop compared to the Rs. 338 billion raised from 89 IPOs in CY07.

The proceeds from rights offerings increased significantly from Rs. 80 billion in CY07 to Rs. 297 billion in CY08. This accounts for 54% of the total funds raised in domestic equity capital markets in CY08.

**5. Private Equity**

**Value of Private Equity deals (US\$ million)**



Source: Evalueserve, Grant Thornton

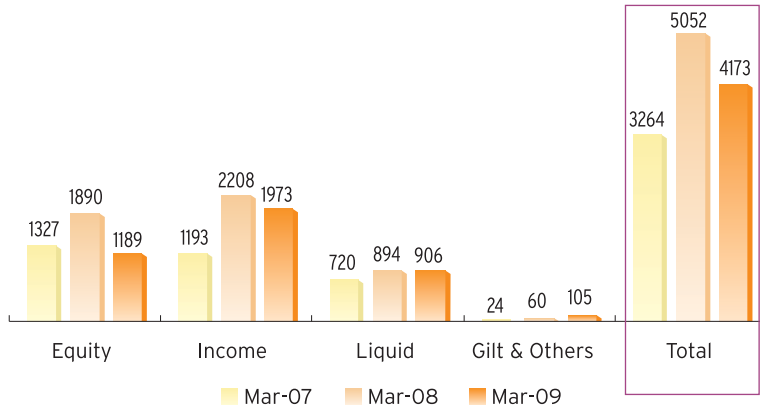
**Highlights of the Private Equity industry for CY08:**

- In CY08, PE players struck 312 deals totaling about US\$ 10,590 million; the average deal size was US\$ 34 million.
- PE investments in India are still dominated by funds investing out of their global funds. Given the global risk aversion, the allocations from these funds may slip.
- PE investment may slow down further in CY09, as PIPEs and pre-IPOs dry up and global fund allocations shrink.
- As sentiment improves, one can expect fundamentals to take over and investors to significantly increase their allocation to a long-term growth destination like India.

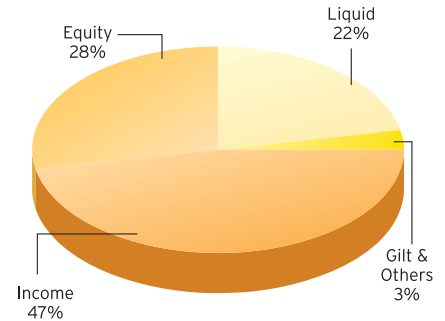
6. Asset Management

Mutual Funds:

Mutual fund AUM by asset class (Rs. billion)



Break-down of mutual fund AUM by asset class for FY08



Source: AMFI

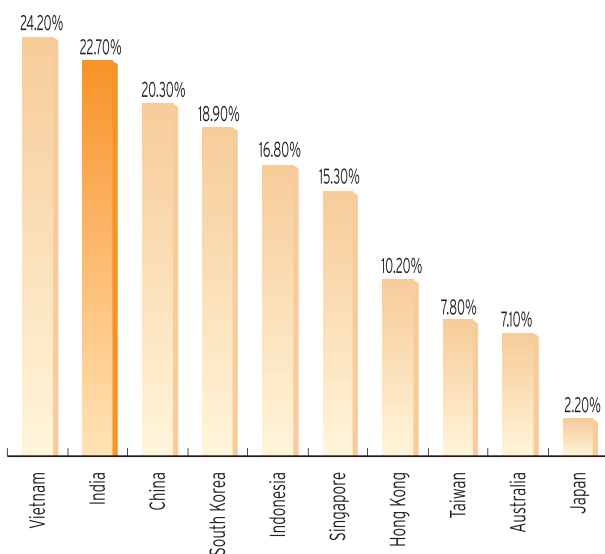
Mutual funds had assets under management of Rs. 4.17 trillion as on 31st March, 2009, compared to Rs. 5.05 trillion on 31st March, 2008 and Rs. 3.26 trillion on 31st March, 2007. The equity funds - growth funds, balanced funds and equity-linked savings schemes (ELSS) - constituted 28% of the total AUM as at March 2009, i.e. Rs. 1.2 trillion.

AUM of mutual funds in India is about 6% of GDP; in other emerging countries such as Brazil, with similar GDP size, this is about 40%, and in developed nations such as USA, it is 79%.

Mutual funds have also gained a larger share of incremental household savings than bank deposits over 2004-2008, showing increasing penetration of and rising appetite for mutual funds in India. According to recent studies, urban centers outside the top-8 cities will drive retail growth. Hence, mutual funds are likely to focus on establishing their positions in mid-tier cities. Also, broad-based growth in AUM will continue, with retail and offshore funds likely to be the fastest growing segments.

7. Wealth Management

Growth of HNWIs in various countries in the Asia-Pacific region



Source: Data for 2007 from Capgemini Lorenz curve analysis, 2008

- The Capgemini report on Asia-Pacific Wealth 2008 highlights India and China as key investment destinations for high net worth individuals (HNWIs) worldwide. It mentions that in CY07, the standout markets in the Asia-Pacific region were China and India, with the number of wealthy individuals, and their overall level of wealth growing at a faster rate than the global averages.
- In CY07, the Indian market experienced the largest increases in HNWI wealth and population size in the region. The Emerging-HNWI, HNWI and Ultra-HNWI populations in India increased to 167,000 - a 23% increase from the previous year.
- Compared with other investors in the Asia-Pacific, HNWIs in India (36%) allocated the highest percentage to equities (after Australia - 38%).

Source: Capgemini Asia-Pacific Wealth Report 2008

## Opportunities and Threats

### Opportunities

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

### Threats

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

### Our Business Streams and Outlook:

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.

We also raise resources through short-term borrowings. During 2008-09, CRISIL Limited reaffirmed the rating of 'P1+' the highest rating, for your company's short-term borrowing program of Rs. 4 billion. CRISIL Limited also reaffirmed the rating of 'P1+' to MOSL's short-term borrowing program of Rs. 4 billion.

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

S. No.	Name of the Company	Business	MOFSL's Shareholding
1)	Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail), Wealth Management and Distribution of Financial Products	99.95%
2)	Motilal Oswal Capital Markets Private Limited (a subsidiary of MOSL)	Stock Broking (A SEBI registered Stock Broker)	100.00%*
3)	Motilal Oswal Commodities Broker Private Limited (MOCB)	Commodities Broking	97.55%
4)	Motilal Oswal Private Equity Advisors Private Limited (MOPE)	Private Equity Management and Advisory	85.00%
5)	Motilal Oswal Investment Advisors Private Limited (MOIA)	Investment Banking	75.00%
6)	Antop Trader Private Limited	Lease Rental	100.00%*

\* thru MOSL



## Our business streams

Business Stream	Primary products and services
Broking & Distribution Wealth Management	<ul style="list-style-type: none"> <li>Equity (cash and derivatives) and commodity broking</li> <li>Distribution of financial products like Mutual Funds, PMS, IPO and Insurance</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
Asset Management	Portfolio Management Services

## Broking and Distribution

Our services under the "Broking and Distribution business" include offering products such as Equities, Derivatives, Commodities, Depository services, Portfolio Management services; and distribution of Mutual funds, primary equity offerings and insurance products. As at 31st March, 2009, we had 541,372 registered customers, whom we serve through this business. This includes our 471,062 broking clients of which 396,758 have depository accounts with us.

Our services to Broking and Distribution clients are made through a strong branch and franchisee network spread across India. We have one of the largest pan-India networks with a presence in 1,289 business locations over 548 cities/towns. This extensive distribution network provides us further opportunities to cross-sell products and services as we diversify into new business streams. In addition to our aforementioned physical network, we have a strong online platform helping our clients to use our services at their convenient location. We also have strategic alliances with State Bank of India, IDBI Bank and Axis Bank, to offer online brokerage services to their retail banking clients.

Our clients are advised by the centralized advisory and dealing desk based in Mumbai, situated over a 26,500 sq.ft area. Our aim is to always provide clients with the best research and advice, a core focus and strength of our company.

The competition in the financial services industry space has been intensified with competition from large brands with well capitalized balance sheets entering this space. The smaller players will soon face the heat of this intensifying competition in the industry. We expect that large players would further gain market share but the bigger challenge for these companies will be to achieve sustained and consistent returns on their investments, while managing their growth trajectory.

The focus of the business was to provide both customers and business partners with the knowledge and confidence to negotiate the tough market conditions prevailing throughout the year. This was addressed by a series of over 100 seminars Pan India that were attended by prospective investors, customers and business partners. An added initiative was to increase width and depth of reach by aggressively acquiring business partners with a 'Win-Win' value proposition.

Our wide distribution network and our core strength of providing excellent research and advisory will continue to help us in capturing the increasing penetration of equities in the country. Cross-selling of products and leveraging on established technology and network will help us gain further momentum for this business.

## Institutional Broking

We offer Institutional Broking services in cash and derivatives segment to a large institutional clientele in India and abroad. These clients include mutual funds, banks, financial institutions, insurance companies, and FIIs. As at 31st March, 2009, we were empanelled with over 300 institutional clients including 200 FIIs.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our Institutional Team comprises staff from Sales and Dealing, Research and Corporate Access. Our research team of 24 research analysts covers over 200 companies in 27 sectors and 16 commodities. In the latest rankings, i.e. Starmine India Broker Rankings 2009 from Thomson Reuters, we won awards in 3 out of 4 categories. We were rated No.1 in the India Mid & Small-Caps - Best Recommendations category, in the Top-3 in the India BSE Sensex - Earnings Estimates category and in the Top-4 in the India Mid & Small-Caps - Earnings Estimates category.

Despite the global crisis and fall in foreign investments, India is still one of the favored destinations for equity investments with an increasing number of FII registrations year-on-year. We believe that the two key differentiators for players competing in this space would be the strength of research and advisory support coupled with best execution platforms.

Our strong clientele base spread across the globe and our constant endeavor to provide best in-class research, advice and execution support will also help us to tap emerging opportunities and gain higher market share across all the institutional client segments.

### Investment Banking

MOIA offers comprehensive Investment Banking solutions and transaction expertise covering private placement of equity, debt and convertible instruments covering international & domestic capital markets, mergers & acquisitions advisory and restructuring advisory & implementations.

Our team comprises of multi-disciplinary professionals with a collective banking and corporate finance advisory experience of more than twelve decades. An extensive understanding of different sectors within the Investment Banking team underpinned by the two decade old research strength of the group company, MOSL enables us to provide customized financial solutions to our clients across industries.

Our established track record, strong corporate relationships, experienced team and synergy of investment banking business with other segments of our business would help us in gaining further profitable franchisee in this business.

### Private Equity

Our private equity subsidiary, MOPE is currently in the business of managing and advising funds in both the growth capital space as well as the real estate space. MOPE is an investment manager and advisor to a private equity fund, India Business Excellence Fund, which has commitments of US\$125 million from investors in India and overseas. 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\$10 million. The fund has already made investments in eight companies till 31st March 2009 committing around 45% of the funds under management.

During 2008-09, MOPE has also been appointed as Investment Manager to India Realty Excellence Fund (IREF), a domestic real estate fund. IREF has successfully done its first closing at Rs. 1 billion. IREF is currently open to subscription to both institutional and retail investors for its second closing. MOPE has been able to build a strong deal pipeline for IREF and is evaluating several investment opportunities.

We believe that over the next couple of years private equity model in India will evolve further. Global private equity funds and large domestic funds will continue to be significant players. In the SME space private equity funds backed by larger financial services/corporates will gain prominence over the funds started by a group of individuals. Over the next few years private equity will become even more important constituent of Indian capital market.

While private equity investment is a preferred route for large investors overseas, significantly, the domestic investors are also realising the attractiveness and potential of investing through private equity funds. Some of the recent launches of domestic private equity funds have received good response from the investors. We feel that this trend will gather momentum with savings touching 35 - 40% of the GDP.

MOPE is well poised to take full advantage of the favorable environment and expand its PE business and establish a market leading franchise in the SME space.

### Asset Management

Our Portfolio Management Services (PMS) are offered through MOSL. As on 31st March, 2009, assets under management for this business were Rs. 4,767 million with 3,504 registered customers. For the PMS business, we have a 5 member fund management team; they are supported by MOSL Research Team of 24 research analysts.

We have received an in-principle approval from Securities Exchange Board of India (SEBI) to set up a mutual fund business in India, through our promoter company, Passionate Investment Management Private Ltd.

We feel that there is a huge opportunity for new entrants as the industry is still in its nascent stage in terms of AUM size, number of players and number of MF schemes, when analyzing and comparing it with countries like Brazil and other emerging economies.

We will grow our asset management business by leveraging our existing investment management capabilities in managing funds, our strong research and a large in-house retail franchisee to spread our reach and capture the investment potential in India and abroad.

### **Wealth Management**

Our Wealth management services are offered to Mass Affluent and High Net Worth clients, through a separate offering called "Purple". The strategy for this business is to engage with clients by consolidating their needs across personal, family and business arenas and provide them the best solution and product mix leading to high profitability.

### **Our Strengths**

#### **Strong Brand name**

'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.

#### **Integrated financial services provider**

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

#### **One of largest distribution network - 1,289 outlets across 548 cities**

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 1,289 business locations operated by our business associates or directly by us in 548 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 strategic alliance with State Bank of India (SBI), IDBI Bank and Axis Bank to offer online brokerage services to their retail banking clients.

#### **Established leadership in Franchisee business**

One of our key strengths has been the successful establishment of our franchisee business. Our relationship with our franchisees has become stronger as they grew along with us to become one of our key strengths. We have multiple business partner models in franchising and we are strongly committed to growth and profitability of each of our franchisee. Our recent campaign titled "108 benefits of being a Motilal Oswal Sub Broker" highlights our range of offerings and benefits we have been providing to our franchisees.

#### **Independent and insightful research**

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 equities, derivatives and commodities. In the latest Starmine India Broker Rankings 2009 from Thomson Reuters, we won awards in 3 out of 4 categories. We were Rated No.1 in India Mid & Small-Caps - Best Recommendations category, Rated Top-3 in India BSE Sensex - Earnings Estimates category and Rated Top-10 in India Mid & Small-Caps - Earnings Estimates category.

#### **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.



## Strong risk management

We 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.

## Financial prudence

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

The company has an unleveraged balance sheet as at 31 March 2009 which augers well to manage market volatilities. During FY 2008-09, the CRISIL Limited reaffirmed the rating of 'P1+' the highest rating, for MOFSL short term borrowing program of Rs. 4 billion. CRISIL Limited has also reaffirmed the rating of 'P1+' to MOSL's short term borrowing program of Rs. 4 billion. This facility provides MOFSL the flexibility to avail funds at competitive rates when business opportunities arise.

## 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 2008-09 including revenue, expenditure and profits, are presented in Table 1.

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

Particulars	2008-2009	% to Total income	2007-2008	% to Total income	Growth %
<b>Revenue</b>					
Income from operations	557.05	77.12	320.96	90.22	73.56
Other income	165.31	22.88	34.80	9.78	375.05
<b>TOTAL</b>	<b>722.36</b>	<b>100.00</b>	<b>355.76</b>	<b>100.00</b>	<b>103.05</b>
<b>Expenditure</b>					
Financial Expenses	73.18	10.13	44.62	12.54	64.00
Employee cost	12.74	1.76	13.61	3.82	(6.34)
Other Expenses	26.29	3.64	51.85	14.57	(49.30)
<b>TOTAL</b>	<b>112.21</b>	<b>15.53</b>	<b>110.08</b>	<b>30.94</b>	<b>1.94</b>
Profit Before Tax	610.15	84.47	245.68	69.06	148.35
Tax - Current Tax & Deferred	157.03	21.74	72.78	20.46	115.77
PAT	453.12	62.73	172.90	48.60	162.06
Earnings per share (Basic) Rs.	3.19		1.27		150.26
Earnings per share (diluted) Rs.	3.19		1.26		152.25

## MANAGEMENT DISCUSSION AND ANALYSIS

The financial position of MOFSL continues to remain strong. During the year under review, MOFSL recorded 103.05% growth in total revenues from Rs. 355.76 million in 2007-08 to Rs. 722.36 million in 2008-09. Your company expanded its product portfolio in respect of its products such as loans against shares, corporate financing, arbitrage etc. This translated into even faster growth in income from our core business area of financing & arbitrage activities, which increased by 73.56% from Rs. 320.96 million in 2007-08 to Rs. 557.05 million in 2008-09.

The rise in income was partly offset by an increase in expenditure, primarily due to growth in financial expenses to Rs. 73.18 million in 2008-09 from Rs. 44.62 million in 2007-08. Employee costs changed marginally from Rs. 13.61 million in 2007-08 to Rs. 12.74 million in 2008-09, a fall of 6.34%.

Profit before tax (PBT) grew 148.35% from Rs. 245.68 million in 2007-08 to Rs. 610.15 million in 2008-09. Profit after tax (PAT) grew 162.06%, from Rs. 172.90 million in 2007-08 to Rs. 453.12 million in 2008-09. Consequently, basic earnings per share (face value Re. 1) increased from Rs. 1.27 in 2007-08 to Rs. 3.19 in 2008-2009.

As at March 31, 2009, investments principally consisted of long-term investments, totaling Rs. 313.51 million. Investments have increased by Rs. 139.52 million from March 31, 2008, primarily on account of higher deployment in investments other than equity shares (other investments).

Current assets mainly comprised of stock in trade, cash and bank balances and other current assets. As at March 31, 2009, cash and bank balances were Rs. 2012.33 million, of which Rs. 11.15 million was in fixed deposits with banks.

Loans and Advances decreased from Rs. 2,840.12 million as at March, 31 2008 to Rs. 2,066.50 million as at March 31, 2009, mainly on account of decrease in loans.

Current liabilities and Provisions principally consist of liability in respect of provision for expenses & tax deduction at source. It increased from Rs. 222.17 million as at March 31, 2008 to Rs. 385.96 million as at March 31, 2009, predominantly due to increase in provision for taxes.

### Consolidated financials

The abridged consolidated financials of MOFSL for 2008-09 including revenue, expenditure and profits, are presented in Table 2.

**Table 2: Abridged Consolidated profit and loss account (Rs million unless indicated otherwise)-**

(Rs. in Million)

Particulars	2008-2009	% to Total income	2007-2008	% to Total income	Growth %
<b>Revenue</b>					
Income from operations	4,573.80	98.12	6,884.04	98.41	(33.56)
Other income	87.43	1.88	111.43	1.59	(21.54)
<b>TOTAL</b>	<b>4,661.23</b>	<b>100.00</b>	<b>6,995.47</b>	<b>100.00</b>	<b>(33.37)</b>
<b>Expenditure</b>					
Operating Exp.	970.48	20.82	1,769.13	25.29	(45.14)
Financial Expenses	178.40	3.83	149.03	2.13	19.71
Employee cost	1,203.13	25.81	1,747.35	24.98	(31.15)
Depreciation	202.71	4.35	148.47	2.12	36.53
Administrative & other Expenses	680.72	14.60	783.11	11.19	(13.08)
<b>TOTAL</b>	<b>3,235.43</b>	<b>69.41</b>	<b>4,597.08</b>	<b>65.72</b>	<b>(29.62)</b>
Profit Before Tax, Exceptional & Extra Ordinary Items	1,425.80	30.59	2,398.39	34.28	(40.55)
Exceptional Items -Income/(Exp.)	(30.00)	(0.64)	-	-	-
Profit Before Tax & Extra Ordinary Items	1,395.80	29.94	2,398.39	34.28	(41.80)
Current Tax	491.26	10.54	784.73	11.22	(37.40)
Deferred Tax (Income)/Exp	(25.09)	(0.54)	(1.49)	(0.02)	1,584.65

## MANAGEMENT DISCUSSION AND ANALYSIS

Particulars	2008-2009	% to Total income	2007-2008	% to Total income	Growth %
Tax - Earlier years	(4.68)	(0.10)	4.77	0.07	(198.24)
PAT before Extraordinary items	934.31	20.04	1,610.38	23.02	(41.98)
Extraordinary items	-	-	145.36	2.08	(100.00)
PAT after Extraordinary items	934.31	20.04	1,755.73	25.10	(46.79)
Earnings per share (Basic) Rs.	6.31		12.58		(49.85)
Earnings per share (diluted) Rs.	6.31		12.48		(49.46)

Due to weak market sentiments, the consolidated financial profitability of MOFSL is affected. During 2008-09, MOFSL recorded 33.37% fall in total revenues from Rs. 6,995.47 million in 2007-08 to Rs. 4,661.23 million in 2008-09. The decrease in income was partly offset by an decrease in operating expenditure from 25.59% of total revenues in 2007-08 to 20.82% of the total revenues in 2008-09.

The total borrowings outstanding decreased from Rs. 1,454.68 million as on 31st March, 2008 to Rs. 0.52 million as on 31st March, 2009. During the current financial year, in order to meet the short-term fund requirements, the Company had borrowed fund on which financial cost of Rs. 178.40 million is incurred as compared to Rs. 149.03 million in last financial year.

