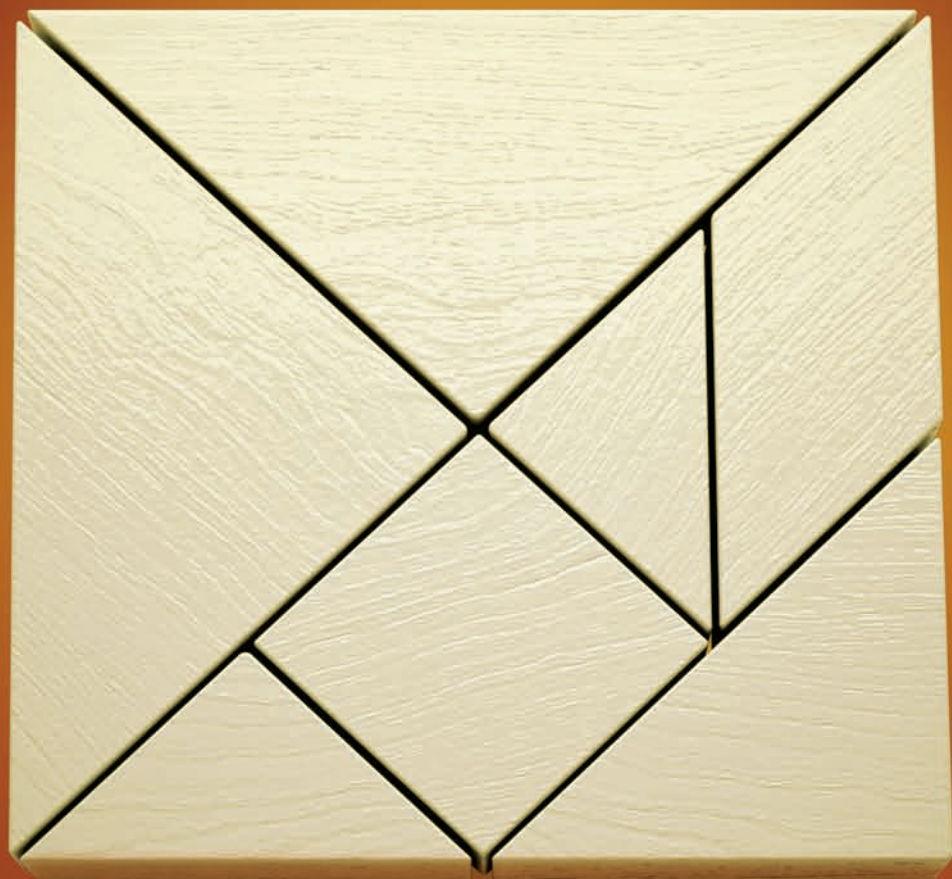




Annual Report 2009-2010



Tangram.

An ancient and intriguing Chinese puzzle, consisting of seven flat geometrical pieces. These pieces or tans, when put together form shapes. The objective of the puzzle is to form a specific shape using all seven pieces, which may not overlap.

This unique puzzle requires high levels of imagination. And its beauty lies in the fact that it directs the player into different ways of thinking.

Much like the way we work at Motilal Oswal. Where seven different businesses come together to create wealth for all our valued customers, employees, partners and stakeholders.

BOARD OF DIRECTORS

Mr. Motilal Oswal

Chairman and Managing Director,
Chief Executive Officer and Chief Financial Officer

Mr. Raamdeo Agrawal

Joint Managing Director

Mr. Navin Agarwal

Director

Mr. Ramesh Agarwal

Independent Director

Mr. Balkumar Agarwal

Independent Director

Mr. Madhav Bhatkuly

Independent Director

Company Secretary and Compliance Officer

Mr. Samrat Sanyal

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.