Employee costs decreased 31.15% from Rs. 1,747.35 million in 2007-08 to Rs. 1,203.13 million in 2008-09 mainly on account of reduction in number of employees and rationalisation of salaries and benefits. While in absolute terms this looks high, as a percentage of total income, there was a marginal increase from 24.98% in 2007-08 to 25.81% in 2008-09.

The company recorded 41.80% fall in profit before tax (PBT), which decreased from Rs. 2,398.39 million in 2007-08 to Rs. 1,395.80 million in 2008-09. Profit after tax (PAT) decreased 46.79% from Rs. 1,755.73 million in 2007-08 to Rs. 934.31 million in 2008-09. Consequently, basic earnings per share (face value Re. 1) decreased from Rs. 12.58 during 2007-08 to Rs. 6.31 during 2008-2009.

As at 31st March, 2009, investments principally consisted of Long-term investments, totaling Rs. 492.42 million. Investments have increased by Rs. 65.56 million from 31st March, 2008, primarily on account of higher deployment in other investments.

Current assets mainly comprised Sundry Debtors, Stock-in-trade, Cash and bank balances, and other Current assets. As at 31st March, 2009, cash and bank balances were Rs 5,428.06 million, of which Rs.2,239.16 million was in fixed deposits.

Loans and Advances decreased from Rs. 4,764.20 million as at 31st March, 2008 to Rs. 4,124.09 million as at 31st March, 2009, mainly on account of decrease in loans.

Current liabilities is principally 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 decreased from Rs. 6,245.46 million to Rs. 4,255.25 million as at 31st March, 2009. Provisions include provisions for taxation and provision for proposed dividend which decreased from Rs. 1,968.68 million to Rs. 1,899.00 million.

### Table 3: Key ratios

#### Performance of subsidiaries

##### Motilal Oswal Securities Limited (MOSL)

Particulars Rs. Million	FY09	FY08	Growth (YoY)
	As on Mar 31 2009	As on Mar 31 2008	
Total Revenues	3,551	5,993	-41%
EBIDTA	977	2,108	-54%
PBT (before E & EOI)*	675	1,849	-63%
PAT (before E & EOI)*	454	1,236	-63%

\*Exceptional And Extra Ordinary Items



## MANAGEMENT DISCUSSION AND ANALYSIS

Motilal Oswal Private Equity Advisors Pvt. Ltd. (Formerly Known As Motilal Oswal Venture Capital Advisors Pvt Ltd) (MOPEAPL)

Particulars Rs. Million	FY09	FY08	Growth (YoY)
	As on Mar 31 2009	As on Mar 31 2008	
Total Revenues	107	86	24%
EBIDTA	23	36	-38%
PBT (before E & EOI)*	21	35	-40%
PAT (before E & EOI)*	13	23	-43%

\*Exceptional And Extra Ordinary Items

Motilal Oswal Investment Advisors Pvt. Ltd. (MOIAPL)

Particulars Rs. Million	FY09	FY08	Growth (YoY)
	As on Mar 31 2009	As on Mar 31 2008	
Total Revenues	468	637	-27%
EBIDTA	221	273	-19%
PBT (before E & EOI)*	220	273	-19%
PAT (before E & EOI)*	149	182	-18%

\*Exceptional And Extra Ordinary Items

Motilal Oswal Commodities Broker Pvt. Limited (MOCBPL)

Particulars Rs. Million	FY09	FY08	Growth (YoY)
	As on Mar 31 2009	As on Mar 31 2008	
Total Revenues	50	50	-1%
EBIDTA	14	1	2290%
PBT (before E & EOI)*	11	(4)	351%
PAT (before E & EOI)*	7	(4)	271%

\*Exceptional And Extra Ordinary Items

### 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	
	31.03.2009	31.03.2008
1. Segment Revenue		
(a) Equity Broking & Other related activities	3,517.43	5,923.30
(b) Financing and Other activities	608.74	355.80
(c) Investment Banking	452.32	628.20
(d) Unallocated	213.37	215.90
<b>Total</b>	<b>4,791.86</b>	<b>7,123.20</b>
Less: Inter Segment Revenue	130.63	127.71
<b>Income From Operations, Other Operating Income and Other Income</b>	<b>4,661.23</b>	<b>6,995.49</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Particulars Rs. Million	Year Ended	
	31.03.2009	31.03.2008
2. Segment Results Profit / (Loss) before tax and interest from Each segment)		
(a) Equity Broking & Other related activities	746.32	1,778.60
(b) Financing and Other activities	496.53	233.50
(c) Investment Banking	204.39	359.20
(d) Unallocated	88.09	131.30
<b>Total</b>	<b>1,535.33</b>	<b>2,502.60</b>
Less:(i) Interest	109.51	104.40
(ii) Other Un-allocable Expenditure net off	-	-
(iii) Un-allocable income	-	-
Profit/Loss from Ordinary Activities before Tax	1,425.82	2,398.20
3. Capital Employed (Segment assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	3,161.18	2,589.30
(b) Financing and Other activities	4,465.17	3,985.40
(c) Investment Banking	227.72	(134.80)
(d) Unallocated	125.08	730.30
<b>Total</b>	<b>7,979.15</b>	<b>7,170.20</b>

### Human Resources

The year 2008-2009 saw the Human Resource Team at Motilal Oswal launch a multiple of initiatives. As at 31st March, 2009, the employees strength of the group was 1,231 and the company was having 6 employees. The key cornerstones of our HR strategy remained as -

1. Strengthening the technology support to run HR functions flawlessly, ensuring a high quality of employee experience.
2. Ensnore further the performance management initiatives launched the previous year.
3. Increasing Employee Engagement and Motivation levels within the organisation.

The HR team worked on exploring new applications available through the HR online system invested in last year. In line with the balance score card initiative launched the previous year, this year we worked on ensuring that KRA's were populated for each macro to micro role within the organisation.

A KRA audit launched in January ensured 98% (approx) KRAs were loaded and mapped before the start of the appraisal cycle this year.

Being able to ensure there was synergy between KRAs and the actual work on the ground was a major achievement.

In pursuance towards their goal of capability building, the team launched 35 new training modules some these being seven effective habits, stock market basic and advance courses, negotiation skills etc, to assist the employees in building upon their skills. Through the 138 programmes over 5,000 man days of training was imparted across the organisation which was a commendable achievement. Also the team undertook several tie ups with educational institutes thus bringing subsidized education at the employee's doorstep.

The Human Resource team also undertook a variety of initiatives to increase engagement Pan India across levels. The team took to organising several events, right from encouraging employees to be health conscious, to fun events which engaged the employees and their families; all these stood testimony to the organisation's efforts towards increasing employee engagement. This included initiatives like, blood donation drive, eye care camp, woman's day celebrations, online library, movie clubs, cricket and carrom tournaments etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

The team also conducted an Employee Engagement Survey which was conducted across 11 verticals, with a random sample of 500 employees. The results of this survey have been used to draw up an action plan.

A yet another very unique initiative was taken this year called "Coffee with the Chairman". As a part of this initiative, a small set of employees are short listed by the HR and invited to Mr. Oswal's cabin for a 'tete a tete'. These interactions proved to be very motivating for the employees who felt honored to meet the chairman of the company and put forth their thoughts and views. This initiative became a platform to individually appreciate employees' effort and encourage them to provide new ideas and suggestions for organizational benefit.

Overall the year threw up challenges which were different from the previous years as the macro environment changed the human resource team tasks changed in accordance. Improving the overall employee experience through minimal transactional error, higher engagement activities and superior quality training will continue to be the agenda in the forthcoming year also.

### **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

The basic philosophy of Corporate Governance of your Company is to achieve excellence in business, comply with laws and regulations and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders.

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics.

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 reimbursements of expenses incurred in discharge of their duties and the remuneration that the Independent Directors would be entitled to receive under the Companies Act, 1956, none of the Independent Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Management, its subsidiary and its Associates which in their judgement would affect their independence. There are no inter-se relationships amongst our Board of Directors.

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

### Number of Board Meetings

The Board of Directors met four times during the year ended 31st March, 2009, on 21st April, 2008, 8th July, 2008, 10th October, 2008 and 13th January, 2009. 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 members.

### Composition of the Board

As at 31st March, 2009, 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 (AGM) of the Company which was held on 8th July, 2008, 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	9	1	-
Mr. Raamdeo Agrawal	Non-independent Non-executive (Promoter)	4	4	Yes	9	2	-
Mr. Navin Agarwal	Non-independent Non-executive	4	4	Yes	5	-	-

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. Ramesh Agarwal	Independent	4	4	Yes	2	1	--
Mr. Madhav Bhatkuly	Independent	4	3	Yes	1	1	--
Mr. Balkumar Agarwal	Independent	4	4	Yes	2	2	2

\$ 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.

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

### Information supplied to the Board

The Company sends a detailed agenda folder to each Director sufficiently before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director 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, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, minutes of meetings of the Audit and other Committees of the Board and information on recruitment of officers just below the Board level, including the Compliance Officer.

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

### Remuneration Policy

The success of the organisation in achieving good performance and good governing practice depends on its ability to attract and retain individuals with requisite knowledge and excellence as executive and Non-executive Directors. With this objective, the Board, 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 2008-2009, the Company did not advance any loans to any of its Directors.

Details of the sitting fees paid to the Non-executive Directors during the year ended 31st March, 2009: -

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	Nil
Mr. Ramesh Agarwal	Independent	1,50,000	Nil
Mr. Madhav Bhatkuly	Independent	70,000	Nil
Mr. Balkumar Agarwal	Independent	1,60,000	Nil

No commission was paid to the Directors during the year ended 31st March, 2009.

### 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, 2009.

Name of the Directors	Category	Number of Equity shares of Re. 1 each held
Mr. Raamdeo Agrawal	Non-independent Non-executive (Promoter of the Company)	2,34,28,100
Mr. Navin Agarwal	Non-independent Non-executive	78,04,010
Mr. Ramesh Agarwal	Independent	500
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 Chief Executive Officer, Chairman & Managing Director to this effect is enclosed at the end of this report.

### CEO/CFO Certification

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, Mr. Motilal Oswal, Chief Executive Officer and Chief Financial Officer of the Company has certified to the Board regarding the Financial Statements for the financial year ended 31st March, 2009.

### Risk Management

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

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

### Committees of the Board

Your Company has five major Board level Committees -

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

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

#### i. Audit Committee

As on 31st March, 2009, the Audit Committee comprised of four Non-executive Directors, of which three are Independent. The Committee comprises of:-

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



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

The Audit Committee met four times during the year on 21st April, 2008, 8th July, 2008, 10th October, 2008 and 13th January, 2009. 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	4	4
Mr. Ramesh Agarwal	Independent	Member	4	4
Mr. Raamdeo Agrawal	Non-independent Non-executive	Member	4	4
Mr. Madhav Bhatkuly @	Independent	Member	1	1

@ appointed as the member of the Committee with effect from 10th October, 2008.

Mr. Motilal Oswal (Chairman & Managing Director, Chief Executive Officer and the Chief Financial Officer), Internal Auditors and Statutory Auditors 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, 2009, the Remuneration/Compensation Committee comprised of 3 members. The Committee comprises of:-

- 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 the Employees' Stock Option Schemes.

The Committee met three times during the year under review on 21st April, 2008, 5th May, 2008 and 10th October, 2008. 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. Ramesh Agarwal	Independent	Chairman	3	3
Mr. Balkumar Agarwal	Independent	Member	3	3
Mr. Motilal Oswal	Chairman & Managing Director	Member	3	3

## iii. Shareholders/ Investors Grievance Committee

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

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

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

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

During the year under review, the Committee met once on 14th July, 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 2008-09 are given herein below: -**

S. No.	Nature of complaint	Pending as on 1st April, 2008	Received during the year	Redressed during the year	Pending as on 31st March, 2009
i.	Non Receipt of Refund/Electronic Credit	1	35	35	1
ii.	Non-credit of Shares	Nil	7	7	Nil
iii.	SEBI /Stock Exchange Complaints	Nil	39	39	Nil
iv.	Non-receipt of Dividend warrant	Nil	2	2	Nil
v.	Non-receipt of Annual Report	Nil	1	1	Nil
	<b>TOTAL</b>	<b>1</b>	<b>84</b>	<b>84</b>	<b>1</b>

#### iv. Nomination Committee

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

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

#### v. Risk Management Committee

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

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

#### Subsidiary Companies

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

- 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, 2009. Further the details of the Related Party Transactions are presented in the Notes to Accounts.
- 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.
- The Company has complied with the mandatory requirements of Clause 49.
- 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 provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 (SEBI Regulations), the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations. During the year ended 31st March, 2009 the Code was amended in light of the amendments to the SEBI Regulations.

## 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. Ramesh Agarwal and Mr. Madhav Bhatkuly 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: -

#### 1. Details of Mr. Ramesh Agarwal seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. Ramesh Agarwal
Date of Birth	5th October, 1945
Date of Appointment on the Board	17th February, 2007
Expertise in specific functional area	Corporate Management
Qualifications	B.E., Mechanical Engineering.
Directorships in Public Limited Companies	i) Motilal Oswal Financial Services Limited. ii) Motilal Oswal Securities Limited.

#### Membership of Committees in Public Limited Companies

Audit Committee	Motilal Oswal Financial Services Limited
Shareholders/Investors Grievance Committee	Nil
Remuneration/Compensation Committee	Motilal Oswal Financial Services Limited
Shareholding of Director in the Company	500 Equity Shares of Re. 1 each

Mr. Ramesh Agarwal is a Mechanical Engineer with 40 years of experience in engineering industry in capital equipment and industrial products. His last assignment was as the Managing Director of Carborundum Universal Limited, Chennai, till January, 2005. He is currently associated with various companies to help them achieve sustainable and profitable growth.

#### 2. Details of Mr. Madhav Bhatkuly seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. Madhav Bhatkuly
Date of Birth	22nd January, 1966
Date of Appointment on the Board	17th February, 2007
Expertise in specific functional area	Finance and Capital Markets
Qualifications	M. Com., M. Sc. Econ.
Directorships in Public Limited Companies	Motilal Oswal Financial Services Limited

**Membership of Committees in Public Limited Companies**

Audit Committee	Motilal Oswal Financial Services Limited
Shareholders/Investors Grievance Committee	Nil
Remuneration/Compensation Committee	Nil
Shareholding of Director in the Company	Nil

Mr. Madhav Bhatkuly graduated from Sydenham College, Bombay and holds a Masters' Degree in Economics from the London School of Economics. He is a Foreign and Commonwealth Scholar (a world wide scholar selection program constituted by the British Government to bring to the UK present and future leaders, decision makers and formulators of opinion).

Mr. Bhatkuly was country partner, India (including south Asia), for Arisaig Partners from 1999 to 2005 where he contributed to building the Arisaig India Fund from its very first investment decision. Arisaig is the largest small cap investor in Asia and the Arisaig India Fund was amongst the top performing India funds through the time that Mr. Bhatkuly was involved with it. Prior to that, he was with SG Securities of Societe Generale where he was responsible for the Asian client base and before that with ICICI where he had responsibility for appraising large projects for institutional lending. In 2005, he partnered with Chris Hohn of The Children's Investment Fund, (UK) (TCI) to set up a dedicated India fund. He then branched out to set up New Horizon which is involved with both offshore and onshore vehicles that invest in India.

Mr. Bhatkuly is credited to have been amongst the first institutional investors in many small companies which have gone on to become some of India's leading names: Sun Pharma, Godrej Consumer Products, Axis Bank (then called UTI Bank), J&K Bank, United Breweries, Jubilant Organosys, Apollo Hospitals, UTV, Balkrishna Industries, Marico, Dabur, etc., Many of these stocks have gone up from 5-50 times since the point of first purchase.

Mr. Bhatkuly also serves on the board of The London School of Economics Scholarship Fund. He has been featured on several TV shows including CNBC's "Wizards of Dalal Street", Indianomics, the Karan Thapar Show, etc. and has been invited to speak at many business schools such as the Indian Institute of Management, and by many organizations such as Confederation of Indian Industry (CII), Goldman Sachs, etc.

**Means of Communication with Shareholders**

The Company publishes quarterly, half-yearly and annual results in national and local dailies. The Company's results and official news releases are displayed on the Company's website <http://www.motilaloswal.com>. Presentations made to the investors and analysts are also put-up on its website. The Company has also designated 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 details of the Annual General Meetings held during past three years and the Special Resolutions passed there at 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.
- The Third Annual General Meeting of the Company was held on Tuesday, 8th July, 2008 at 2.00 p.m. at Y. B. Chavan Centre, General Jagannathrao Bhosale Marg, Next to Sachivalaya Gymkhana, Nariman Point, Mumbai - 400 021.

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.	1. Alteration of the Articles of Association of the Company. 2. Recovery of Fringe Benefit Tax on the Stock Options exercised by the Employees. 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.
2008	8th July, 2008	2.00 p.m.	1. Alteration of the Articles of Association of the Company consequent upon the sub-division of equity shares of Rs. 5 each into Re. 1 each. 2. Approval of 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI'. 3. Authority to extend the benefits of the 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI' to the employees of the Subsidiaries of the Company.



**Details of Special Resolutions passed through postal ballot during the financial year ended 31st March, 2008**

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 Rules framed thereunder, namely 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 4th Annual General Meeting of the Company:-**

Date : 1st August, 2009

Time : 1.30 p.m.

Venue : Indian Education Society's Manik Sabhagriha, 'Vishwakarma' M.D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Bandra (West), Mumbai 400 050.

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

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

Calendar for the financial year ending 31st March, 2010: -

Financial reporting for the	Tentative dates of the Board Meeting
first quarter ending 30th June, 2009.	First fortnight of July, 2009
half year ending 30th September, 2009.	First fortnight of October, 2009
third quarter ending 31st December, 2009.	First fortnight of January, 2010.
year ending 31st March, 2010.	First fortnight of May, 2010.

- Annual General Meeting for the year ending 31st March, 2010 is likely to be held in the first fortnight of July, 2010.

**(iii) Date of Book Closure**

From 1st June, 2009 to 15th June, 2009, inclusive of both days.

**(iv) Dividend Payment Date**

Subject to the approval of the members, the dividend of Re. 0.80 per share recommended by the Board will be paid on or after 3rd August, 2009.

**(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 2009-2010 have been paid in full to BSE and NSE.

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

BSE : 532892

NSE : MOTILALOF5

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

## (vii) Market Price Data

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

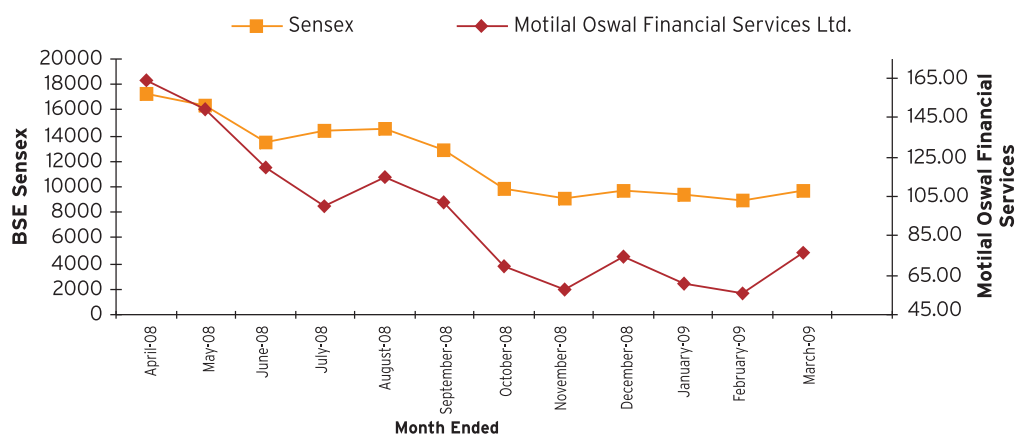
Month	BSE Rs.		NSE Rs.	
	High	Low	High	Low
April, 2008*	167.00	108.40	168.60	102.27
May, 2008*	177.00	144.56	177.60	145.60
June, 2008*	153.80	111.00	157.40	112.00
July, 2008*	124.20	98.15	123.90	97.65
August, 2008	124.00	97.00	123.90	96.35
September, 2008	116.95	88.00	117.00	87.00
October, 2008	102.45	51.80	104.00	51.60
November, 2008	82.00	48.00	82.80	49.10
December, 2008	85.00	49.60	85.00	50.00
January, 2009	82.25	59.05	82.50	57.95
February, 2009	67.95	50.20	72.00	56.00
March, 2009	81.00	43.60	84.00	43.60

\*adjusted consequent upon the sub-division.

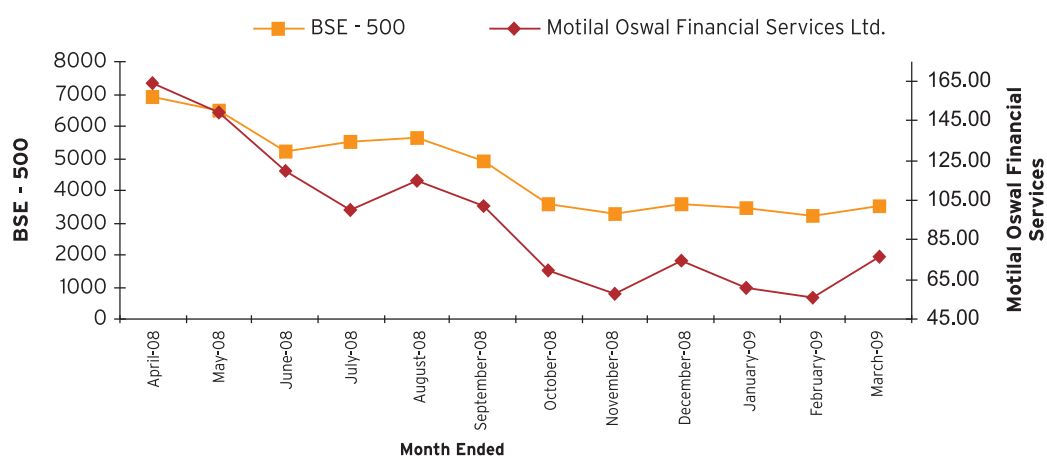
## (viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.:

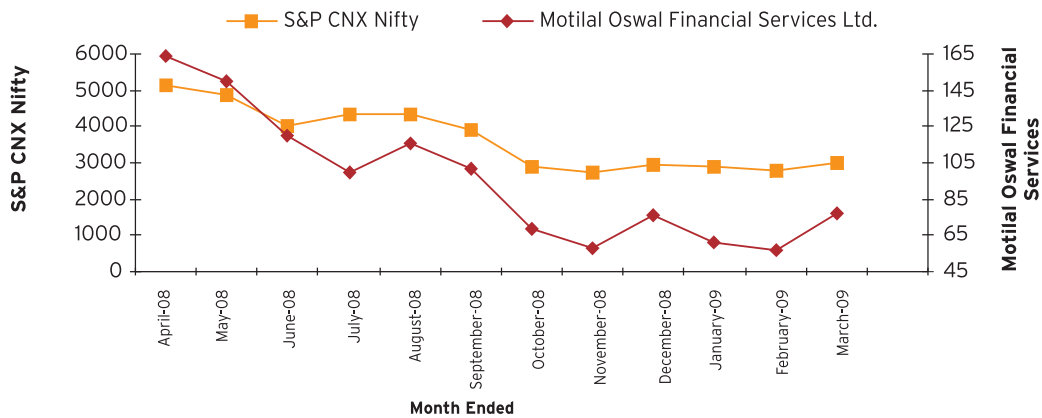
The Company is the constituent of the BSE - 500. The performance of the Company's shares relative to the BSE Sensex, BSE - 500 and S&P CNX Nifty is given in the chart below:-

### MOFSL Share performance versus BSE Sensex



### MOFSL Share performance versus BSE - 500



**MOFSL Share performance versus S&P CNX Nifty****(ix) Registrar and Transfer Agent****Link Intime India Private Limited**

(formerly Intime Spectrum Registry Limited)  
 Unit: Motilal Oswal Financial Services Limited  
 C- 13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West),  
 Mumbai - 400 078.  
 Tel: +91 22 2596 38 38 Fax: +91 22 2594 69 69  
 Email: [isrl@linkintime.co.in](mailto:isrl@linkintime.co.in)  
 Website: [www.linkintime.co.in](http://www.linkintime.co.in)

The Registrars and Transfer Agent also have an office at:

**Link Intime India Private Limited**

Unit: Motilal Oswal Financial Services Limited  
 203, Davar House, 197/199 Next to Central Cameras,  
 D. N. Road, Fort, Mumbai - 400 001.  
 Tel.: 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, 2009.

Shareholding pattern by size as on 31st March, 2009: -

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 - 500	19,570	17,78,093	1.25
501 - 1000	367	2,83,913	0.20
1001 - 2000	183	2,59,981	0.18
2001 - 3000	87	2,20,852	0.15
3001 - 4000	36	1,25,435	0.09
4001 - 5000	46	2,20,990	0.16
5001 - 10000	51	3,79,153	0.27
10001 & Above	134	13,87,51,583	97.70
TOTAL	20,474	14,20,20,000	100

**Shareholding pattern by ownership class as on 31st March, 2009 : -**

Sr. No.	Description	Number of Shares (as at 31st March, 2009)	% to capital
(i)	Promoters	9,81,11,240	69.08
(ii)	Persons acting in concert	18,25,960	1.29
(iii)	Mutual Funds	71,70,557	5.05
(iv)	Foreign Institutional Investors/ Foreign Companies/Foreign Venture Capital	1,65,81,632	11.68
(v)	NRIs/OCBs	2,31,159	0.16
(vi)	Bodies Corporate	5,54,092	0.39
(vii)	Public	1,75,45,360	12.35
	<b>TOTAL</b>	<b>14,20,20,000</b>	<b>100.00</b>

As at 31st March, 2009, 875 equity shares of the Company were held in 'ISRL - IPO Escrow Account'. The voting rights in respect of the 875 shares held in the said 'ISRL - IPO Escrow Account' have been frozen.

**(xii) Dematerialisation of Shares**

As on 31st March, 2009, 98.55% 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, 2009, 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, non-receipt of dividend warrants 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>



## ■ CHIEF EXECUTIVE OFFICER'S DECLARATION ON CODE OF CONDUCT

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

To

The Members of

**Motilal Oswal Financial Services Limited**

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

**Motilal Oswal Financial Services Limited**

**Motilal Oswal**

*Chief Executive Officer,  
Chairman & Managing Director*

Mumbai, 11th May, 2009.

# AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Motilal Oswal Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by Motilal Oswal Financial Services Limited for the year ended March 31, 2009, 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

**Rakesh Rathi**  
*Partner*  
Membership No. 045228

Place: Mumbai  
Dated: 11th May, 2009.

## TO THE MEMBERS OF MOTILAL OSWAL FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of **MOTILAL OSWAL FINANCIAL SERVICES LIMITED** as at 31st March, 2009, 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.

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.

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.

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, 2009 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, 2009 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 2009;
  - (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*

**Rakesh Rathi**  
*Partner*

Membership No. 045228

Place : Mumbai  
Dated: 11th May, 2009

## ANNEXURE TO AUDITOR'S REPORT

### ANNEXURE REFERRED TO IN PARAGRAPH I 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, 2009

- i)
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) All the fixed assets were physically verified by the management in the previous year in accordance with a planned Programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
  - c) 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.
- ii)
  - a) 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.
  - b) 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.
  - c) 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.
- iii)
  - a) As informed to us, the Company has granted unsecured loans to its four Subsidiary Companies listed in the register maintained under Section 301 of Companies Act, 1956. The maximum amount involved during the year is Rs.7063.17 lakhs and the year-end balance of loan granted to subsidiaries was Rs.5.88 lacs.
  - b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and condition for such loans are not prima facie prejudicial to the interest of the company.
  - c) The loans given are repayable on demand and company has received the principal amount and interest accordingly.
  - d) Since there is no stipulation as regards repayment schedules clause 4 (iii) (d) is not applicable.
  - e) As informed to us, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently sub clause (f) and (g) of clause (iii) are not applicable.
- iv) In our opinion and according the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed asset and inventory (securities) and sales of services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v)
  - a) According to the information and explanation given to us, we are of the opinion that the particulars of contract or arrangement referred to in section 301 of the Companies' Act 1956 that need to be entered into the register maintained under that section have been so entered.
  - b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangement exceeding value of rupee five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi) During the year the Company has not accepted any public deposit consequently clause 4 (vi) is not applicable.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
- viii) The company belongs to the service sectors industry therefore clause 4(viii) is not applicable.
- ix)
  - a) 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, Employee state insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it, with the appropriate authorities.



## ANNEXURE TO AUDITOR'S REPORT

- b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Investor Education Protection Fund, Employee state insurance, Income tax, Wealth Tax, Service Tax, Sales Tax, Cess and other material statutory dues which are outstanding as at March 31, 2009 for the period of more than six months from the date they become payable
- c) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, cess which have not been deposited on account of any disputes.
- x) The Company has been registered for less than five years. Consequently clause 4(x) is not applicable.
- xi) Based on our audit procedures and as per the information and explanation given to us we are of the opinion that company has not defaulted in the repayment of dues to a financial institution, banks, or debenture holder.
- xii) Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or nidhi/ mutual benefit fund/ society therefore clause 4(xiii) is not applicable.
- xiv) 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.
- xv) According to the information and explanations given to us, the Company has given guarantee of Rs. 4.7 crores for bank guarantee taken by one of the subsidiary companies, from banks, the terms and conditions thereof, in our opinion, are not prejudicial to the interest of the Company.
- xvi) The company has not raised any term loan during the year therefore clause 4 (xvi) is not applicable.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flow of the company, prima facie no fund raised on short term basis have been used for long term investment.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the registers maintain under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, during the period covered by our audit report, the company had issued 75 debentures of Rs.1 crore each. Debentures issued were unsecured. All the above debentures have been redeemed during the year.
- xx) During the year company had not raised any money by way of Public Issue.
- xxi) 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.

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

**Rakesh Rathi**  
*Partner*

Membership No. 045228

Place: Mumbai  
Date: 11th May, 2009

# BALANCE SHEET

## Balance Sheet as at 31st March, 2009

	Sch. No.	As at 31-Mar-09 (Rupees)	As at 31-Mar-08 (Rupees)
<b>I SOURCES OF FUNDS</b>			
<b>Share Holder's Fund</b>			
Share Capital	A	142,272,713	142,020,000
Reserves and Surplus	B	4,191,625,876	3,857,222,357
<b>TOTAL SOURCES OF FUND</b>		<b>4,333,898,589</b>	<b>3,999,242,357</b>
<b>II APPLICATION OF FUNDS</b>			
<b>Fixed Assets (At Cost) :</b>			
Gross Block		81,750	54,500
Less:- Depreciation		32,521	3,584
Net Block	C	49,229	50,916
<b>Investments</b>	D	313,511,649	173,994,544
<b>Deferred Tax Asset</b>		174,252	223,380
<b>Current Assets, Loans and Advances :</b>			
Stock in Trade	E	327,213,683	1,196,304,541
Other Assets	F	78,862	44,043
Cash and bank balances	G	2,012,328,604	10,668,426
Loans & Advances	H	2,066,499,750	2,840,123,699
	(i)	<b>4,406,120,899</b>	<b>4,047,140,709</b>
<b>Current Liabilities and Provisions :</b>			
Current Liabilities	I	9,809,872	8,193,185
Provision	J	376,147,568	213,974,007
	(ii)	<b>385,957,441</b>	<b>222,167,192</b>
<b>Net Current Assets</b>	(i)-(ii)	<b>4,020,163,458</b>	<b>3,824,973,517</b>
<b>TOTAL APPLICATIONS OF FUND</b>		<b>4,333,898,589</b>	<b>3,999,242,357</b>
Significant Accounting Policies & Notes to Accounts	Q		
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.**

**Rakesh Rathi**  
Partner  
Membership No. 045228

**Tarun Khurana**  
Company Secretary  
& Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 11th May, 2009

# PROFIT AND LOSS ACCOUNT

## Profit and Loss Account for the year ended 31st March, 2009

	Sch. No.	For the Year Ended 31-Mar-09 (Rupees)	For the Year Ended 31-Mar-08 (Rupees)
<b>INCOME</b>			
Income from operations	K	557,052,749	320,961,927
Other Income	L	165,309,967	34,798,615
<b>TOTAL</b>		<b>722,362,716</b>	<b>355,760,543</b>
<b>EXPENDITURE</b>			
Operating Expenses	M	1,220,964	2,191,025
Personnel Expenses	N	12,744,463	13,607,468
Administrative & Other Expenses	O	25,037,816	49,652,436
<b>TOTAL</b>		<b>39,003,243</b>	<b>65,450,929</b>
<b>Profit before Depreciation, Interest &amp; Taxation</b>		<b>683,359,473</b>	<b>290,309,614</b>
Depreciation	C	28,937	3,584
<b>Profit before Interest &amp; Taxation</b>		<b>683,330,536</b>	<b>290,306,030</b>
Interest and Finance Charges	P	73,180,355	44,623,381
<b>Profit before Taxation</b>		<b>610,150,181</b>	<b>245,682,649</b>
<b>PROFIT BEFORE TAX</b>		<b>610,150,181</b>	<b>245,682,649</b>
<b>Provision for Tax</b>			
Current Tax		156,763,563	71,687,872
Fringe Benefit Tax		221,000	667,094
Deferred Tax		49,127	423,355
		157,033,690	72,778,320
<b>PROFIT AFTER TAX</b>		<b>453,116,491</b>	<b>172,904,329</b>
Balance brought forward from Previous year		16,600,185	5,725,069
		<b>469,716,676</b>	<b>178,629,398</b>
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>			
<b>APPROPRIATIONS</b>		<b>469,716,676</b>	<b>178,629,398</b>
Transfer to Statutory Reserve for the year		(90,623,298)	(34,580,866)
Dividend - Rs. 0.80 per share - Proposed		(113,616,000)	(113,616,000)
Provision for Dividend Distribution Tax		(5,096,970)	-
Transfer to General Reserve		(36,249,319)	(13,832,346)
Balance Carried to Balance Sheet		<b>224,131,088</b>	<b>16,600,186</b>
<b>Earnings per share (Rs.)</b>			
Basic Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		3.19	1.27
Diluted Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		3.19	1.26
Basic Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		3.19	1.27
Diluted Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		3.19	1.26
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of the financial statements	Q		

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

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

**Rakesh Rathi**  
Partner  
Membership No. 045228

**Tarun Khurana**  
Company Secretary  
& Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 11th May, 2009

# CASH FLOW

## Cash Flow Statement

Particulars	(Amounts in Rupees)	
	For the Year Ended 31st March 2009	For the Year Ended 31st March 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
PROFIT BEFORE TAX	610,150,181	245,682,649
Add :		
1) Stock Option	252,713	
2) Depreciation	28,937	3,584
	281,650	3,584
<b>OPERATING PROFIT</b>	<b>610,431,831</b>	<b>245,686,232</b>
Adjustment for working capital changes		
1) (Increase) / Decrease In Stock-in-trade	(310,909,142)	(16,304,540)
2) Increase In Loans & Advances	907,085,012	(1,674,567,000)
3) Provision for Gratuity	92,028	(1,066,503)
4) (Increase) / Decrease In Interest Accrued / Other Current Assets	(34,819)	(140,494,402)
5) Increase In Current Liabilities	1,616,688	909,189
	597,849,767	(1,831,523,255)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,208,281,597</b>	<b>(1,585,837,023)</b>
Taxes Paid	(133,461,065)	60,137,581
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,074,820,533</b>	<b>(1,525,699,442)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase) / Decrease In Investments	(139,517,105)	(28,500,000)
Increase in Fixed Assets	(27,250)	(54,500)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(139,544,355)</b>	<b>(28,554,500)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (Decrease) In Share capital	-	14,913,550
Increase / (Decrease) In Securities Premium Account	-	2,328,383,442
Dividend paid	(113,616,000)	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(113,616,000)</b>	<b>2,343,296,992</b>
<b>NET CASH FLOW FOR THE YEAR ENDED</b>	<b>821,660,178</b>	<b>789,043,050</b>
<b>Cash &amp; Cash Equivalents as at beginning of year :</b>		
Cash as at beginning of year	10,668,426	71,625,377
Cash Equivalents (Mutual Fund Investment) as at beginning of year	1,180,000,000	330,000,000
<b>Total Cash &amp; Cash Equivalents as at beginning of year</b>	<b>1,190,668,426</b>	<b>401,625,377</b>
<b>Cash &amp; Cash Equivalents as at end of year :</b>		
Cash as at end of year	2,012,328,604	10,668,426
Cash Equivalents (Mutual Fund Investment) as at end of year	-	1,180,000,000
<b>Total Cash &amp; Cash Equivalents as at end of year</b>	<b>2,012,328,604</b>	<b>1,190,668,427</b>

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

**Rakesh Rathi**  
Partner  
Membership No. 045228

**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 : 11th May, 2009



## Schedules to Balance Sheet as at 31st March, 2009

	As at 31-Mar-09 (Rupees)		As at 31-Mar-08 (Rupees)							
<b>Schedule A : Share Capital</b>										
AUTHORISED										
87,00,00,000 Equity Shares of Re. 1 each	870,000,000		870,000,000							
50,00,00,000 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										
142,020,000 Equity Shares of Re.1 /- each fully paid up	142,020,000		142,020,000.00							
Add : ESOP Outstanding	1,025,000		-							
Less : Deferred Employee Compensation	(772,287)		-							
<b>TOTAL</b>	<b>142,272,713</b>		<b>142,020,000</b>							
<b>Schedule B : Reserves &amp; Surplus</b>										
<b>Statutory Reserve (under Sec 45IC of RBI Act, 1934)</b>										
Opening balance	36,482,525									
Add : Transfer from Profit & Loss A/c for the Period	90,623,298	127,105,823	36,482,525							
<b>Securities Premium Account</b>		3,790,306,266	3,790,306,266							
<b>Capital Redemption Reserve</b>		1,034	1,034							
<b>Profit &amp; Loss Account</b>		224,131,088	16,600,186							
<b>General Reserve</b>										
Opening balance	13,832,346									
Addition during the period	36,249,319	50,081,665	13,832,346							
<b>TOTAL</b>		<b>4,191,625,876</b>	<b>3,857,222,357</b>							
<b>Schedule C : Fixed Assets</b>										
PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2008	Additions	Deductions	As on 31.03.2009	As on 01.04.2008	Additions	Deductions	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
TANGIBLE ASSETS										
COMPUTER	54,500	27,250	-	81,750	3,584	28,937	-	32,521	49,229	50,916
<b>TOTAL</b>	<b>54,500</b>	<b>27,250</b>	<b>-</b>	<b>81,750</b>	<b>3,584</b>	<b>28,937</b>	<b>-</b>	<b>32,521</b>	<b>49,229</b>	<b>50,916</b>

## SCHEDULES

### Schedules to Balance Sheet as at 31st March, 2009

	Quantity	As at 31-Mar-09 (Rupees)	Quantity	As at 31-Mar-08 (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 31-03-09 is Rs.7,406,376 (previous year Rs. 20,695,491) )	136,649	6,312,364	136,649	6,312,364
<b>Unquoted Investments - Equity Shares in subsidiary companies</b>				
Motilal Oswal Securities Ltd.	1,318,218	13,182,180	1,318,218	13,182,180
Motilal Oswal Commodities Brokers Pvt. Ltd.	400,000	4,000,000	400,000	4,000,000
Motilal Oswal Investment Advisors Pvt. Ltd.	750,000	7,500,000	750,000	7,500,000
Motilal Oswal Private Equity Advisors Pvt. Ltd.	50,000	500,000	50,000	500,000
		31,494,544		31,494,544
<b>Unquoted Investments - Preference Shares</b>				
Motilal Oswal Commodities Brokers Pvt. Ltd.	600,000	6,000,000	600,000	6,000,000
<b>Other Investments</b>				
Investments In India Business Excellence Fund		225,000,000		136,500,000
Investments In India Reality Excellence Fund		15,000,000		-
Share application pending allotment in respect of Motilal Oswal Insurance Brokers Pvt. Ltd.		6,000,000		-
Investment in property		30,017,105		-
<b>TOTAL</b>		<b>313,511,649</b>		<b>173,994,544</b>

## Schedules to Balance Sheet as at 31st March, 2009

	As at 31-Mar-09			As at 31-Mar-08	
	Face Value	Quantity	Amt. Rs.	Quantity	Amt. Rs.
<b>Schedule E : Stock In Trade (Shares)</b>					
<b>Equity Shares</b>					
(Valued at Cost or Market Value whichever is lower)					
3i Infotech Limited	10	54000	1,755,000	-	-
Allahabad Bank	10	9800	380,240	-	-
Arvind Limited	10	34400	460,960	-	-
Bharti Airtel Limited	10	14000	8,760,500	4	2,999
Bongaigaon Refinery & Petrochemicals Limited	10	125676	5,152,716	-	-
Dish TV India Limited	1	20600	494,400	-	-
Firstsource Solutions Limited	10	19000	293,550	-	-
Gujarat Alkalies and Chemicals Limited	10	5600	330,680	-	-
Housing Development Finance Corporation Limited	10	22350	31,562,670	-	-
Housing Development and Infrastructure Limited	10	61920	5,068,152	-	-
Hindustan Unilever Limited	1	33000	7,837,500	-	-
IFCI Limited	10	472800	9,125,040	-	-
The Indian Hotels Company Limited	1	22788	898,987	-	-
The India Cements Limited	10	2900	307,400	-	-
Infosys Technologies Limited	5	21200	28,066,680	-	-
Indian Oil Corporation Limited	10	814	315,669	71	31,634
Ispat Industries Limited	10	672300	7,294,455	-	-
ITC Limited	1	13500	2,495,475	-	-
Jindal Steel & Power Limited	1	15366	18,517,248	-	-
Jaiprakash Hydro-Power Limited	10	12500	364,375	-	-
JSW Steel Limited	10	4950	1,152,608	-	-
Kotak Mahindra Bank Limited	10	6600	1,862,520	1,204	750,626
K S Oils Limited	1	5900	249,275	-	-
Larsen & Toubro Limited	2	18964	12,622,320	4	11,830
United Spirits Limited	10	23250	15,088,088	11	16,521
Mercator Lines Limited	1	9800	277,340	-	-
Mahanagar Telephone Nigam Limited	10	12800	883,200	-	-
Nagarjuna Fertilizer & Chemicals Limited	10	42000	747,600	-	-
New Delhi Television Limited	4	3300	286,440	-	-
Oil & Natural Gas Corpn. Limited	10	54900	42,832,980	195	191,207
Polaris Software Lab Limited	5	5600	252,280	-	-
Punj Lloyd Limited	2	21000	1,911,000	-	-
Reliance Industries Limited	10	59100	90,112,725	-	-
Reliance Infrastructure Limited	10	36169	18,497,934	-	-
Reliance Natural Resources Limited	5	35760	1,603,836	-	-
Siemens Limited	2	1504	403,222	-	-
S. Kumars Nationwide Limited	10	22800	517,560	-	-
UCO Bank	10	120000	2,886,000	-	-
Welspun Gujarat Stahl Rohren Limited	5	3200	238,240	-	-
Wipro Limited	2	18060	4,426,200	1	420
Yes Bank Limited	10	17600	880,000	-	-
Bajaj Auto Limited	10	1	619	3,070	2,023,235
Aia Engineering Limited	2	-	-	204	307,306