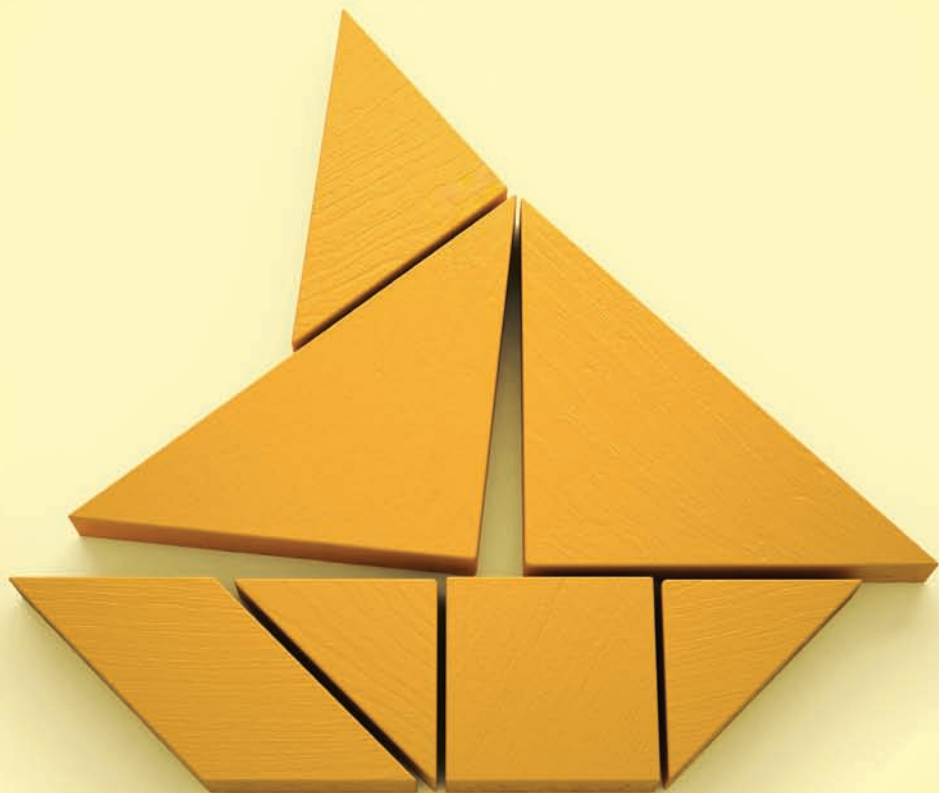
Corporate Office

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



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Sailing Ahead

Message from the Chairman



Dear Shareholders,

I write to you at the close of this financial year, which has witnessed several new highs in the capital markets. Signs of global recovery, record FII net inflows and turnaround in corporate profits have contributed favourably to this recovery.

The indices have gained 81% in FY10, the highest gain in a single year in the last three decades, making India one of the top performing markets globally. Market capitalisation of Indian bourses doubled YoY to US\$ 1.35 trillion in Mar'10. The average daily equity market volumes in FY10 were Rs. 950 billion up 55% YoY and surpassing the previous peak volumes of FY08. Net inflows from FII were at an all time high of US\$ 24.4 billion. DII participation in FY10 remained relatively muted with net inflows at US\$ 5.4 billion. M&A activity slowed down with announced deal value in calendar year 2009 of US\$ 12 billion, down 61% YoY. Capital raising, however, gained traction across both the equity and debt segments with QIP being the preferred route taken by Indian corporates. Private equity activity slowed down in FY10 with investment value at US\$ 5.6 billion, down 26% YoY. Mutual funds assets grew YoY by 47% at Rs. 6.14 trillion.

A trusted brand name with a strong presence across various businesses within the financial services space, viz., Equity Broking, Institutional Equities, Investment Banking, Asset Management, Wealth Management and Private Equity has enabled our company to capture the resulting opportunities and deliver robust performance in FY10.

Our consolidated revenue was Rs. 6,453 million (up 38% YoY) and consolidated adjusted PAT was Rs. 1,704 million, (up 84% YoY). This growth was driven by robust growth across all business segments – Income from Broking business was up 39% YoY, Investment Banking fees were up 44% YoY and Asset Management and

Advisory fees were up 87% YoY. Fund-based income was at the same level as last year. Our endeavour to diversify our revenue streams resulted in 30% of our revenues coming from non-broking businesses. EBITDA margins improved to 43% in FY10 from 39% in FY09. Similarly our adjusted PAT margins improved to 26% in FY10 from 20% in FY09. Return on average networth was 20%, which is one of the highest amongst industry peers. A milestone in our endeavour to build an integrated financial services company was the approval from SEBI to start our mutual fund business. Our proven track record in fund management and constant focus to bring innovative products suited to client needs gives us the confidence to build a successful and differentiated mutual fund business.