# SCHEDULES

## Schedules to Balance Sheet as at 31st March, 2009

	As at 31-Mar-09			As at 31-Mar-08	
	Face Value	Quantity	Amt. Rs.	Quantity	Amt. Rs.
<b>Schedule E : Stock In Trade (Shares) (contd.)</b>					
Alstom Projects India Limited	10	-	-	8	4,542
Amtek Auto Limited	2	-	-	38	9,724
Andhra Bank	10	-	-	250	18,400
Ashok Leyland Limited	1	-	-	1,000	35,260
Bharat Electronics Limited	10	-	-	47	50,168
Bhushan Steel Limited	10	-	-	42	27,974
Biocon Limited	5	-	-	451	190,376
Brigade Enterprises Limited	10	-	-	104	17,529
BSEL Infrastructure Realty Limited	10	-	-	5,341	233,936
Cesc Limited	10	-	-	802	323,254
Corporation Bank	10	-	-	306	86,290
Cummins India Limited	2	-	-	9	2,902
DLF Limited	2	-	-	44	28,297
Donear Industries Limited	2	-	-	541	33,785
Elgitread (India) Limited	1	-	-	15,099	269,517
Foseco India Limited	10	-	-	545	207,999
Gitanjali Gems Limited	10	-	-	84	18,560
IBN 18 Broadcast Limited	2	-	-	1,687	226,311
Gujarat Fluorochemicals Limited	1	-	-	22,709	4,11,464
Gvk Power & Infrastructure Limited	1	-	-	30	1,202
Harig Crankshafts Limited	1	-	-	800	1,664
Havells India Limited	5	-	-	216	99,343
Hero Honda Motors Limited	2	-	-	5	3,473
Hinduja Ventures Limited	10	-	-	2,047	673,170
India Infoline Limited	2	-	-	1	769
Info Edge (India) Limited	10	-	-	1,115	921,720
IVRCL Infrastructures & Projects Limited	2	-	-	695	277,705
Jaiprakash Associates Limited	2	-	-	2,250	509,738
Jayshree Tea & Industries Limited	10	-	-	1,001	108,358
Jindal Stainless Limited	-	-	-	125	17,650
Kesoram Industries Limited	10	-	-	682	264,740
Lanco Infratech Limited	10	-	-	21	8,160
Lupin Limited	10	-	-	77	37,509
MH Mills and Industries Limited	10	-	-	1,150	11,155
Moser-Baer (I) Limited	10	-	-	21	3,029
Myffe	-	-	-	5,061	72,170
National Aluminium Company Limited	10	-	-	25	11,295
Ultratech Cement Limited	10	-	-	322	251,485
Unitech Limited	2	-	-	9	2,486
United Phosphorous Limited	2	-	-	3	786
Voltas Limited	1	-	-	14	2,494
Yashraj	-	-	-	1,900	17,670
Peninsula Land Limited	2	-	-	3	267
Rajesh Exports Limited	1	-	-	1	73



## Schedules to Balance Sheet as at 31st March, 2009

	As at 31-Mar-09			As at 31-Mar-08	
	Face Value	Quantity	Amt. Rs.	Quantity	Amt. Rs.
<b>Schedule E : Stock In Trade (Shares) (contd.)</b>					
Redington (India) Limited	10	-	-	378	133,570
Remi Metals Gujarat Limited	6	-	-	5,000	39,250
Sanghi Industries Limited	10	-	-	2,003	146,738
Sesa Goa Limited	1	-	-	443	1,389,234
Shipping Corporation of India Limited	10	-	-	4,000	794,600
Shree Cements Limited	10	-	-	3	3,273
Shri Dinesh Mills Limited	10	-	-	500	614,301
Skm Egg Products Export (India) Limited	10	-	-	5,000	79,500
Solectron EMS India Limited	10	-	-	1	181
Steel Authority Of India Limited	10	-	-	270	50,031
Syschem	1	-	-	25,500	37,740
Tata Communications Limited	10	-	-	13	6,668
Tata Consultancy Services Limited	1	-	-	3	2,431
Tata Investment Corporation Limited	10	-	-	500	245,550
The Dhanalakshmi Bank Limited	10	-	-	3,686	231,297
<b>Subtotal for Equity Shares (a)</b>		<b>2,157,772</b>	<b>327,213,683</b>	<b>118,745</b>	<b>16,304,541</b>
<b>Investment in Mutual Fund</b>					
Birla Sunlife Mutual Fund (previous year 4629677.839 units of NAV 10.7999)			-		50,000,000
ICICI Prudential Mutual Fund (previous year 90014916.233 units of NAV 9.9983)			-		900,000,000
Principal Mutual Fund (previous year 23002783.613 units of NAV 9.9988)			-		230,000,000
<b>TOTAL (a)+(b)</b>		<b>2,157,772</b>	<b>327,213,683</b>	<b>1,196,304,541</b>	
<b>Aggregate value of Stock in Trade</b>					
At book value			329,089,813		16,304,540
At Market Value			327,213,683		16,535,000
<hr/>					
			<b>As at 31-Mar-09 (Rupees)</b>		<b>As at 31-Mar-08 (Rupees)</b>
<b>Schedule F : Other Assets</b>					
Accrued Interest on Fixed Deposit Receipt			78,862		44,043
<b>TOTAL</b>			<b>78,862</b>		<b>44,043</b>
<hr/>					
<b>Schedule G : Cash &amp; Bank Balance</b>					
Cash in hand			1,836		1,836
Balance With :					
Scheduled Bank - In Current Account			2,001,174,769		4,514,591
Fixed Deposit with Banks			11,152,000		6,152,000
<b>TOTAL</b>			<b>2,012,328,604</b>		<b>10,668,426</b>

# SCHEDULES

## Schedules to Balance Sheet as at 31st March, 2009

		<b>As at 31-Mar-09 (Rupees)</b>	<b>As at 31-Mar-08 (Rupees)</b>
<b>Schedule H : Loans &amp; Advances</b>			
Loans, Advances & Deposits Recoverable in Cash or In Kind or for Value to be received		13,314,875	12,341,822
<b>Standard Assets</b>			
Loans to Subsidiary		588,113	3,100,929
Loans to Others			
Unsecured (includes interest accrued on loans)	314,779,409		
Secured (includes interest accrued on loans)	<u>1,149,306,290</u>	1,464,085,699	2,732,123,819
<b>Sub-Standard Assets</b>			
Non Performing Assets (Debts outstanding for a period exceeding Six months)	13,919,891		
Less: Provision for bad & doubtful debts	<u>4,175,967</u>	9,743,924	353,284
Loan to staff		122,302	196,263
Deposit for arbitrage		142,514,170	-
Equity Index/Stock Option Premium	247,102,473		
Less : Provision for loss	<u>(24,129,526)</u>	222,972,948	-
Deposits		10,000	12,320,929
Advance Tax & Tax Deducted at Source		213,147,719	79,686,654
<b>TOTAL</b>		<b><u><u>2,066,499,750</u></u></b>	<b><u><u>2,840,123,699</u></u></b>
<b>Schedule I : Current Liabilities</b>			
Sundry Liabilities - due to others		3,420,054	8,193,185
Unpaid Dividend		118,356	-
Mark to Market Margin - Equity Index / Stock Futures	1,375,296		
Add : Provision for loss	<u>4,896,166</u>	6,271,462	-
<b>TOTAL</b>		<b><u><u>9,809,872</u></u></b>	<b><u><u>8,193,185</u></u></b>
<b>Schedule J : Provisions</b>			
Provision for Gratuity		369,469	277,441
Provision for Fringe Benefit Tax		950,972	729,972
Provision for Income Tax		256,114,157	99,350,594
Proposed Dividend		113,616,000	113,616,000
Provision for Proposed Dividend Distribution Tax		5,096,970	-
<b>TOTAL</b>		<b><u><u>376,147,568</u></u></b>	<b><u><u>213,974,007</u></u></b>

## Schedules to the Profit and Loss Account for the year ended 31st March, 2009

	For the Year Ended 31-Mar-09 (Rupees)	For the Year Ended 31-Mar-08 (Rupees)
<b>Schedule K - Income from Operations</b>		
Interest (TDS Rs. 11,589,226)	368,995,030	312,532,474
Profit/ (Loss) from Arbitrage Transaction	188,057,719	6,929,453
Processing Charges	-	1,500,000
	<b>557,052,749</b>	<b>320,961,927</b>
<b>Schedule L - Other Income</b>		
Dividend From Indian Companies	14,852,622	151,978
Dividend On Mutual Fund	35,039,459	33,435,431
Dividend from Subsidiary	113,625,000	-
Interest on Fixed Deposits	886,561	287,907
Miscellaneous Income	906,325	923,300
<b>TOTAL</b>	<b>165,309,967</b>	<b>34,798,615</b>
<b>Schedule M - Operating Expenses</b>		
Stamp duty & Miscellaneous	845,590	2,111,764
Depository charges	375,374	79,261
<b>TOTAL</b>	<b>1,220,964</b>	<b>2,191,025</b>
<b>Schedule N : Personnel Expenses</b>		
Salary, Bonus and Allowances	12,039,726	13,912,310
Directors sitting fees	380,000	360,000
Contribution to provident and other funds	212,794	194,772
Staff welfare expenses	19,915	206,889
Gratuity	92,028	(1,066,503)
<b>TOTAL</b>	<b>12,744,463</b>	<b>13,607,468</b>
<b>Schedule O : Administrative &amp; Other Expenses</b>		
Insurance	39,985	9,720
Legal & Professional Fees	6,035,020	5,007,424
Remuneration to auditors	448,567	278,247
Membership and subscription	50,367	1,602,900
Marketing and Brand Promotion	4,327,090	36,334,382
Printing & Stationery	2,474,239	1,301,027
Communication expenses	26,282	58,749
Travelling Expenses	1,114,220	1,564,663
Conveyance Expenses	40,112	34,380
Courier Expenses	830	10,912
Office Expenses	-	4,830
Entertainment Expenses	429,051	654,470
Miscellaneous Expenses	418	69,891

## SCHEDULES

### Schedules to the Profit and Loss Account for the year ended 31st March, 2009

	For the Year Ended 31-Mar-09 (Rupees)	For the Year Ended 31-Mar-08 (Rupees)
<b>Schedule O : Administrative &amp; Other Expenses (contd.)</b>		
Filing Fees	17,114	20,992
Bad Debts Written Off	3,831,509	-
Provision for bad & doubtful debts	4,175,967	39,254
Listing and credit rating fees	1,315,233	2,000,000
Foreign Exchange Gain / (Loss)	-	1,596
Business Support Charges	661,800	600,000
Repair & Maintenance Others	50,012	-
Donation	-	59,000
<b>TOTAL</b>	<b>25,037,816</b>	<b>49,652,436</b>
<b>Schedule P : Interest &amp; Finance Charges</b>		
Bank Gaurantee Commission and Other Charges	343,025	334,909
Interest on Non Convertible Debentures	9,092,377	3,917,808
Interest Others	658,903	18,728,697
Discount on Commercial Paper	63,086,050	21,641,967
<b>TOTAL</b>	<b>73,180,355</b>	<b>44,623,381</b>



## Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

### Schedule Q : Significant Accounting Policies & Notes to Accounts for the Year Ended March 31, 2009

#### 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. 90,623,298 (Previous Year 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, pro-rata 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.

##### 2.5 Revenue Recognition:

- a) Interest Income is recognized on the time proportionate basis as per agreed terms except in case of Non Performing Assets, which is recognised on receipt basis, as per NBFC Prudential norms.
- b) Dividend income is recognized when the right to receive payment is established.
- c) Income from arbitrage and trading in securities and derivatives comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments. Profit/loss on sale of securities is determined based on the FIFO cost of the securities sold. Profit/loss on equity derivative transactions is accounted for based on the 'Guidance Note on Accounting for Equity Index and Equity Stock Futures and

## Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

Options' issued by the Institute of Chartered Accountants of India which is more fully explained in I) and II) below :-

### I. Equity Index/Stock - Futures

- a) Equity Index/Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and advances or Current liabilities, respectively, in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Index/Stock Futures till the Balance Sheet date.
- b) As at the Balance Sheet date, the profit/loss on open positions in Index/Stock Futures are accounted for as follows:
 

Credit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account" determined scrip wise/ Index wise, being anticipated profit, is ignored and no credit is taken in the profit and loss account.

Debit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account" determined scrip wise/ Index wise, being anticipated loss, is recognized in the profit and loss account.
- c) On final settlement or squaring-up of contracts for Equity Index/Stock Futures, the profit or loss is calculated as difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in "Mark-to-Market Margin - Equity Index/Stock Futures Account" is recognised in the profit and loss account upon expiry/ squaring-up of the contracts. When more than one contract in respect of the relevant series of Equity Index/Stock Futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.
- d) Initial and additional margin paid over and above initial margin, 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.

### II. Equity Index/Stock - Options

- a) "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
  - b) As at the balance sheet date, 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, and reflected in "Provision for Loss on Equity Index/Stock Option Account".
  - c) When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognized in profit and loss account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract, weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising/ squaring up 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.
  - d) Initial margin and additional margin paid over and above initial margin, 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.
- d) In respect of other heads of income the Company accounts the same on accrual basis.

### 2.6 Stock in Trade:

This comprises of arbitrage/trading positions of the company.

1. Shares are valued at cost or market value, whichever is lower. The comparison of Cost and Market value is done separately for each category of Shares. Cost is considered on First In First Out basis (FIFO).

## Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

2. Units of Mutual Funds are valued at cost or market value whichever is lower. Net asset value of units declared by mutual funds is considered as market value.

### 2.7 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.

### 2.8 Employee Benefits:

#### Provident Fund:

Contribution payable to the recognised 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 recognised in the Balance Sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

#### Compensated Absences:

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

#### Ex-gratia (Bonus):

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

### 2.9 Taxation:

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

#### Current Tax:

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

#### Deferred taxation:

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are 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.

### 2.10 Preliminary Expenses:

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

## SCHEDULES

### Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

#### 2.11 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.

#### 2.12 Discount on issue of Commercial Paper:

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

### III Notes to Accounts:

#### 3.1 Contingent Liabilities:

The company has given corporate guarantees of Rs. 47,000,000. (Previous Year : 47,000,000 ) to various banks for its subsidiary Motilal Oswal Commodity Brokers Pvt. Ltd.

#### 3.2 Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted 4,610,000 Employee Stock Options to various employees of the Company and its subsidiary Companies.

The Company has adopted intrinsic value method of accounting Employee Compensation Cost in respect of ESOS. The intrinsic value of shares is excess of market price of the shares under ESOS over the exercise price. Employee Compensation Cost is accounted for by amortizing the intrinsic value on the straight line basis over the vesting period. The total amount to be amortized as at March 31, 2009 over the balance vesting period is Rs. 772,286 (Previous year-NIL).

#### 3.3 Commercial paper:

The maximum balance outstanding during the year in respect of commercial paper was Rs. 2,000,000,000 ( Rs. 1,000,000,000 in the previous year).

#### 3.4 Sub-division of equity shares:

The members at 3rd Annual General Meeting of the company held on 8th July, 2008 had approved the Sub-Division of the Equity Shares of the face value of Rs. 5 each into face value of Re.1 each. Per share data for current and all previous periods is calculated at the face value of Re. 1 each.

#### 3.5 Auditor's Remuneration (inclusive of Service Tax) : -

(Rs.)

Particulars	2008-09	2007-08
As Auditors:		
Audit Fees	311,285	208,000
Tax Audit Fees	27,575	25,000
Out of pocket expenses	9,941	25,247
Certification related fees	99,766	20,000
<b>Total</b>	<b>448,567</b>	<b>278,247</b>



**Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009**

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

(Rs)

Particulars	2008-09	2007-08
Deferred Tax Liability WDV of fixed assets	(7,841)	(4,339)
Deferred Tax Asset Preliminary expenses	56,511	133,416
Provision for Gratuity	125,583	94,303
Net Deferred Tax Asset/ (Liability)	174,252	223,380

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

Particulars	2008-09	2007-08 *
Net Profit/(Loss) attributable to equity shareholders [A] (Rs.)	453,116,491	172,904,329
Weighted Average of equity shares issued [B]	142,020,000 (face value of Re. 1 each)	135,622,660 (face value of Rs. 1 each)
Basic Earnings/(Loss) per share (Annualised EPS) [A/B] (Rs.)	3.19	1.27
Weighted Number of equity shares outstanding for Diluted EPS [C]	142,020,000 (face value of Re. 1 each)	136,699,915 (face value of Rs. 1 each)
Diluted Earnings per share (Annualised) EPS [A/C] (Rs.)	3.19	1.26

\* adjusted consequent upon the sub-division of equity shares from Rs. 5 each to Re. 1.

**3.8 Related Party Disclosure :**

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

A) Enterprises where control exists

Subsidiary companies :

- a) Motilal Oswal Securities Limited
- b) Motilal Oswal Investment Advisors Private Limited
- c) Motilal Oswal Private Equity Advisors Private Limited (formerly known as Motilal Oswal Venture Capital Advisors Private Limited)
- d) Motilal Oswal Commodities Broker Private Limited
- e) Motilal Oswal Capital Market Private Limited
- f) Antop Traders Private Limited (with effect from 29th September, 2008)

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

1. Passionate Investment Management Private Limited
2. Motilal Oswal Insurance Brokers Private Limited
3. Nagori Agro & Cattle Feeds Private Limited
4. Rishabh Securities Private Limited
5. Windwell Securities Private Limited
6. Textile Exports Private Limited
7. Motilal Oswal Asset Management Company Limited (with effect from 14th November, 2008)
8. Motilal Oswal Trustee Company Limited (with effect from 14th November, 2008)

## SCHEDULES

### Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

C) Key Management Personnel :

Mr. Motilal Oswal - Chairman & Managing Director

Mr. Raamdeo Agrawal - Director

**Transactions with related parties for the year ended 31.03.2009:**

Transaction	Fellow Subsidiaries		Enterprises in which Key Managerial Personnel exercise Significant Influence	
	2008-09	2007-08	2008-09	2007-08
Business Support Service (net)	(300,000)	(300,000)	-	-
Interest	(4,293,419)	(12,146,737)	-	-
Brokerage	4,293,335	233,507	-	-
Share application money	-	-	6,000,000	-
Subscription to Preference Shares	-	6,000,000	-	-
Dividend	(113,625,000)	-	40,000,000	-
Corporate Guarantees	47,000,000	47,000,000	-	-
Loans (Maximum balance)	706,316,886	676,562,285	-	-
Outstanding Balances:				
Loans & Advances	588,113	3,100,928	-	-

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

Transaction	Key Managerial Personnel		Total	
	2008-09	2007-08	2008-09	2007-08
Business Support Service (net)	-	-	(300,000)	(300,000)
Interest	-	-	(4,293,419)	(12,146,737)
Brokerage	-	-	4,293,335	233,507
Share application money	-	-	6,000,000	-
Subscription to Preference Shares	-	-	-	6,000,000
Dividend	38,488,992	-	(35,136,008)	-
Corporate Guarantees	-	-	47,000,000	47,000,000
Loans (Maximum balance)	-	-	706,316,886	676,562,285
Outstanding Balances:				
Loans & Advances	-	-	588,113	3,100,928

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

### 3.9 Segment Reporting:

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

**3.10** The issue proceeds of Rs. 2,460,700,000, has been fully utilized as per the Objects of the Issue. In accordance with the objects of the issue the excess amount of Rs. 130,700,000 in respect of Purchase / lease of new office space for business expansion has been utilised for General Corporate Purpose.

**Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009**

The status of utilization of IPO proceeds amount upto 31st March, 2009 is as under

Activity	IPO Proceeds	Actual Utilization as on 31st Mar '09
Augmenting Long Term Working Capital	400,000,000	400,000,000
Financing Activity	1,100,000,000	1,100,000,000
Purchase / Lease of new office space for business expansion	350,000,000	219,343,080
General Corporate Purpose	407,700,000	538,356,920
Technology	102,000,000	102,000,000
Issue Expenses	101,000,000	101,000,000
<b>Total</b>	<b>2,460,700,000</b>	<b>2,460,700,000</b>

**3.11 Provisions made for the year ended 31st March, 2009 comprises of:**

(Rs.)

Particulars	Opening balance as on 01.04.2008	Provided on 31.03.2009	Provision reversed / paid for the year ended 31.03.2009	Closing balance as of 31.03.2009
Ex-gratia	43,18,200	1,432,700	43,18,200	1,432,700
Provision for Gratuity	277,441	92,028	NIL	369,469

**3.12 Open Interest in Individual Stock Futures as on 31st March, 2009**

(a) Open Long Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Ambuja Cements Limited	29-Apr-09	6	24744
Alstom Projects India Limited	29-Apr-09	1	1200
Arvind Remedies Limited	29-Apr-09	1	17200
Ashok Leyland Limited	29-Apr-09	13	248300
BANKNIFTY	29-Apr-09	422	21100
Bharat Forge Limited	29-Apr-09	1	4000
Bharat Heavy Electricals Limited	29-Apr-09	6	1800
Century Textiles & Industries Limited	29-Apr-09	5	8480
Development Credit Bank Limited	29-Apr-09	1	14000
Divi's Laboratories Limited	29-Apr-09	2	620
Educomp Solutions Limited	29-Apr-09	1	150
Grasim Industries Limited	29-Apr-09	1	352
Hindustan Construction Co. Limited	29-Apr-09	5	42000
Hindalco Industries Limited	29-Apr-09	1	7036

## SCHEDULES

### Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Hindustan Petroleum Corporation Limited	29-Apr-09	13	16900
Infrastructure Development Finance Company Limited	29-Apr-09	3	17700
India Infoline Limited	29-Apr-09	2	10000
IVRCL Infrastructures & Projects Limited	29-Apr-09	2	4000
Jaiprakash Associates Limited	29-Apr-09	2	4500
Mahindra & Mahindra Limited	29-Apr-09	3	3744
Mahanagar Telephone Nigam Limited	29-Apr-09	6	19200
NIFTY	25-Jun-09	236	11800
NIFTY	29-Apr-09	2893	144650
NIFTY	29-Apr-09	205	10250
Reliance Capital Limited	29-Apr-09	1	552
Shree Renuka Sugars Limited	29-Apr-09	1	5000
Suzlon Energy Limited	29-Apr-09	8	48000
Tata Steel Limited	29-Apr-09	4	6112
Titan Industries Limited	29-Apr-09	2	824
Unitech Limited	29-Apr-09	1	9000
Voltas Limited	29-Apr-09	2	10800

(b) Open Short Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
3i Infotech Limited	29-Apr-09	5	54000
ABB Limited	29-Apr-09	31	15500
ACC Limited	29-Apr-09	4	3008
Allahabad Bank	29-Apr-09	2	9800
Axis Bank Limited	29-Apr-09	16	14400
Bank of Baroda	29-Apr-09	4	5600
Bank of India	29-Apr-09	21	19950
Bharti Airtel Limited	29-Apr-09	34	17000
Bharat Petroleum Corpn. Limited	29-Apr-09	12	13200
Cairn India Limited	29-Apr-09	1	2500
CANARA BANK	29-Apr-09	10	16000
Cipla Limited	29-Apr-09	1	1250
Dish TV India Limited	29-Apr-09	1	20600
DLF Limited	29-Apr-09	2	1600

**Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009**

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Firstsource Solutions Limited	29-Apr-09	1	19000
GAIL (India) Limited	29-Apr-09	2	2250
Gujarat Alkalies and Chemicals Limited	29-Apr-09	1	5600
Housing Development Finance Corporation Limited	29-Apr-09	130	19500
HDFC Bank Limited	29-Apr-09	56	22400
Housing Development and Infrastructure Limited	29-Apr-09	19	58824
Hero Honda Motors Limited	29-Apr-09	1	400
Hindustan Unilever Limited	29-Apr-09	37	37000
ICICI Bank Limited	29-Apr-09	66	46200
IDBI Bank Limited	29-Apr-09	6	28800
Idea Cellular Limited	29-Apr-09	1	5400
IFCI Limited	29-Apr-09	30	472800
The Indian Hotels Company Limited	29-Apr-09	3	7596
The India Cements Limited	29-Apr-09	1	2900
Infosys Technologies Limited	29-Apr-09	111	22200
Indian Oil Corporation Limited	28-May-09	24	14400
Ispat Industries Limited	29-Apr-09	27	24900
ITC Limited	29-Apr-09	8	18000
Jindal Steel & Power Limited	29-Apr-09	48	15360
Jaiprakash Hydro-Power Limited	29-Apr-09	1	12500
JSW Steel Limited	29-Apr-09	3	1650
Kotak Mahindra Bank Limited	29-Apr-09	17	18700
K S Oils Limited	29-Apr-09	1	5900
Larsen & Toubro Limited	29-Apr-09	47	18800
United Spirits Limited	29-Apr-09	93	23250
MINIFTY	29-Apr-09	25	500
Mercator Lines Limited	29-Apr-09	1	9800
Nagarjuna Construction Co. Limited	29-Apr-09	7	28000
Nagarjuna Fertilizer & Chemicals Limited	29-Apr-09	2	42000
National Aluminium Company Limited	29-Apr-09	1	2300
New Delhi Television Limited	29-Apr-09	1	3000
NIFTY	29-Apr-09	1230	61500
NTPC Limited	29-Apr-09	3	4875
Oil & Natural Gas Corpn. Limited	29-Apr-09	131	58950
Oriental Bank of Commerce	29-Apr-09	4	9600



## SCHEDULES

### Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Punjab National Bank	29-Apr-09	21	12600
Polaris Software Lab Limited	29-Apr-09	1	5600
Power Grid Corporation of India Limited	29-Apr-09	8	30800
Punj Lloyd Limited	29-Apr-09	14	21000
Ranbaxy Laboratories Limited	29-Apr-09	1	1600
Reliance Communications Limited	29-Apr-09	1	1400
Reliance Industries Limited	29-Apr-09	207	62100
Reliance Natural Resources Limited	29-Apr-09	3	21456
Reliance Petroleum Limited	29-Apr-09	3	10050
Reliance Power Limited	29-Apr-09	2	4000
Steel Authority of India Limited	29-Apr-09	1	5400
State Bank of India	29-Apr-09	98	25872
Siemens Limited	29-Apr-09	1	1504
S. Kumars Nationwide Limited	29-Apr-09	2	22800
Sterlite Industries (India) Limited	29-Apr-09	2	1752
Sun Pharmaceuticals Industries Limited	29-Apr-09	2	450
Tata Communications Limited	29-Apr-09	6	6300
Tata Motors Limited	29-Apr-09	12	20400
Tata Power Co. Limited	29-Apr-09	1	400
Tata Consultancy Services Limited	29-Apr-09	4	2000
UCO Bank	29-Apr-09	12	120000
Union Bank of India	29-Apr-09	15	31500
Wipro Limited	29-Apr-09	17	20400
Yes Bank Limited	29-Apr-09	3	13200

#### 3.13 Options open interest:

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made (Rs.)
ICICI Bank	(5,384)
Nifty	222,999,668
Reliance	(10,076)
State Bank of India	(11,259)
<b>TOTAL</b>	<b>222,972,948</b>

**3.14** Initial margin for open positions in respect of Futures and Options is Rs. 75,512,004 which includes non-cash component (i.e. collateral).

**3.15** The company pledges Stock in Trade towards margin requirement for trading/arbitrage in equity/derivatives.

**3.16** During the year, Crisil Limited assigned the Credit Rating of 'P1+' (pronounced 'P One Plus') to the Short Term Debt Programme of Rs. 4,000,000,000/- of the Company.

**Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009**

3.17 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 - 09
Present Value Of obligation 01-04-2008	277,441
Interest Cost	22,195
Current Service Cost	194,846
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	(125,013)
Present Value Of obligation 31-03-2009	369,469
Fair value of plan Assets 01-04-2008	-
Expected Return On plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2009	-
Total Actuarial gain (loss) to be recognised	125,013

**Balance Sheet Recognition**

Present Value Of Obligation	369,469
Fair Value Of Plan Assets	-
Liability (assets)	369,469
unrecognised Past Service Cost	-
<b>Liability (asset) recognised in the Balance Sheet</b>	<b>369,469</b>

**Profit & Loss - Expenses**

Current Service Cost	194,846
Interest Cost	22,195
Expected Return On plan assets	-
Net Actuarial gain (loss) recognised in the year	-125,013
Past Service Cost	-
<b>Expenses Recognised in the statement of Profit &amp; Loss</b>	<b>92,028</b>

## SCHEDULES

### Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009

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

Opening net Liability	277,441
Expenses	92,028
contribution	-
Closing Net Liability	369,469

#### Data

No	9
Avg.Age (yrs)	36
Avg.PS (yrs)	3
Avg.Sal (Rs.)	50,162

**3.18** 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 under the Indian Trust Act, 1982, the Company has contributed an amount of Rs. 225,000,000 towards its capital contribution as per the draw down intimations received from the Fund.

**3.19** During the year, the Company settled Realty Excellence Trust (RET). The Company has given a capital commitment of an amount of Rs. 150,000,000 to India Realty Excellence Fund launched by RET. In respect of this, the Company has contributed an amount of Rs. 15,000,000 as per the draw down intimations received from the Fund.

**3.20** Disclosures, relating to amounts unpaid as at the year end together with interest paid / payable as required under the Micro, Small and Medium Enterprise Development Act, 2006 have been given to the extent Group has received intimation from "Suppliers" regarding their status under the said Act.

#### 3.21 Foreign Currency Transactions:

##### Expenditure in Foreign Currency (on accrual basis):

(Rs.)

Particulars	2008-09	2007-08
Travelling Expenses	NIL	40,353
Total	NIL	40,353

#### 3.22 Foreign Exchange gain / loss:

Monetary items being foreign currency lying on hand is valued at the exchange rate prevailing on the Balance sheet date.

#### 3.23 Disclosure as per guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms

##### CRAR

Particulars	2008-09	2007-08
CRAR %	172.13	96.27
CRAR - Tier I Capital %	172.13	96.27
CRAR - Tier II Capital %	-	-

**Schedule annexed to and forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended 31st March, 2009**

Exposure to real estate sector

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

(Please note that the Company has invested Rs. 15,000,000 in RET as mentioned above)

**Asset Liability Management**

**Maturity Pattern of Certain Items of assets and liabilities**

	1 day to 30/31 days (One month)	Over One month to 2 Months	Over 2 month to 3 Months	Over 3 month to 6 Months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowing from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-
<b>Assets</b>									
Advances	90,000,000	140,000,000	-	-	-	1,387,054,209	-	-	1,617,054,209
Investments	-	-	-	-	-	30,017,105	-	283,494,544	313,511,649

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

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 : 11th May, 2009

# ANNEXURE

Accounting Year: 2008-2009

## 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)

<b>Particulars</b>			
<b>Liabilities Side :</b>			
(1)	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
	(a) Debentures : Secured	NIL	NIL
	: Unsecured	NIL	NIL
	(other than falling within the meaning of public deposits*)		
	(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>ASSETS SIDE :</b>			
(2)	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>	<b>Amount outstanding</b>	
	(a) Secured	1,159,050,215	
	(b) Unsecured	907,449,535	
		2,066,499,750	
(3)	<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	
(4)	<b>Break-up of Investments :</b>		
	<b>Current Investments :</b>		
	1. Quoted :		
	(i) Shares :		
	(a) Equity	NIL	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	NIL	
	(iii) Units of mutual funds	NIL	
	(iv) Government Securities	NIL	
	(v) Others (please specify)	NIL	
	2. Unquoted :		
	(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)			NIL
	<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)		276,017,105	
	<b>Total</b>		<b>313,511,649</b>	
(5)	<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	588,113	588,113
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	2. Other than related parties	1,159,050,215	906,861,422	2,065,911,637
	<b>Total</b>	<b>1,159,050,215</b>	<b>907,449,535</b>	<b>2,066,499,750</b>
(6)	<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	3,624,850,688		31,182,180
	(b) Companies in the same group	Nil		Nil
	(c) Other related parties	Nil		Nil
	2. Other than related parties	7,406,376		6,312,364
	<b>Total</b>	<b>3,632,257,064</b>		<b>37,494,544</b>
	** As per Accounting Standard of ICAI (Please see Note 3)			

Particulars	
(7) Other information	
<b>Particulars</b>	<b>Amount</b>
(i) Gross Non-Performing Assets	13,919,891
(a) Related parties	Nil
(b) Other than related parties	13,919,891
(ii) Net Non-Performing Assets	9,743,924
(a) Related parties	Nil
(b) Other than related parties	9,743,924
(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.

To,

The Board of Directors,  
Motilal Oswal Financial Services Limited

As required by the "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Direction, 1998" vide notification No.DFC.117/DG (SPT)-98 dated January 2, 1998 duly updated as on June 30, 2008 issued by

Reserve Bank of India (RBI), and based on the books and records verified by us and according to the information and explanation given to us during the course of our audit, we give hereunder our report on matters specified in paragraphs 3 of the said Directions.

1. The company has applied for the registration on 18th January 2006 as provided in the Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and the company has received Certificate of Registration No. N-13.01830 dated 5th April 2006 from Reserves Bank of India, Department of Non-Banking Supervision, Mumbai Regional Office.
2. The Board of Directors in their meeting held on 4th April, 2009 has passed a resolution for non-acceptance of any public deposit without prior approval of Reserve Bank of India in writing.
3. As per the information and explanation given to us and as appears from the books of account of the company, company has not accepted any deposit from the public during the year ended on 31st March, 2009.
4. In our opinion and as per the information and explanation given to us the company has complied with prudential norms relating to income recognition, accounting standard, asset classification, and provisioning of bad and doubtful debt as applicable to it for the year ended on 31st March, 2009.

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

**Rakesh Rathi**  
*Partner*

Membership No. 045228

Place: Mumbai  
Date: 11th May, 2009

# BALANCE SHEET ABSTRACT

## 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 Day	03 Month	2009 Year

### II Capital Raised during the year

Public Issue Nil	Right Issue Nil
Bonus Issue Nil	Private Placement Nil

### III Position of Mobilisation and Development of funds

#### Sources of funds

Total Liabilities 4,333,898,589	Total Assets 4,333,898,589
Paid-up Capital 142,272,713	Reserve and Surplus 4,191,625,876
Secured Loans Nil	Unsecured Loans Nil

#### Application of funds

Net Fixed Assets 49,229	Investments 313,511,649
Net Current Assets 4,020,163,458	Misc. Expenditure Nil
Deferred Tax Assets 174,252	

### IV Performance of the Company (Rs. In Thousand)

Turnover 722,362,716	Total Expenditure 112,212,536
Profit before Tax 610,150,181	Profit After Tax 453,116,491
Earning per Share in Rs. 3.19	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 : 11th May, 2009

## 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, 2009, 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 have not audited the financial statements of three subsidiaries, whose financial statements reflect total assets of Rs. 7379.41 lakhs as at 31st March, 2009, total revenue of Rs. 5248.13 lakhs and cash flow amounting to Rs. 1,759.44 lakhs 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 2009;
- (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*

**Rakesh Rathi**  
*Partner*

Membership No. 045228

Place: Mumbai  
Dated: 11th May, 2009



# BALANCE SHEET

## Consolidated Balance Sheet as at 31st March 2009

	Schedule No.	Consolidated As at 31-Mar-09 (Rupees)	Consolidated As at 31-Mar-08 (Rupees)
<b>SOURCES OF FUNDS :</b>			
<b>Share Holders' Funds :</b>			
Share Capital	A	142,272,713	142,020,000
Reserves and Surplus	B	7,796,672,621	6,948,247,971
<b>TOTAL SHARE HOLDERS FUND</b>		<b>7,938,945,334</b>	<b>7,090,267,971</b>
<b>Loan Funds :</b>			
Secured Loans	C	521,459	-
Unsecured Loans	D	-	1,454,684,762
<b>TOTAL LOAN FUNDS</b>		<b>521,459</b>	<b>1,454,684,762</b>
Minority Interest	E	40,201,492	79,912,773
Deferred Tax Liability (Net)		-	13,283,891
<b>TOTAL SOURCES OF FUNDS</b>		<b>7,979,668,285</b>	<b>8,638,149,397</b>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets:</b>			
Gross Block	F	1,341,617,295	1,275,987,601
Less:- Depreciation		600,665,265	443,615,158
Net Block		740,952,030	832,372,443
Capital work-in-progress		3,678,840	22,112,025
		744,630,870	854,484,468
<b>Investments</b>	G	492,421,558	426,858,392
<b>Deferred Tax Asset (Net)</b>		11,802,733	-
<b>Current Assets, Loans And Advances :</b>			
Sundry Debtors	H	2,311,225,027	3,174,549,849
Stock-in-trade	I	964,185,540	3,228,431,950
Cash & Bank Balances	J	5,428,061,987	4,311,660,340
Loans & Advances	K	4,124,092,750	4,764,204,615
Other Current Assets	L	57,507,493	92,100,003
	<b>(i)</b>	<b>12,885,072,797</b>	<b>15,570,946,757</b>
<b>Less : Current Liabilities And Provisions :</b>			
Current Liabilities	M	4,255,251,429	6,245,461,925
Provisions	N	1,899,008,244	1,968,678,295
	<b>(ii)</b>	<b>6,154,259,673</b>	<b>8,214,140,220</b>
<b>Net Current Assets</b>	<b>(i)-(ii)</b>	<b>6,730,813,124</b>	<b>7,356,806,537</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>7,979,668,285</b>	<b>8,638,149,397</b>
Significant Accounting Policies & Notes to Accounts	U		
Schedules referred to above form an integral part of the Consolidated Financial Statements			

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

**Rakesh Rathi**  
Partner  
Membership No. 045228

**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 : 11th May 2009

# PROFIT AND LOSS ACCOUNT

## Consolidated Profit and Loss Account for the year ended 31st March 2009

	Schedule No.	Consolidated For the year ended 31-Mar-09 (Rupees)	Consolidated For the year ended 31-Mar-08 (Rupees)
<b>INCOME</b>			
Income from Operations	O	4,573,797,606	6,884,042,270
Other Income	P	87,429,674	111,428,306
<b>TOTAL (A)</b>		<b>4,661,227,280</b>	<b>6,995,470,575</b>
<b>EXPENDITURE</b>			
Operating Expenses	Q	970,476,374	1,769,125,966
Personnel Expenses	R	1,203,125,697	1,747,346,487
Administrative & Other Expenses	S	680,718,277	783,113,000
<b>TOTAL (B)</b>		<b>2,854,320,348</b>	<b>4,299,585,453</b>
<b>Profit Before Depreciation, Interest and Taxation ( C ) = (A) - (B)</b>		<b>1,806,906,932</b>	<b>2,695,885,122</b>
Depreciation (D)	F	202,711,638	148,472,693
<b>Profit Before Interest and Taxation (E) = (C) - (D)</b>		<b>1,604,195,294</b>	<b>2,547,412,429</b>
Interest & Finance Charges (F)	T	178,397,632	149,026,783
<b>Profit before Taxation, Exceptional and Extraordinary Items (G) = (E) - (F)</b>		<b>1,425,797,663</b>	<b>2,398,385,647</b>
Exceptional Items		30,000,000	-
<b>Profit before Taxation, Exceptional and Extraordinary Items</b>		<b>1,395,797,663</b>	<b>2,398,385,647</b>
<b>Less: Provision for Taxation</b>			
i) For current year			
Current tax		479,579,995	772,107,975
Deferred tax (Asset)/Liability		(25,086,625)	(1,489,129)
Fringe Benefit Tax		11,422,312	12,432,886
Wealth Tax		258,741	188,469
ii) For Previous year (s)		(4,683,792)	4,767,486
		<b>461,490,631</b>	<b>788,007,687</b>
<b>Profit before Extraordinary Items and after tax</b>		<b>934,307,032</b>	<b>1,610,377,959</b>
(Add)/Less : Extraordinary Items (Income)/expense (Net of Tax)		-	(145,355,969)
<b>Profit after Tax before Minority Interests</b>		<b>934,307,032</b>	<b>1,755,733,928</b>
Add/(Less) : Minority interests (Profit)/Loss		(38,344,331)	(49,528,412)
<b>Profit after Tax (PAT) &amp; Minority Interests</b>		<b>895,962,700</b>	<b>1,706,205,516</b>
<b>Balance brought forward from previous year (Includes opening balance of Antop Traders Pvt Ltd of Rs. 1,168,734)</b>		<b>2,046,251,629</b>	<b>784,712,774</b>
Add: Minority share in dividend and others for the financial year 2007-08		45,443,256	-
Add: Dividend from Subsidiary companies for the financial year 2007-08		113,625,000	-
<b>Profit Available For Appropriations</b>		<b>3,101,282,586</b>	<b>2,490,918,290</b>
<b>Appropriations</b>			
Transfer to Statutory Reserve for the year		(90,623,298)	(34,580,866)
Transfer to Capital Redemption Reserve		-	(90,000,000)
Preacquisition (Profit)/Loss		(1,681,284)	201,496
Proposed Dividend		(113,616,000)	(265,116,000)
Provision for Dividend Distribution Tax		(19,309,039)	(25,747,425)
Transfer to General Reserve		(51,186,926)	(30,592,600)
<b>Balance Carried to Balance Sheet</b>		<b>2,824,866,038</b>	<b>2,045,082,895</b>
Consolidated Earnings Per share(Rs.)			
Basic Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		6.31	11.51
Diluted Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		6.31	11.42
Basic Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		6.31	12.58
Diluted Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		6.31	12.48
Significant Accounting Policies & Notes to Accounts	U		
Schedules referred to above form an integral part of the Consolidated Financial Statements			