While strong corporate performance, large savings pool and rising income levels presents strong arguments for sustained growth in financial services; India may not remain completely insulated from global shocks, which resurfaced in the past few months. However, we remain cautiously optimistic on the growth prospects for the financial services business. Despite intensifying competition from new entrants with established brands and well capitalised balance sheets, our dedicated focus on building synergistic businesses, strong research and advisory capabilities, strong retail and institutional distribution, time-tested business model and strong balance sheet gives us the confidence of capturing a strong market share in each of the businesses we operate, creating a strong value for all stakeholders.

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

With best wishes,

Sincerely,

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

Motilal Oswal

Chairman and Managing Director

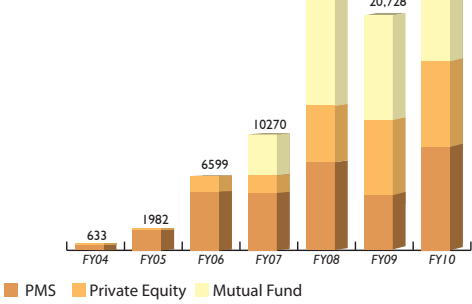
Mumbai, 19th June, 2010



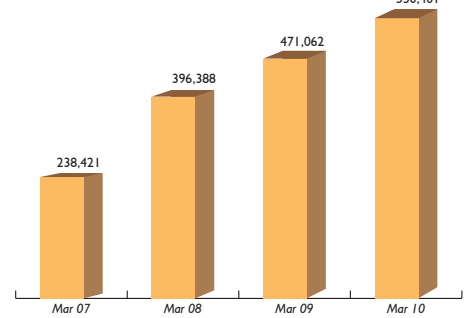
Soaring High

Performance at a glance

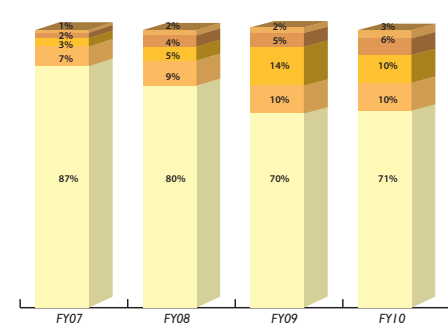
Total Assets Under Investment Management and Distribution Business
Rs. in millions



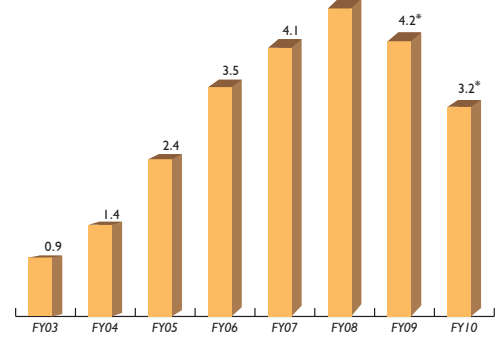
No. of Retail Broking Clients



Diversifying Revenue Base

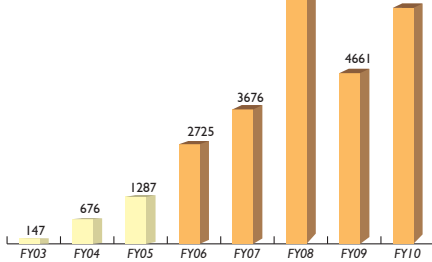


Market Share - Equities (%)

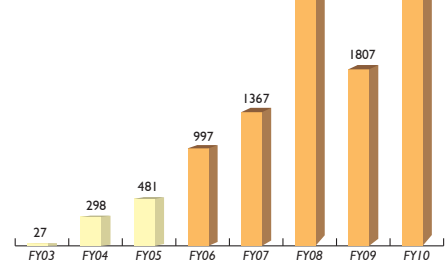


*De-growth in market share is attributed to the rising proportion of low yield Options volume, where our share is low, our market share in cash segment remains stable.