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

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

**Rakesh Rathi**  
Partner  
Membership No. 045228

**Tarun Khurana**  
Company Secretary & Compliance Officer

**Motilal Oswal**  
Chairman & Managing Director

**Raamdeo Agrawal**  
Director

Place : Mumbai  
Dated : 11th May 2009

# CASH FLOW

## Consolidated Cash Flow Statement

Particulars	For the Year Ended 31st March 2009		(Amounts in Rupees)	
			For the Year Ended 31st March 2008	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before Taxation and Extraordinary Items		1,395,797,663		2,398,385,647
Add :				
1) Depreciation / Amortisation	202,711,638		148,472,693	
2) Loss on Sale of Fixed Assets	20,001,950		1,773,286	
3) Loss on sale of Investments	9,515,524		-	
4) Provision for diminution in investments	30,000,000		-	
5) Stock option outstanding	252,713		-	
6) Interest Paid	105,217,276	367,699,101	104,403,401	254,649,380
		1,763,496,764		2,653,035,027
Less :				
1) Interest Received	3,545,448		1,925,474	
2) Profit on Investments	-		40,084,064	
3) Dividend Received	57,907,026	61,452,474	32,341,475	74,351,013
<b>OPERATING PROFIT</b>		<b>1,702,044,289</b>		<b>2,578,684,013</b>
Adjustment for Changes in working capital :				
1) (Increase)/Decrease In Sundry Debtors	863,324,822		(366,880,320)	
2) (Increase)/Decrease In Stock-in-trade	(947,609,672)		(16,531,752)	
3) (Increase)/Decrease In Loans & Advances	727,221,363		(1,512,704,130)	
4) Provision for Gratuity	5,140,990		6,942,007	
5) (Increase)/Decrease In Interest Accrued/ Other Current Assets	34,592,510		(38,304,999)	
6) Increase/(Decrease) In Current Liabilities & Provisions	(2,003,421,420)	(1,320,751,407)	1,458,827,352	(468,651,842)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>381,292,883</b>		<b>2,110,032,171</b>
Taxes Paid		(520,357,934)		(773,751,263)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE EXTRAORDINARY ITEMS</b>		<b>(139,065,051)</b>		<b>1,336,280,908</b>
Add /(Less) Extraordinary Items (net of tax)		-		145,355,969
<b>NET CASH FLOW AFTER EXTRAORDINARY ITEMS (A)</b>		<b>(139,065,051)</b>		<b>1,481,636,876</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Investments	(188,108,391)		(288,658,333)	
Sale of Investments	83,029,702		107,658,525	
Purchase of subsidiary	(75,000,000)		(12,500,000)	
Purchase of Fixed Assets (including Capital WIP)	(98,478,935)		(321,671,663)	
Sale of Fixed Assets	26,030,049		1,858,208	
Interest Received	3,545,448		1,925,474	
Dividend Received	57,907,026		32,341,475	
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>		<b>(191,075,102)</b>		<b>(479,046,314)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) In Share capital	-		14,913,550	
Increase/(Decrease) In Minority Share capital	-		88,250	
Increase/(Decrease) In Securities Premium Account	-		2,328,383,442	
Increase/(Decrease) In Borrowing	(1,483,624,981)		1,454,187,048	
Dividend paid	(151,491,000)		-	
Dividend Distribution Tax	(25,747,425)		-	
Interest Paid	(105,217,276)		(104,403,401)	
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>		<b>(1,766,080,682)</b>		<b>3,693,168,889</b>
<b>NET CASH FLOW FOR THE YEAR ENDED (A+B+C)</b>		<b>(2,096,220,835)</b>		<b>4,695,759,451</b>
<b>Cash &amp; Cash Equivalents as at beginning of year:</b>				
Cash as at beginning of year (Balance as at 1.4.08 includes opening balance of Antop Traders Pvt Ltd of Rs. 7,66,399)		4,312,426,739		2,164,793,973
Cash Equivalents ( Mutual Fund Investment) as at beginning of year		3,211,856,082		662,962,998
<b>Total Cash &amp; Cash Equivalents as at beginning of year</b>		<b>7,524,282,821</b>		<b>2,827,756,970</b>
<b>Cash &amp; Cash Equivalents as at end of year :</b>				
Cash as at end of year		5,428,061,987		4,311,660,340
Cash Equivalents (Mutual Fund Investment) as at end of year		-		3,211,856,082
<b>Total Cash &amp; Cash Equivalents as at end of year</b>		<b>5,428,061,987</b>		<b>7,523,516,422</b>

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

**Rakesh Rathi**  
Partner  
Membership No. 045228

**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 : 11th May 2009

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Consolidated As at 31-Mar-09 (Rupees)		Consolidated As at 31-Mar-08 (Rupees)	
<b>Schedule A : Share Capital</b>				
<b>Authorised</b>				
870,000,000 Equity Shares of Re. 1 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>				
142,020,000 Equity Shares of Re. 1/- each fully Paid up (Previous year - 2,84,04,000 Equity Shares of Rs. 5 each fully paid up)		142,020,000		142,020,000
Add : ESOP Outstanding		1,025,000		-
Less : Deferred Employee Compensation		772,287		-
<b>TOTAL</b>		<b>142,272,713</b>		<b>142,020,000</b>
<b>Schedule B : Reserves &amp; Surplus</b>				
<b>Statutory Reserve</b>				
Opening balance	36,482,525		1,901,659	
Add : Transfer from Profit & Loss A/c for the Year	90,623,298	127,105,824	34,580,866	36,482,525
<b>Capital Redemption Reserve</b>				
Opening balance	90,001,034		1,034	
Addition during the year	-	90,001,034	90,000,000	90,001,034
<b>Securities Premium</b>				
Opening balance	3,790,306,266		1,461,922,824	
Addition during the year	-		2,445,822,200	
	3,790,306,266		3,907,745,024	
Less : Utilisation for IPO expenses	-	3,790,306,266	117,438,758	3,790,306,266
<b>Capital Reserve</b>				
Opening balance	955,782,651		955,984,147	
Addition during the year	(73,168,716)	882,613,934	(201,496)	955,782,651
<b>General Reserve</b>				
Opening balance	30,592,600		-	
Addition during the year	51,186,926	81,779,526	30,592,600	30,592,600
Profit & Loss Account		2,824,866,038		2,045,082,895
<b>TOTAL</b>		<b>7,796,672,621</b>		<b>6,948,247,971</b>

# SCHEDULES

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Consolidated As at 31-Mar-09 (Rupees)		Consolidated As at 31-Mar-08 (Rupees)	
<b>Schedule C : Secured Loans</b>				
Loans From ICICI Home Finance (Secured by corporate guarantee given by Motilal Oswal Securities Limited.)		521,459		-
<b>TOTAL</b>		<b>521,459</b>		<b>-</b>
<b>Schedule D : Unsecured Loan</b>				
Commercial Paper		-		1,484,245,421
Less: Discount not written off [Maximum outstanding during the year Rs. 1,700,000,000 (Previous Year Rs. 2,350,000,000)]		-		29,560,660
<b>TOTAL</b>		<b>-</b>		<b>1,454,684,762</b>
<b>Schedule E : Minority Interest</b>				
<b>Motilal Oswal Securities Limited</b>				
Opening Balance	1,414,121		772,998	
Add: Share of Profit/(Loss) during the year	201,646	1,615,767	641,123	1,414,121
<b>Motilal Oswal Commodities Broker Private Limited</b>				
Opening Balance	133,425		227,163	
Add: Share of Profit/(Loss) during the year	160,248	293,673	(93,738)	133,425
<b>Motilal Oswal Private Equity Advisors Private Limited</b>				
Opening Balance	3,538,197		-	
Add: Investment by Minority Add: Share of Profit/(Loss) during the year	- 830,922	4,369,119	88,250 3,449,947	3,538,197
<b>Motilal Oswal Investment Advisors Private Limited</b>				
Opening Balance	74,827,027		29,295,950	
Add: Share of Profit/(Loss) during the year	36,018,910		45,531,077	
Less: Shares of Minority in dividend paid & tax thereon	(76,924,213)	33,921,725	-	74,827,027
<b>Motilal Oswal Capital Markets Private Limited</b>				
Opening Balance	4		-	
Add: Share of Profit/(Loss) during the year	(116)	(112)	4	4
<b>Antop Traders Private Limited</b>				
Add: Share of Profit/(Loss) during the year	1,321	1,321	-	-
<b>TOTAL</b>		<b>40,201,492</b>		<b>79,912,773</b>



Schedules to Consolidated Balance Sheet as at 31st March 2009

Schedule F : Consolidated Fixed Assets

PARTICULARS	GROSS BLOCK			DEPRECIATION			(Rupees)			
	As on	Additions	Deductions	As on	Additions	Deductions	As on	As on	As on	
	01.04.2008*			31.03.2009	01.04.2008*		31.03.2009	31.03.2009	31.03.2008	
<b>TANGIBLE ASSETS</b>										
COMPUTER	270,007,847	16,661,555	3,920,234	282,749,168	153,533,500	51,702,229	2,878,932	202,356,797	80,392,371	116,474,347
FURNITURE & FITTINGS	127,576,841	1,856,431	14,518,999	114,914,273	47,651,938	14,460,838	5,812,963	56,299,813	58,614,460	79,924,903
OFFICE EQUIPMENTS	259,804,927	14,756,577	27,611,203	246,950,301	51,659,779	29,760,600	7,034,272	74,386,107	172,564,194	208,145,147
OFFICE PREMISES*	420,824,463	38,094,095	47,525,657	411,392,901	62,413,153	66,886,181	33,108,976	96,190,359	315,202,542	358,411,310
LAND	2,905,664	-	-	2,905,664	-	-	-	-	2,905,664	2,905,664
VEHICLES	31,844,675	6,253,136	2,381,552	35,716,259	16,315,885	4,858,952	1,192,132	19,982,706	15,733,553	15,528,790
<b>INTANGIBLE ASSETS</b>										
BSE/MCX CARDS	65,571,000	-	-	65,571,000	65,211,614	152,000	-	65,363,614	207,386	359,386
CUSTOMER RIGHTS	68,352,328	-	-	68,352,328	26,440,471	13,670,466	-	40,110,937	28,241,391	41,911,857
SOFTWARE	64,876,705	39,290,326	101,629	104,065,402	18,894,415	18,220,674	-	37,115,088	66,950,314	45,982,290
GOODWILL	9,000,000	-	-	9,000,000	5,860,145	2,999,700	-	8,859,845	140,155	3,139,855
<b>TOTAL</b>	<b>1,320,764,450</b>	<b>116,912,120</b>	<b>96,059,274</b>	<b>1,341,617,295</b>	<b>447,980,901</b>	<b>202,711,640</b>	<b>50,027,275</b>	<b>600,665,265</b>	<b>740,952,030</b>	<b>872,783,549</b>
PREVIOUS YEAR	966,316,497	315,609,130	5,938,026	1,275,987,601	297,448,997	148,472,693	2,306,532	443,615,158	832,372,443	-
CAPITAL W-I-P	22,112,025	56,710,624	75,143,810	3,678,839	-	-	-	-	3,678,839	22,112,025

\*Note : Opening balance includes Rs. 44,776,849/- & Rs. 4,365,742/- in gross block and accumulated depreciation respectively of Antop Traders Pvt Ltd

	Face Value	Consolidated As at 31-Mar-09		Consolidated As at 31-Mar-08	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
<b>Schedule G : Investments</b>					
<b>Investment in Equity Shares</b>					
<b>Investments - Long Term (At Cost)</b>					
<b>Quoted Investments</b>					
Cenlub Industries Limited	10	-	-	6,774	137,715
DS Kulkarni Developers Limited	10	175,647	21,956,580	154,868	21,612,209
Helios & Matheson Information Technology Limited	10	-	-	154,000	7,579,374
Hindalco Industries Limited	1	1,557	162,707	-	-
ICSA India Limited	2	-	-	80,000	6,105,667
IDFC Limited	10	136,649	6,312,364	271,087	12,707,252
Indian Oil Corporation Limited	10	-	-	25,000	9,468,529
JK Tyre & Industries Limited	10	1,000,000	159,565,463	1,000,000	176,158,333
MRF Limited	10	11,000	38,513,865	11,000	38,513,869
Sanghvi Movers Limited	2	414,215	9,889,966	414,215	9,889,966
Sarla Performance Fibers Limited	10	-	-	77,730	8,181,970
<b>Unquoted Investments</b>					
BSE Limited	1	45,591	3,507	3,507	3,507
Central Depository Services India Limited		100	1	100	1
Investments In India Business Excellence Fund			225,000,000	-	136,500,000
Investments In India Reality Excellence Fund			25,000,000		-
<b>Other Investments</b>					
Share application money (Motilal Oswal Insurance Brokers Pvt Limited)			6,000,000		-
Investment properties			30,017,105		-
<b>Current Investments</b>					
(At cost or fair value whichever is lower)	-	-	-	-	-
		<b>1,784,759</b>	<b>522,421,558</b>	<b>2,198,281</b>	<b>426,858,392</b>
Less : Diminution in value of quoted long term investments			(30,000,000)		-
<b>TOTAL</b>		<b>1,784,759</b>	<b>492,421,558</b>	<b>2,198,281</b>	<b>426,858,392</b>
Note : Market Value of quoted Investment as on 31-03-2009 is Rs. 95,416,654(Previous Year as on 31-03-2008: Rs. 373,884,296)					

# SCHEDULES

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Face Value	Quantity	Consolidated As at 31-Mar-09 Amount (Rupees)	Quantity	Consolidated As at 31-Mar-08 Amount (Rupees)
<b>Schedule H : Sundry Debtors</b>					
(Unsecured partly, Considered good unless otherwise stated)					
Debts outstanding for a period exceeding six months			110,356,066		42,902,474
Other debts			2,200,868,961		3,131,647,375
<b>TOTAL</b>			<b>2,311,225,027</b>		<b>3,174,549,849</b>
<b>Schedule I : Stock-In-Trade</b>					
<b>Equity Shares</b>					
(Valued at Cost or Market Value whichever is lower)					
<b>Unquoted</b>					
XLO United Limited	10	5,300	26,500	5,300	26,500
Shyam Vinyl	10	100	500	100	500
<b>Quoted</b>					
3i Infotech Limited	10	54,000	1,755,000	-	-
Adlabs Films Limited	5	1,800	304,290	-	-
Ahmednagar Forgings Limited	10	2,787	93,365	-	-
Aia Engineering Limited	2	-	-	204	307,306
Akruti City Limited	10	224	191,957	-	-
Allahabad Bank	10	24,500	950,600	-	-
Alstom Projects India Limited	10	-	-	8	4,542
Amtek Auto Limited	2	-	-	38	9,724
Andhra Bank	10	-	-	250	18,400
Aptech Limited	10	15,600	1,299,480	-	-
Arvind Limited	10	34,400	460,960	-	-
Ashok Leyland Limited	1	-	-	1,000	35,260
Bajaj Auto Limited	10	1	619	3,070	2,023,235
Bajaj Hindusthan Limited	1	91,200	4,373,040	-	-
Bharat Electronics Limited	10	-	-	47	50,168
Bharti Airtel Limited	10	14,000	8,760,500	14	10,805
Bhushan Steel Limited	10	-	-	42	27,974
Biocon Limited	5	-	-	451	190,376
Bombay Dyeing & Mfg Co. Limited	10	18,000	3,024,000	-	-
Bongaigaon Refinery & Petrochemicals Limited	10	125,676	5,152,716	-	-
Brigade Enterprises Limited	10	-	-	104	17,529
BSEL Infrastructure Realty Limited	10	-	-	5,341	233,936
Cairn India Limited	10	25,000	4,602,500	-	-
Century Textiles & Industries Limited	10	3,392	746,070	-	-
CESC Limited	10	-	-	802	323,254
Corporation Bank	10	-	-	306	86,290
Cummins India Limited	2	-	-	9	2,902
Dish TV India Limited	1	20,600	494,400	-	-
DLF Limited	2	-	-	44	28,297
Donear Industries Limited	2	-	-	541	33,785
Elgitread (India) Limited	1	-	-	15,099	269,517
Firstsource Solutions Limited	10	19,000	293,550	-	-
Foseco India Limited	10	-	-	545	207,999
GAIL (India) Limited	10	22,500	5,526,000	-	-
Gitanjali Gems Limited	10	-	-	84	18,560
Gujarat Alkalies and Chemicals Limited.	10	5,600	330,680	-	-
Gujarat Fluorochemicals Limited	1	-	-	22,709	4,111,464
Gvk Power & Infrastructure Limited	1	-	-	30	1,202
Harig Crankshafts Limited	1	-	-	800	1,664
Havells India Limited	5	-	-	216	99,343
Hero Honda Motors Limited.	2	-	-	5	3,473

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Face Value	Consolidated As at 31-Mar-09		Consolidated As at 31-Mar-08	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
<b>Schedule I : Stock-In-Trade (contd.)</b>					
Hinduja Ventures Limited	10	-	-	2,047	673,170
Hindustan Construction Co. Limited	1	33,600	1,313,760	-	-
Hindustan Unilever Limited	1	53,000	12,587,500	466	106,621
Hotel Leela Venture Limited.	2	15,000	279,750	-	-
Housing Development and Infrastructure Limited	10	61,920	5,068,152	-	-
Housing Development Finance Corporation Limited.	10	78,900	11,422,580	-	-
HP Cotton Textile Mills Limited	10	150	390	150	390
IBN18 Broadcast Limited	2	-	-	1,687	226,311
ICICI Bank Limited	10	176,400	58,705,920	-	-
IFCI Limited	10	535,840	10,341,712	-	-
India Infoline Limited	2	-	-	1	769
Indian Oil Corporation Limited	10	814	315,669	71	31,634
Info Edge (India) Limited	10	-	-	1,115	921,720
Infosys Technologies Limited.	5	37,800	50,043,420	-	-
Infrastructure Development Finance Company Limited	10	23,600	1,276,760	-	-
Ispat Industries Limited	10	672,300	7,294,455	-	-
IT People India Limited	2	-	-	5,150	112,785
ITC Limited	1	13,500	2,495,475	-	-
Ivrcil Infrastructures & Projects Limited.	2	-	-	695	277,705
Jaiprakash Associates Limited	2	-	-	2,250	509,738
Jaiprakash Hydro-Power Limited	10	25,000	728,750	-	-
Jayshree Tea & Industries Limited	10	-	-	1,001	108,358
Jindal Stainless Limited	-	-	-	125	17,650
Jindal Steel & Power Limited.	1	25,606	30,862,080	-	-
JSW Steel Limited	10	4,950	1,152,608	-	-
K S Oils Limited	1	5,900	249,275	-	-
Kesoram Industries Limited	10	-	-	682	264,740
Kotak Mahindra Bank Limited	10	18,700	5,277,140	1,204	750,626
Lanco Infratech Limited	10	-	-	21	8,160
Larsen & Toubro Limited	2	110,164	73,854,000	4	11,830
Laxmi Vilas Bank	10	77	2,926	77	2,926
Lupin Limited	10	-	-	77	37,509
Mahanagar Telephone Nigam Limited	10	12,800	883,200	-	-
Mercator Lines Limited	1	9,800	277,340	-	-
MH Mills And Industries Limited	10	-	-	1,150	11,155
Moser-Baer (I) Limited	10	-	-	21	3,029
Myffe	-	-	-	5,061	72,170
Nagarjuna Fertilizer & Chemicals Limited.	10	42,000	747,600	-	-
National Aluminium Company Limited	10	-	-	25	11,295
New Delhi Television Limited	4	3,300	286,440	-	-
Neyveli Lignite Corporation Limited	10	82,600	6,930,140	-	-
Oil & Natural Gas Corpn Limited	10	133,200	103,922,640	195	191,207
Peninsula Land Limited	2	-	-	3	267
Petronet LNG Limited	10	17,600	683,760	-	-
Polaris Software Lab Limited	5	5,600	252,280	-	-
Praj Industries Limited	2	22,000	1,285,900	-	-
Punj Lloyd Limited	2	21,000	1,911,000	-	-
Rajesh Exports Limited.	1	-	-	1	73
Ranbaxy Laboratories Limited	5	17,600	2,916,320	-	-
Redington (India) Limited	10	-	-	378	133,570
Reliance Capital Limited	10	2,760	975,522	-	-
Reliance Industries Limited	10	162,900	248,381,775	-	-
Reliance Infrastructure Limited	10	168,097	86,513,414	-	-
Reliance Natural Resources Limited	5	100,128	4,490,741	-	-
Reliance Petroleum Limited	10	96,000	9,129,600	-	-