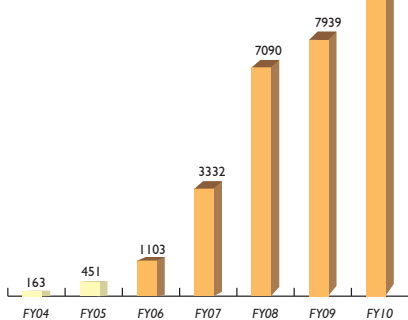
Total Income
Rs. in millions



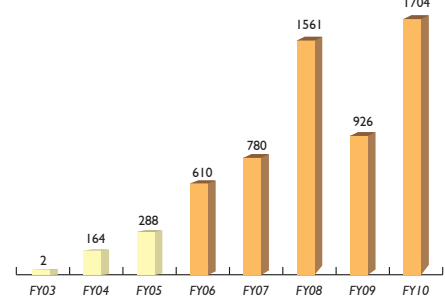
EBITDA
Rs. in millions



Shareholder Equity
Rs. in millions



Profit After Tax
Rs. in millions



Standalone financials of Motilal Oswal Securities Limited (FY04 - FY05)
Consolidated financials of Motilal Oswal Financial Services Limited (FY06 - FY10)



Building a financial services powerhouse

▲ BROKING AND DISTRIBUTION

- Distribution expands to 1397 business locations across 584 cities
- More than 6,00,000 registered customers
- Depository assets at over Rs. 113 billion
- India's largest dealing room (over 26,000 sq feet)
- Over 100 investment education seminars conducted

▲ INSTITUTIONAL EQUITIES

- Over 300 institutional clients, including 200 FIIs.
- Research covering 236 companies in 27 sectors and 23 commodities
- Research received 10 awards in the ET- Starmine Analyst Awards 2009 including Best Broker

▲ INVESTMENT BANKING

- 66 deals in 4 years across the product spectrum and sectors
- Cumulative revenues since inception : over Rs. 2 billion
- Facilitated periodic thematic conclaves between corporates and investors

▲ ASSET MANAGEMENT

- Portfolio Management Services AUM of Rs. 9.8 billion
- Approval received from SEBI for starting Mutual Fund business
- First scheme offer document filed with SEBI for approval

▲ PRIVATE EQUITY

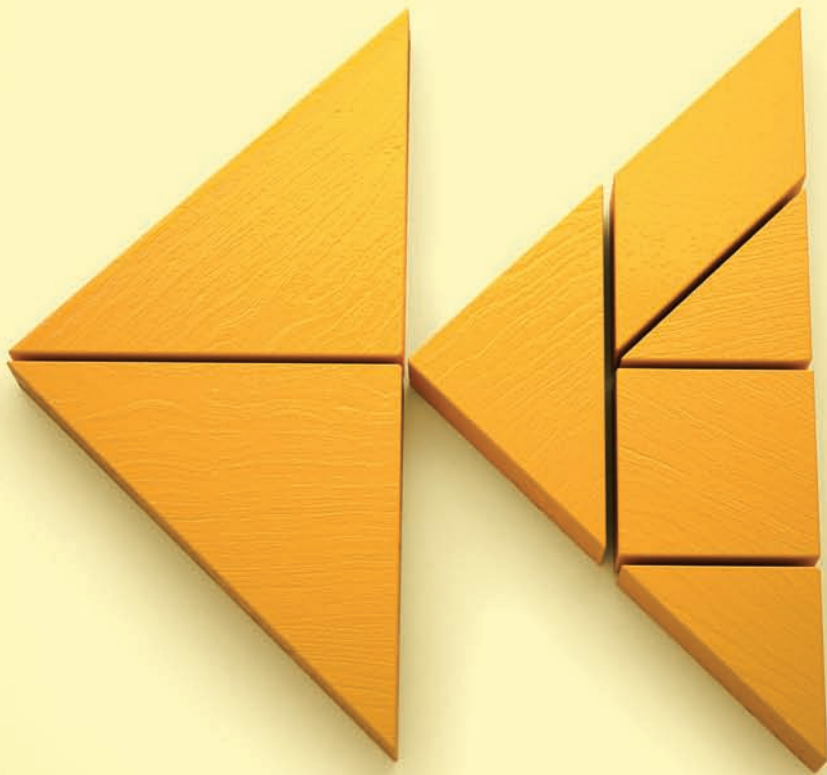
- India Business Excellence Fund (US\$ 125 million) - over 61% invested across 10 transactions
- India Realty Excellence Fund closed at INR 1.64 billion

▲ WEALTH MANAGEMENT

- AUM of Rs. 8 billion
- Presence in Mumbai, Kolkata, Pune and Ahmedabad
- Unique Wealth Management offering (Purple) based on financial profiling and client need analysis

▲ FUND-BASED BUSINESSES

- Margin Funding book of Rs.1.6 billion
- Principal Strategies Group in place to optimise treasury yields