# SCHEDULES

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Face Value	Consolidated As at 31-Mar-09		Consolidated As at 31-Mar-08	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
<b>Schedule I : Stock-In-Trade (contd.)</b>					
Remi Metals Gujarat Limited	6	-	-	5,000	39,250
S. Kumars Nationwide Limited	10	22,800	517,560	-	-
Sanghi Industries Limited	10	-	-	2,003	146,738
Sesa Goa Limited.	1	-	-	443	1,389,234
Shipping Corporation Of India Limited.	10	-	-	4,000	794,600
Shree Cements Limited	10	-	-	3	3,273
Shree Renuka Sugars Limited	1	25,000	2,280,000	-	-
Shri Dinesh Mills Limited	10	-	-	500	614,301
Siemens Limited	2	1,504	403,222	-	-
Skm Egg Products Export (India) Limited.	10	-	-	5,000	79,500
Solectron Ems India Limited	10	-	-	1	181
Steel Authority Of India Limited.	10	-	-	270	50,031
Suzlon Energy Limited	2	12,000	508,200	-	-
Syschem India Limited	1	-	-	25,500	37,740
Tata Communications Limited	10	-	-	13	6,668
Tata Consultancy Services Limited	1	24,500	13,194,475	3	2,431
Tata Investment Corporation Limited	10	-	-	500	245,550
Tata Tea Limited	10	3,300	1,929,015	-	-
TCM Limited	10	5,000	13,800	5,000	13,800
The Dhanalakshmi Bank Limited.	10	-	-	3,686	231,297
The India Cements Limited	10	2,900	307,400	-	-
The Indian Hotels Company Limited	1	22,788	898,987	-	-
UCO Bank	10	120,000	2,886,000	-	-
Ultratech Cement Limited	10	-	-	322	251,485
Unitech Limited	2	-	-	9	2,486
United Phosphorous Limited	2	-	-	3	786
United Spirits Limited	10	76,000	49,320,200	11	16,521
Voltas Limited	1	-	-	14	2,494
Welspun Gujarat Stahl Rohren Limited	5	32,000	2,382,400	-	-
Wipro Limited	2	18,060	4,426,200	1	420
Yashraj	-	-	-	1,900	17,670
Yes Bank Limited	10	17,600	880,000	-	-
<b>Subtotal for Equity Shares</b>		<b>3,657,738</b>	<b>961,194,180</b>	<b>134,998</b>	<b>16,575,868</b>
<b>Exchange Traded Funds</b>					
(Valued at Cost or Market Value whichever is lower)					
Reliance Mutual Fund -Banking Exchange Traded Fund (ETF)	10	8,000	2,991,360	-	-
<b>Subtotal for Exchange Traded Funds</b>		<b>8,000</b>	<b>2,991,360</b>	<b>-</b>	<b>-</b>
<b>Mutual Funds</b>					
(Valued at NAV declared by mutual funds)					
Prudential ICICI Mutual Fund [NIL (Previous Year NAV Per Unit is Rs . 9.9983)]		-	-	90,014,916	900,000,000
Birla Sunlife Mutual Fund [NIL (Previous Year NAV Per Unit Rs. 10.7999)]		-	-	4,629,678	50,000,000
Principal Mutual Fund [NIL ( Previous Year NAV Per Unit Rs. 10.0007 )]		-	-	216,164,323	2,161,762,621
Mirae Asset Global Fund [NIL (Previous Year NAV Per Unit is Rs . 1,000.7145)]		-	-	100,022	100,093,462
<b>Subtotal for Mutal Funds</b>		<b>-</b>	<b>-</b>	<b>310,908,939</b>	<b>3,211,856,082</b>
<b>TOTAL</b>		<b>3,665,738</b>	<b>964,185,540</b>	<b>311,043,937</b>	<b>3,228,431,950</b>

Note: Market Value of quoted stock as on 31.03.2009 is Rs. 964,221,111 (Previous year Rs. 16,814,232)

## Schedules to Consolidated Balance Sheet as at 31st March 2009

	Consolidated As at 31-Mar-09 (Rupees)		Consolidated As at 31-Mar-08 (Rupees)	
<b>Schedule J :</b>				
<b>Cash &amp; Bank Balances</b>				
<b>Cash:</b>				
Cash balance on Hand		1,400,256		3,172,141
Cheques on Hand		1,828,675		452,996
<b>Bank :</b>				
Scheduled Banks- In Current Accounts		3,185,675,811		756,653,266
In Fixed Deposits*		2,239,157,245		3,551,381,936
*[Under lien with banks Rs. 2,117,829,028 (previous year Rs. 1,963,336,461) & with exchanges Rs. 7,432,150 (previous year Rs. 1,524,384,169)]				
<b>TOTAL</b>		<b>5,428,061,987</b>		<b>4,311,660,340</b>
<b>Schedule K : 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)	314,779,409		341,933,438	
Secured (includes interest accrued on loans)	1,149,306,290	1,464,085,699	2,390,190,381	2,732,123,819
<b>Sub-Standard Assets</b>				
Non Performing Assets (Debts outstanding for a period exceeding Six months)	13,919,891		392,537	
Less: Provision for bad & doubtful debts	(4,175,967)	9,743,924	(39,254)	353,284
Advances Recoverable in Cash or In Kind or for Value to be received		89,707,829		118,648,460
Loan to staff		8,528,096		9,828,025
Deposits		444,374,137		248,194,578
NSE Membership Deposit		5,000,000		5,000,000
Deposit for Arbitrage		142,514,170		-
Equity Index/Stock Option Premium	247,102,473			
Less : Provision for loss	(24,129,526)	222,972,948		-
Advance Tax & Tax Deducted at Source		1,737,165,947		1,650,056,450
<b>TOTAL</b>		<b>4,124,092,750</b>		<b>4,764,204,615</b>



## SCHEDULES

### Schedules to Consolidated Balance Sheet as at 31st March 2009

	<b>Consolidated As at 31-Mar-09 (Rupees)</b>	Consolidated As at 31-Mar-08 (Rupees)
<b>Schedule L : Other Current Assets</b>		
Accrued interest on Fixed Deposits	46,615,277	64,476,284
Stock of Stamps	100,180	1,101,740
Sign on bonus pending amortisation	10,792,036	26,521,979
<b>TOTAL</b>	<b>57,507,493</b>	<b>92,100,003</b>
<b>Schedule M : Current Liabilities</b>		
<u>Sundry Creditors (Including Trade Payables) :</u>		
Due to Micro, Small & Medium Enterprises	172,668	-
Due to Others	3,254,849,969	4,460,482,606
Book overdraft from Banks	9,249,058	78,922,380
Other Liabilities	506,037,833	1,177,557,584
Margin Money Deposits	442,343,840	528,499,354
Sign On Insurance Commission	14,035,492	-
Unpaid Dividend	118,356	-
Mark to Market Margin - Equity Index/Stock Futures	19,132,415	-
Add : Provision for loss	9,311,797	-
<b>TOTAL</b>	<b>4,255,251,429</b>	<b>6,245,461,925</b>
<b>Schedule N : Provisions</b>		
Provision for Taxation (Including Wealth Tax)	1,674,646,279	1,629,742,401
Provision for Fringe Benefit Tax	31,603,793	25,992,683
Provision For Gratuity	27,220,777	22,079,787
Proposed Dividend	141,491,000	265,116,000
Provision for Proposed Dividend Distribution Tax	24,046,395	25,747,425
<b>TOTAL</b>	<b>1,899,008,244</b>	<b>1,968,678,295</b>

## Schedules to Consolidated Profit &amp; Loss Account for the year ended 31st March 2009

	<b>Consolidated For the Year ended 31-Mar-09 (Rupees)</b>	Consolidated For the Year ended 31-Mar-08 (Rupees)
<b>Schedule O : Income from Operations</b>		
Brokerage Income	2,744,225,104	5,076,800,393
Research & Advisory Fees	560,468,388	689,397,904
Management Fees	162,093,144	246,015,553
Depository Income	71,847,048	64,809,241
Interest Income / Transaction Processing Charges [TDS Rs. 98,015,854 (previous year Rs. 72,167,179)]	765,772,516	768,497,542
Profit/ (Loss) from Arbitrage Transaction / Stock in trade	274,607,996	63,418,011
Profit/( Loss ) on Error Trade / Miscellaneous Income	(5,216,588)	(24,896,374)
<b>TOTAL</b>	<b><u>4,573,797,606</u></b>	<b><u>6,884,042,270</u></b>
<b>Schedule P : Other Income</b>		
Dividend Income - Long Term Investments	5,479,972	3,079,317
Dividend Income - Stock-in-trade	106,588,822	67,119,254
Profit/ (Loss) on sale of Investments	(9,515,524)	40,084,064
Profit/(loss) on sale of fixed assets	(20,001,950)	(1,773,286)
Miscellaneous Income	4,878,354	2,918,957
<b>TOTAL</b>	<b><u>87,429,674</u></b>	<b><u>111,428,306</u></b>
<b>Schedule Q : Operating Expenses</b>		
Brokerage sharing with Intermediaries	923,073,017	1,665,045,611
Depository Charges	27,247,006	35,953,754
Other Operating expenses	20,156,351	68,126,601
<b>TOTAL</b>	<b><u>970,476,374</u></b>	<b><u>1,769,125,966</u></b>
<b>Schedule R : Personnel Expenses</b>		
Salary, Bonus and Allowances	1,025,712,142	1,441,283,393
Director's Remuneration	76,564,153	190,000,000
Director's Sitting Fees	410,000	370,000
Data Processing Charges	70,389,051	84,162,903
Gratuity	6,437,433	7,152,919
Contribution to provident & other Funds	10,452,923	10,744,119
Staff Welfare Expenses	13,159,995	13,633,153
<b>TOTAL</b>	<b><u>1,203,125,697</u></b>	<b><u>1,747,346,487</u></b>

## SCHEDULES

### Schedules to Consolidated Profit & Loss Account for the year ended 31st March 2009

	<b>Consolidated For the Year ended 31-Mar-09 (Rupees)</b>	Consolidated For the Year ended 31-Mar-08 (Rupees)
<b>Schedule S : Administrative &amp; Other Expenses</b>		
Rent, Rates & Taxes	112,686,588	104,803,865
Insurance	4,876,196	5,337,520
Repairs - Building	221,313	858,213
Repairs & Maintenances - Others	25,813,673	23,715,427
Legal & Professional Charges	48,872,054	79,683,536
Remuneration to Auditors	1,169,755	919,889
Membership & Subscription	7,866,336	4,924,514
Marketing & Brand Promotion Expenses	74,203,400	160,300,992
Printing & Stationery	28,241,139	45,283,598
Electricity Expenses	48,841,508	36,260,693
Communication Expenses	94,046,126	90,936,139
Travelling Expenses	71,268,509	75,221,642
Donations	4,700,500	1,685,887
Bad Debts Written Off /Trading Loss	67,735,540	16,405,389
Provision for Bad and Doubtful Debts	4,175,967	39,254
Conveyance	10,816,704	14,353,001
Courier Expenses	29,272,344	39,960,414
Office Expenses	16,988,422	22,109,594
Entertainment Expenses	21,119,779	17,561,827
Miscellaneous Expenses	7,802,426	4,866,647
Preliminary Expenses Written off	-	180,562
Customer Claims & Settlement Account	-	37,704,399
<b>TOTAL</b>	<b>680,718,277</b>	<b>783,113,000</b>
<b>Schedule T : Interest &amp; Finance Charges</b>		
Bank Guarantee Commission and Other charges	54,173,818	49,261,199
Interest on Non Convertible Debentures	16,845,465	3,917,808
Interest on Bank Overdrafts	6,367,208	7,946,521
Discount on Commercial Paper	92,646,711	66,461,546
Interest Others	8,364,430	21,433,594
Interest on Term Loan from ICICI Bank (Car Loan)	-	6,115
<b>TOTAL</b>	<b>178,397,632</b>	<b>149,026,783</b>

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

**Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March, 31 2009**

**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 in all material respects with the accounting standards issued by the Institute of Chartered Accountants of India / accounting standards notified under sub-section (3C) of section 211 of the Companies Act, 1956 (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

**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

**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.

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

**1.6 Stock in Trade:**

1. Shares are valued at cost or market value, whichever is lower. The comparison of Cost and Market value is done separately for each category of Shares. Cost is considered on First In First Out basis (FIFO)
2. Units of Mutual Funds are valued at cost or market value, whichever is lower. Net asset value of units declared by mutual funds is considered as market value.

## Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

### 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) Insurance agency income on first year premium of insurance policies is recognised, when an insurance policy sold by the Company is accepted by the principal insurance company. Sign-on Bonus received is accounted on pro-rata basis in the proportion of business generated to the Minimum Business Guarantee as per the contracted terms.
- c) Research, Advisory and Transactional processing fee income is accounted for on an accrual basis in accordance with the terms & contracts entered into between the Company and the counter party.
- d) Portfolio management fees are billed as per the terms of the respective schemes/agreement entered with the clients:
  - a. In case of management fees (including custodian charges wherever applicable), 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.
- e) Management Fees other than Portfolio management fees is accounted on accrual basis net of service tax.
- f) Interest Income is recognized on the time proportionate basis as per agreed terms except in case of Non Performing Assets, which is recognised on receipt basis, as per NBFC Prudential norms.
- g) Dividend income is recognized when the right to receive payment is established.
- h) Income from arbitrage and trading in securities and derivatives comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments. Profit/loss on sale of securities is determined based on the FIFO cost of the securities sold. Profit/loss on equity derivative transactions is accounted for based on the 'Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options' issued by the Institute of Chartered Accountants of India which is more fully explained in I) and II) below :-
- I) Equity Index/Stock - Futures
  - a) Equity Index/Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and advances or Current liabilities, respectively, in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Index/Stock Futures till the balance sheet date.
  - b) As at the balance sheet date, the profit/loss on open positions in Index/Stock Futures are accounted for as follows:
 

Credit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account" determined scrip wise/ Index wise, being anticipated profit, is ignored and no credit is taken in the profit and loss account.

Debit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account" determined scrip wise/ Index wise, being anticipated loss, is recognized in the profit and loss account.
  - c) On final settlement or squaring-up of contracts for Equity Index/Stock Futures, the profit or loss is calculated as difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in "Mark-to-Market Margin - Equity Index/Stock Futures Account" is recognised in the profit and loss account upon expiry/squaring-up of the contracts. When more than one contract in respect of the relevant series of Equity Index/ Stock Futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.
  - d) Initial and additional margin paid over and above initial margin, 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.



**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

- II) Equity Index/Stock - Options
- a) "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
  - b) As at the balance sheet date, 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, and reflected in "Provision for Loss on Equity Index/Stock Option Account".
  - c) When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognized in profit and loss account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract, weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising/squaring up 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.
  - d) Initial margin and additional margin paid over and above initial margin, 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.
  - i) In respect of other heads of income, income from depository operations etc., the Company accounts the same on accrual basis.

**1.8 Commercial Paper:**

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

**1.9 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.

**1.10 Employee Benefits:**

**Provident Fund:**

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

**Gratuity:**

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

**Compensated Absences:**

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

**Ex-gratia(Bonus):**

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

**1.11 Taxation:**

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with

### **Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

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.

#### **1.12 Sign on Bonus**

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

#### **1.13 Preliminary Expenses:**

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

#### **1.14 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.

#### **1.15 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.

#### **1.16 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.

#### **1.17 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.

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

**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 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, 2009 and March 31, 2008 are as under:

Name of the Subsidiary Companies	Country	31st March 2009			31st March 2008		
		No. of Shares	% of Holding	Date of Acquisition	No. of Shares	% of Holding	Date of Acquisition
Motilal Oswal Securities Limited	India	1,318,218	99.95	18th January, 06	1,318,218	99.95	18th January, 06
Motilal Oswal Commodities Broker Pvt. Limited	India	400,000	97.55	6th April, 2006	400,000	97.55	6th April, 2006
Motilal Oswal Investment Advisors Pvt. Limited	India	750,000	75	16th June, 2006	750,000	75	16th June, 2006
Motilal Oswal Private Equity Advisors Private Limited (formerly known as Motilal Oswal Venture Capital Advisors Private Limited)	India	50,000	85	18th May, 2006	50,000	85	18th May, 2006
Motilal Oswal Capital Markets Private Limited	India	1250000	100	18th December 2007	1250000	100	18th December 2007
Antop Traders Pvt Limited*	India	3	100	29th September, 2008	-	-	-

\*During the year, Antop Traders Pvt Limited became the subsidiary of Motilal Oswal Securities Limited (Subsidiary of Motilal Oswal Financial Services Limited) by virtue of acquiring of 100% stake on 29th September 2008 and in turn of the Company.

**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

## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

owners of the parent; and Minority interests in the net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the net assets consist of:

- (i) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
- (ii) the minorities' share of movements in equity since the date the parent-subsidiary relationship came in existence.

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 (Net of advances) is Rs. 21,754,551 (Previous Year Rs. 28,806,000).

#### 2.4 Contingent liabilities not provided for:

- a) The Company has provided bank guarantees aggregating to Rs. 4,008,000,000 (Previous Year : Rs. 4,388,000,000) as on 31 March 2009 for the following purposes to:
  - i) The National Stock Exchange of India Limited - Rs. 3,380,000,000 (Previous Year : Rs. 3,455,000,000) for meeting margin requirements
  - ii) Bombay Stock Exchange Limited - Rs. 556,000,000 (Previous Year : Rs. 831,000,000) for meeting margin requirements.
  - iii) The Multi Commodity Exchange of India Limited - Rs. 35,000,000 (Previous Year : Rs. 55,000,000) for meeting margin requirements
  - iv) National Commodity & Derivatives Exchange Limited - Rs. 37,000,000 (Previous Year : Rs. 47,000,000) for meeting margin requirements.

The Company has pledged fixed deposits with banks aggregating of Rs. 1,816,798,864 (Previous Year Rs. 1,993,488,716) and shares (Investments) of Rs 29,285,001 (Previous Year : Rs 118,900,000) (market value) for obtaining the above bank guarantees.

- b) Demand in respect of Income Tax matters for which appeal is pending Rs. 32,765,563 (previous year Rs. 31,582,964) This is disputed by the Company and hence not provided for. The whole of the demand of Rs 32,765,563 (previous year Rs 31,582,964) is paid under protest against this contingent liability.
- c) Claims against the Company, to the extent quantifiable, in respect of legal matters filed against the Company -

(in Rupees)

Pending against forum	No. of Cases	Amount
Civil / Consumer Court Cases	46	47,376,282
Arbitration Cases	14	11,041,145
<b>Total</b>	<b>60</b>	<b>58,417,427</b>

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

#### 2.5 Sub-division of equity shares:

The members at 3rd Annual General Meeting of the company held on 8th July 2008 had approved the Sub-Division of the Equity Shares of the face value of Rs. 5 each into face value of Re.1 each. Per share data for current and all previous periods is calculated at the face value of Re 1 each.

#### 2.6 Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted 4,610,000 Employee Stock Options to various employees of the Company and its subsidiary Companies.

The Company has adopted intrinsic value method of accounting Employee Compensation Cost in respect of ESOS. The intrinsic value of shares is excess of market price of the shares under ESOS over the exercise

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

price. Employee Compensation Cost is accounted for by amortizing the intrinsic value on the straight line basis over the vesting period. The total amount to be amortized over the vesting period is Rs.772,286 (Previous year-NIL).

- 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** Disclosures, relating to amounts unpaid as at the year end together with interest paid / payable as required under the Micro, Small and Medium Enterprise Development Act, 2006 have been given to the extent Group has received intimation from "Suppliers" regarding their status under the said Act.

**2.10 Managerial Remuneration:**

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

(in Rupees)

Particulars		2008-09	2007-08
Salary	(i)	25,867,185	26,261,180
Commission	(ii)	50,696,968	163,738,820
Included in Profit and Loss account	A=(i) + (ii)	76,564,153	190,000,000
Contribution to P.F.	B	9,360	40,140
Total	A+B	76,573,513	190,040,140

**2.11 Auditors' Remuneration:**

(in Rupees)

Particulars	Year ended 31.03.09 (Rs.)	Year ended 31.03.08 (Rs.)
As Auditors:		
Audit Fees	821,605	671,708
Tax Audit Fees	192,575	190,000
Out of pocket expenses	25,539	38,181
In other capacity	130,036	20,000
Total	1,169,755	919,889

**2.12 Lease:**

**Operating Lease**

Lease rentals in respect of assets taken on operating lease during the year ended 31st March 2009 amounts to Rs. 6,183,028 (Previous Year : Rs. 34,658,373).

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2009 amounts to Rs. 2,420,148 (Previous Year : Rs. 30,434,479) Details of lease rentals payable within one year and thereafter are as under:-

(in Rupees)

Particulars	2008-09	2007-08
Within one year	1,955,552	22,324,570
Later than one year and not later than five year	464,597	8,109,909
Later than five years	NIL	NIL

Future obligations are before recovery of expenses.



## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

- 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:

(in Rupees)

Particulars	Year ended 31st March 2009	Year ended 31st March 2008
Net Profit attributable to equity shareholders before extraordinary items & after minority interests [A] (Rs.)	895,962,700	1,560,849,547
Net Profit attributable to equity shareholders after extraordinary items & minority interests [B] (Rs.)	895,962,700	1,706,205,106
Weighted Number of equity shares for Basic EPS Face value Re. 1 each [C]	142,020,000	135,622,658
Weighted Number of equity shares outstanding for Diluted EPS Face Value Re. 1 each[D]	142,020,000	136,699,917
Basic Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/C]	6.31	11.51
Diluted Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/C]	6.31	11.42
Basic Earnings per share (DEPS) after extraordinary items and minority interests (Rs.) [B/D]	6.31	12.58
Diluted Earnings per share (DEPS) after extraordinary items and minority interests (Rs.) [B/D]	6.31	12.48

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

(in Rupees)

Particulars	For the Year ended 31st March 2009 (Rs.)	For the Year ended 31st March 2008 (Rs.)
Deferred Tax Liability		
Difference in Closing Net Block of fixed Assets.	9,127,904	29,004,121
Sign-on Bonus	3,668,214	7,214,919
Set off of brought forward Income tax Loss	1,367,950	-
Deferred Tax Assets		
Gratuity Provision	9,239,855	7,087,267
Preliminary Expenses	155,683	349,943
Profit /(Loss) on sale of Investments	1,781,203	-
Disallowance under Section 43 B of the Income tax Act, 1961	14,715,164	14,414,096
Loss to be Carried forward under Income tax	74,896	1,083,843
Deferred Tax (Assets)/Liability	11,802,733	(13,283,891)

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

**2.15 Related Party Disclosure:**

**Related Parties :-**

Enterprises in which Key Managerial Personnel exercise Significant Influence:

1. Passionate Investment Management Private Limited.
2. Motilal Oswal Insurance Brokers Private Limited
3. Nagori Agro & Cattle Feeds Private Limited
4. Rishabh Securities Private Limited
5. Windwell Securities Private Limited
6. Textile Exports Private Limited
7. Motilal Oswal Asset Management Company Limited (with effect from 14th November, 2008)
8. Motilal Oswal Trustee Company Limited (with effect from 14th November, 2008)

**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

**Transactions with related parties for the year ended 31.03.09:**

(in Rupees)

Transaction	Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Managerial Remuneration	-	-	76,573,513	190,000,000	76,573,513	190,000,000
Corporate Guarantees	(1,688,333,333)	(501,666,667)	-	-	(1,688,333,333)	(501,666,667)
Rent	30,14,532	4,340,385	-	-	30,14,532	4,340,385
Brokerage	(1,064,298)	(2,060,591)	-	-	(1,064,298)	(2,060,591)
Share application money	6,000,000	-	-	-	6,000,000	-
Dividend	40,000,000	-	38,488,992	-	78,488,992	-
Personal Guarantees	-	-	(1,922,666,667)	(3,639,333,333)	(1,922,666,667)	(3,639,333,333)
Collaterals (Market Value)	(1,783,633,642)	(1,972,251,419)	(1,343,494,000)	-	(3,127,127,642)	(1,972,251,419)
Loans (Maximum balance)	-	(57,939,430)	-	-	-	(57,939,430)
Outstanding Balances:						
Security Deposit	20,000,000	20,000,000	-	-	20,000,000	20,000,000

Note: 'Income/receipts are shown in brackets

## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

#### 2.16 Segment Information:

(in Rupees)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
<b>1. Segment Revenue</b>		
(a) Equity Broking & Other related activities	3,517,428,584	5,923,249,782
(b) Financing and Other activities	608,737,716	355,760,543
(c) Investment Banking	452,323,814	628,197,229
(d) Unallocated	213,365,630	215,892,446
<b>Total</b>	<b>4,791,855,745</b>	<b>7,123,100,000</b>
Less: Inter Segment Revenue	130,628,465	127,613,605
Income From Operations, Other Operating Income and Other Income	4,661,227,280	6,995,486,395
<b>2. Segment Results Profit / (Loss) before tax and interest from Each segment)</b>		
(a) Equity Broking & Other related activities	746,318,243	1,778,600,214
(b) Financing and Other activities	496,525,181	233,469,419
(c) Investment Banking	204,390,867	359,191,643
(d) Unallocated	88,094,067	131,527,772
<b>Total</b>	<b>1,535,328,358</b>	<b>2,502,789,048</b>
Less: (i) Interest	109,510,695	104,403,401
(ii) Other Un-allocable Expenditure net off	-	-
(iii) Un-allocable income	-	-
<b>Profit/Loss from Ordinary Activities before Tax</b>	<b>1,425,817,663</b>	<b>2,398,385,647</b>
<b>3. Capital Employed (Segment assets - Segment Liabilities)</b>		
(a) Equity Broking & Other related activities	3,161,179,060	2,589,261,481
(b) Financing and Other activities	4,465,172,537	3,985,353,162
(c) Investment Banking	227,718,793	(134,757,567)
(d) Unallocated	125,076,433	730,323,666
<b>Total</b>	<b>7,979,146,822</b>	<b>7,170,180,742</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/Company (Accounting Standard) Rules, 2006 on segment reporting, the Company has equity broking and related activities, financing & investment banking as reportable segments. The balance is shown as unallocated items.

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

**2.17** The following table set out the consolidated gratuity plan as required under Accounting Standard 15. Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

(in Rupees)

**Method: Unit Credit Method**

**Assumptions**

Discount Rate	8%P.A.
Expected Return On Plan Assets	-
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 - 09
Present Value Of obligation 01-04-2008	22,079,787
Interest Cost	1,714,525
Current Service Cost	10,487,697
Past Service Cost	-
Benefits Paid	(1,296,443)
Actuarial (gain) loss on Obligation	(5,764,789)
Present Value Of obligation 31-03-2009	27,220,777
Fair value of plan Assets 01-04-2008	-
Expected Return On plan assets	-
Contributions	1,296,443
Benefits Paid	(1,296,443)
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2009	-
Total Actuarial gain (loss) to be recognised	-

**Balance Sheet Recognition**

Present Value Of Obligation	27,220,777
Fair Value Of Plan Assets	-
Liability (assets)	27,220,777
Unrecognised Past Service Cost	-
Liability (asset) recognised in the Balance Sheet	27,220,777

**Profit & Loss - Expenses**

Current Service Cost	10,487,697
Interest Cost	1,714,525
Expected Return On plan assets	-
Net Actuarial gain (loss) recognised in the year	(5,764,789)
Past Service Cost	-
Expenses Recognised in the statement of Profit & Loss	6,437,433

## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

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

Opening net Liability	22,079,787
Expenses	6,437,433
Contribution	(1,296,443)
Closing Net Liability	27,220,777

#### 2.18 Open Interest in Individual Stock Futures as on 31st March, 2009

##### (a) Open Long Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Ambuja Cements Limited	29-Apr-09	6	24,744
Alstom Projects India Limited	29-Apr-09	1	1,200
Arvind Remedies Limited	29-Apr-09	1	17,200
Ashok Leyland Limited	29-Apr-09	13	248,300
BANKNIFTY	29-Apr-09	422	21,100
Bharat Forge Limited	29-Apr-09	1	4,000
Bharat Heavy Electricals Limited	29-Apr-09	6	1,800
Bharti Airtel Limited	29-Apr-09	1	500
Century Textiles & Industries Limited	29-Apr-09	5	8,480
Development Credit Bank Limited	29-Apr-09	1	14,000
Divi's Laboratories Limited	29-Apr-09	2	620
Educomp Solutions Limited	29-Apr-09	1	150
Grasim Industries Limited.	29-Apr-09	1	352
Hindustan Construction Co. Limited	29-Apr-09	5	42,000
Hindalco Industries Limited.	29-Apr-09	1	7,036
Hindustan Petroleum Corporation Limited.	29-Apr-09	13	16,900
Infrastructure Development Finance Company Limited	29-Apr-09	3	17,700
India Infoline Limited	29-Apr-09	2	10,000
IVRCL Infrastructures & Projects Limited.	29-Apr-09	2	4,000
Jaiprakash Associates Limited	29-Apr-09	2	4,500
Mahindra & Mahindra Limited.	29-Apr-09	3	3,744
Mahanagar Telephone Nigam Limited.	29-Apr-09	6	19,200
NIFTY	25-Jun-09	236	11,800
NIFTY	29-Apr-09	2893	144,650
NIFTY	29-Apr-09	205	10,250
Reliance Capital Limited	29-Apr-09	1	552
Shree Renuka Sugars Limited	29-Apr-09	1	5,000
Suzlon Energy Limited	29-Apr-09	8	48,000
Tata Steel Limited	29-Apr-09	4	6,112
Titan Industries Limited.	29-Apr-09	2	824
Unitech Limited	29-Apr-09	1	9,000
Voltas Limited	29-Apr-09	2	10,800



**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

(b) Open Short Positions:

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
3i Infotech Limited	29-Apr-09	5	54,000
ABB Limited	29-Apr-09	31	15,500
ACC Limited	29-Apr-09	4	3,008
Adlabs Films Limited	29-Apr-09	1	1,800
Allahabad Bank	29-Apr-09	5	4,500
Aptech Limited	29-Apr-09	4	15,600
Axis Bank Limited	29-Apr-09	16	14,400
Bajaj Hindusthan Limited	29-Apr-09	16	91,200
Bank Nifty	29-Apr-09	16	800
Bank of Baroda	29-Apr-09	4	5,600
Bank of India	29-Apr-09	21	19,950
Bharat Petroleum Corpn. Limited	29-Apr-09	12	13,200
Bharti Airtel Limited	29-Apr-09	34	17,000
Bombay Dyeing & Mfg Co. Limited	29-Apr-09	10	18,000
Cairn India Limited	29-Apr-09	11	27,500
CANARA BANK	29-Apr-09	10	16,000
Century Textiles & Industries Limited	29-Apr-09	2	3,392
Cipla Limited.	29-Apr-09	1	1,250
Dish TV India Limited	29-Apr-09	1	20,600
DLF Limited	29-Apr-09	2	1,600
Firstsource Solutions Limited	29-Apr-09	1	19,000
GAIL (India) Limited	29-Apr-09	22	24,750
Gujarat Alkalies and Chemicals Limited.	29-Apr-09	1	5,600
HDFC Bank Limited	29-Apr-09	56	22,400
Hero Honda Motors Limited.	29-Apr-09	1	400
Hindustan Construction Co. Limited	29-Apr-09	4	33,600
Hindustan Unilever Limited	29-Apr-09	57	57,000
Hotel Leela Venture Limited.	29-Apr-09	1	15,000
Housing Development and Infrastructure Limited	29-Apr-09	19	58,824
Housing Development Finance Corporation Limited.	29-Apr-09	507	76,050
ICICI Bank Limited	29-Apr-09	318	222,600
IDBI Bank Limited	29-Apr-09	6	28,800
Idea Cellular Limited	29-Apr-09	1	5,400
IFCI Limited	29-Apr-09	34	535,840
Indian Oil Corporation Limited	28-May-09	24	14,400
Infosys Technologies Limited.	29-Apr-09	194	38,800
Infrastructure Development Finance Company Limited	29-Apr-09	4	23,600

## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Ispat Industries Limited	29-Apr-09	27	24,900
ITC Limited.	29-Apr-09	8	18,000
Jaiprakash Hydro-Power Limited	29-Apr-09	2	25,000
Jindal Steel & Power Limited.	29-Apr-09	80	25,600
JSW Steel Limited	29-Apr-09	3	1,650
K S Oils Limited	29-Apr-09	1	5,900
Kotak Mahindra Bank Limited	29-Apr-09	28	30,800
Larsen & Toubro Limited	29-Apr-09	275	110,000
Mercator Lines Limited	29-Apr-09	1	9,800
MINIFTY	29-Apr-09	25	500
Nagarjuna Construction Co. Limited	29-Apr-09	7	28,000
Nagarjuna Fertilizer & Chemicals Limited.	29-Apr-09	2	42,000
National Aluminium Company Limited	29-Apr-09	1	2,300
New Delhi Television Limited	29-Apr-09	1	3,000
Neyveli Lignite Corporation Limited	29-Apr-09	14	82,600
NIFTY	29-Apr-09	1230	61,500
NTPC Limited	29-Apr-09	3	4,875
Oil & Natural Gas Corpn Limited	29-Apr-09	305	137,250
Oriental Bank of Commerce	29-Apr-09	4	9,600
Petronet LNG Limited	29-Apr-09	2	17,600
Polaris Software Lab Limited	29-Apr-09	1	5,600
Power Grid Corporation of India Limited	29-Apr-09	8	30,800
Praj Industries Limited	29-Apr-09	5	22,000
Punj Lloyd Limited	29-Apr-09	14	21,000
Punjab National Bank	29-Apr-09	21	12,600
Ranbaxy Laboratories Limited	29-Apr-09	12	19,200
Reliance Capital Limited	29-Apr-09	5	2,760
Reliance Communications Limited	29-Apr-09	1	1,400
Reliance Industries Limited	29-Apr-09	573	171,900
Reliance Infrastructure Limited	29-Apr-09	239	131,928
Reliance Natural Resources Limited	29-Apr-09	12	85,824
Reliance Petroleum Limited	29-Apr-09	3	10,050
Reliance Power Limited	29-Apr-09	2	4,000
S. Kumars Nationwide Limited	29-Apr-09	2	22,800
Shree Renuka Sugars Limited	29-Apr-09	5	25,000
Siemens Limited	29-Apr-09	1	1,504
State Bank of India	29-Apr-09	98	25,872
Steel Authority of India Limited.	29-Apr-09	1	5,400
Sterlite Industries ( India ) Limited	29-Apr-09	2	1,752
Sun Pharmaceuticals Industries Limited	29-Apr-09	2	450

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

Name of Equity Index/Stock Future	Expiry Date	No. of Contracts	No. of Units
Suzlon Energy Limited	29-Apr-09	2	12,000
Tata Communications Limited	29-Apr-09	6	6,300
Tata Consultancy Services Limited	29-Apr-09	53	26,500
Tata Motors Limited	29-Apr-09	12	20,400
Tata Power Co. Limited.	29-Apr-09	1	400
Tata Tea Limited	29-Apr-09	6	3,300
The India Cements Limited	29-Apr-09	1	2,900
The Indian Hotels Company Limited	29-Apr-09	3	7,596
UCO Bank	29-Apr-09	12	120,000
Union Bank of India	29-Apr-09	15	31,500
United Spirits Limited	29-Apr-09	304	76,000
Welspun Gujarat Stahl Rohren Limited	29-Apr-09	9	28,800
Wipro Limited	29-Apr-09	17	20,400
Yes Bank Limited	29-Apr-09	3	13,200

(c) Outstanding Options Contract as on 31st March 2009

(in Rupees)

Name of Equity Index / Stock Options	Total premium carried forward as at 31st March 2009 net of provisions made
ICICI Bank Limited	(5,384)
NIFTY	222,999,667
Reliance Industries Limited	(10,076)
State Bank of India	(11,259)
<b>TOTAL</b>	<b>222,972,948</b>

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

**2.19** Initial margin in respect of outstanding Equity Derivative Instruments contracts at year end is Rs.261,222,158 which comprises of bank & fixed deposits, bank guarantee & collaterals.

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

- Short Term Debt Programme of Rs. 8,000,000,000 .
- Bank guarantee facilities of Rs 4,680,000,000
- Short Term Loan facility of Rs 2,080,000,000

**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 under the Indian Trust Act, 1982, the Company has contributed an amount of Rs. 225,000,000 towards its capital contribution as per the draw down intimations received from the Fund.

**2.22** During the year, the Company settled Realty Excellence Trust (RET). The Company has given a capital commitment of an amount of Rs. 150,000,000 to India Realty Excellence Fund launched by RET. In respect of this, the Company has contributed an amount of Rs. 15,000,000 as per the draw down intimations received from the Fund.

## SCHEDULES

### Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009

**2.23** Previous year 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.
- Profit of Rs 146,734,945 (net of tax) on sale of 36,493 shares (Long term Investments) of Bombay Stock Exchange Limited allotted in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme).

**2.24 Exceptional Items:**

Exceptional items comprises of provision for Rs. 30,000,000 made in respect of diminution in value of long-term investments. In the opinion of the management the decline in the value of long-term investments is temporary in nature, however on a prudent basis the company has made provision and charged off this amount of Rs 30,000,000 to the Profit & Loss account.

**2.25 IPO Utilization :**

The status of utilization of IPO proceeds amount upto 31st March 2009 is as under

(in Rupees)

Activity	IPO Proceeds	Actual Utilization as on 31st Mar' 09
Augmenting Long Term Working Capital	400,000,000	400,000,000
Financing Activity	1,100,000,000	1,100,000,000
Purchase / Lease of new office space for business expansion	350,000,000	219,343,080
General Corporate Purpose	407,700,000	538,356,920
Technology	102,000,000	102,000,000
Issue Expenses	101,000,000	101,000,000
<b>Total</b>	<b>2,460,700,000</b>	<b>2,460,700,000</b>

This issue proceeds of Rs. 2,460,700,000 has been fully utilized as per the Objects of the Issue. In accordance with the objects of the issue the excess amount of Rs 130,656,920 in respect of Purchase / lease of new office space for business expansion has been utilised for General Corporate Purpose.

**2.26 Reporting date of the subsidiary**

The financial statement of the subsidiary Motilal Oswal Capital Markets Private Limited (MOCMPL) is for the period from 1st February 2008 to 31st March 2009. In accordance with Accounting standard (AS) 21 Consolidated Financial Statements, adjustments have been made in the Consolidated Financial statement for the effects of transactions/events of MOCMPL that have occurred between 1st February 08 to 31st March 08 as same had been considered in the Consolidated Financial statements in previous financial year 2007-08. The statement of adjustments is given below:-

(in Rupees)

Particulars of adjustments	For the period from 1st February 2008 to 31st March 2009	For the period from 1st February 2008 to 31st March 2008	For the period ended 31st March 2009
<b>Profit &amp; Loss Items</b>			
Administrative Expenses	84,057	24,417	59,640
Interest and Finance Charges	930	930	-
Deferred Tax Income/(expense)	18,050	8,615	9,435
Profit / (Loss) After Tax	(66,937)	(16,732)	(50,205)

**Schedule annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 and Consolidated Profit and Loss Account for the year ended 31st March, 2009**

(in Rupees)

Particulars of adjustments	For the period from 1st February 2008 to 31st March 2009	For the period from 1st February 2008 to 31st March 2008	For the period ended 31st March 2009
<b>Balance Sheet Items</b>			
Asset side			
Deferred Tax Asset	108,372	8,615	99,757
Cash and Bank Balance	12,194,451	(25,347)	12,219,798
Profit and Loss Account	242,346	(16,732)	259,078

**2.27** Amount of margin money and shares received from clients and outstanding as on 31st March, 2009 are as follows:

(in Rupees)

Security Settlement for the	In the form of Securities at market Value*	Bank Guarantees	Received in cheque
Year ended 31.03.2009	1,707,913,880	11,500,000	414,903,710

\*Margin money received in the form of securities from clients, as per the Regulations, is held by the Company. Out of this, securities worth Rs. 970,034,790 is pledge with Exchange as on March 31, 2009.

**2.28** Provisions made for the Year ended 31.03.2009 includes:-

(in Rupees)

Particulars	Opening balance	Provided during the year ended 31.03.09	Provision Paid / reversed during the year ended 31.03.09	Closing balance as of 31.03.09
Ex-gratia (Bonus)	627,112,586	215,747,708	624,962,710	217,897,584
Gratuity	22,079,787	6,525,733	1,384,743	27,220,777

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

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 : 11th May 2009



## FINANCIAL HIGHLIGHTS OF SUBSIDIARIES

### Financial Highlights of Subsidiaries for the year ended 31st March, 2009

(Amount in Rupees)

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	Profit after Tax	Proposed Dividend & Tax thereon
Motilal Oswal Securities Limited	13,188,300	3,469,067,028	8,804,948,192	8,804,948,192	200,092,088	3,551,450,549	645,493,147	221,301,411	424,191,735	-
Motilal Oswal Commodities Broker Private Limited	10,100,440	7,887,866	132,961,196	132,961,196	-	50,046,073	10,653,211	4,112,475	6,540,735	-
Motilal Oswal Investment Advisors Private Limited	10,000,000	125,686,897	561,214,663	561,214,663	-	468,467,350	220,374,774	70,998,706	149,376,068	(130,449,425)
Motilal Oswal Private Equity Advisors Private Limited	588,250	28,531,851	74,396,915	74,396,915	10,000,000	106,854,057	20,861,824	7,783,010	13,078,814	-
Motilal Oswal Capital Markets Private Limited	12,500,000	(242,346)	12,302,823	12,302,823	-	-	(84,987)	(18,050)	(66,937)	-
Antop Traders Private Limited	150,000	2,847,127	43,765,203	43,765,203	-	6,300,000	1,949,166	270,773	1,678,393	-







Knowledge First



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