Looking Back



Motilal Oswal Securities Ltd.(MOSL) rated as No. 1 Broker in the ET Now-Starmine Analyst Awards 2009. MOSL was ranked No.2 (Best Local Brokerage) in the AsiaMoney Brokers Poll 2009 and No.2 (Best Indian Brokerage House) category by Institutional Investor

Motilal Oswal 5th Annual Global Investor Conference held in Mumbai with around 80 Indian Corporates participating and over 400 investors from all over the world attending



Motilal Oswal Financial Services purchased its new corporate office building based in Prabhadevi, the heart of Mumbai city with a planned usable area of over 2,00,000 sq ft

The 14th Motilal Oswal Wealth Creation Study presentation held in Mumbai in December 2009 and was covered live on CNBC TV 18



Motilal Oswal Asset Management hosted the 1st Value Investing Forum in March 2010 and was covered live on CNBC TV 18

Motilal Oswal Private Equity's India Realty Excellence Fund achieved its final closing of INR 1.64 billion



Motilal Oswal Investment Advisors facilitated the first cross border acquisition by an Indian company in the sugar sector in Brazil





Our Driving Force

Key People



Motilal Oswal
Chairman and Managing Director



Raamdeo Agrawal
Joint Managing Director



Navin Agarwal
Director & CEO
Institutional Equities



Ashutosh Maheshvari
CEO, Investment Banking Business



Vishal Tulsyan
CEO, Private Equity Business



Nitin Rakesh
Managing Director & CEO
Asset Management Business



Srikanth Iyengar
Director, Principal Strategies Group



VijayKumar Goel
Associate Director, Broking & Distribution Business



Manish Shah
Associate Director, Broking &
Distribution Business



Harsh Joshi
Associate Director, Wealth Management Business



Ajay Kumar Menon
COO & Whole Time Director (MOSL)



Rajat Rajgarhia
Director, Research



Financial Results

To the Members

Your Directors have pleasure in presenting their 5th Report together with the audited Accounts of your Company for the year ended 31st March, 2010.

Financial Highlights

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

Motilal Oswal Financial Services Limited (Standalone)

	Year ended 31st March, 2010	Year ended 31st March, 2009
		Rs. in million
Income	642.59	722.36
Profit before Interest and Taxation	601.56	683.33
Interest	(28.46)	(73.18)
Profit before Taxation	573.10	610.15
Less :Provision for Taxation		
Current Tax	137.43	156.76
Deferred Tax	11.71	0.05
Fringe Benefit Tax	-	0.22
Profit for the year	423.96	453.12
Balance brought forward from previous year	224.13	16.60
Profit Available for appropriation	648.09	469.72
Less: Appropriations		
Transfer to Statutory Reserve	84.79	90.62
Proposed dividend	171.81	113.62
Dividend Distribution Tax	6.27	5.10
Transfer to General Reserve	33.92	36.25
Balance of Profit carried forward	351.30	224.13

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

	Year ended 31st March, 2010	Year ended 31st March, 2009
		Rs. in million
Income	6,453.25	4,661.23
Profit before Interest, Depreciation and Taxation and Exceptional Items	2,769.85	1,806.91
Interest	(96.24)	(178.40)
Depreciation	(141.89)	(202.71)
Profit before Taxation and Exceptional Items	2,531.72	1,425.80
Exceptional Items (Expenses) / Income	0.57	(30.00)
Profit before Taxation	2,532.28	1,395.80
Less :Provision for Taxation		
Current Tax	801.87	479.58

Directors' Report

	Year ended 31st March, 2010	Rs. in million Year ended 31st March, 2009
Deferred Tax Expenditure / (Income)	(17.90)	(25.09)
Fringe Benefit Tax	–	11.42
Wealth Tax	0.19	0.26
Tax for the prior year	3.92	(4.68)
Profit after tax before Minority Interest	1,744.21	934.31
Minority Interest in profits	(39.74)	(38.35)
Profit after tax and Minority Interest	1,704.47	895.96
Profit brought forward from previous year	2,820.90*	2046.25
Minority share in dividend and others for previous financial year	–	45.44
Dividend from subsidiary company for the previous financial year	–	113.63
Profit available for the Appropriations	4,525.36	3101.28
Less: Appropriations		
Transfer to Statutory Reserve & Capital Redemption Reserve	84.79	90.62
Pre acquisition (Profits)/Loss	(5.12)	1.68
Proposed Dividend	171.81	113.62
Distribution tax on proposed Dividend	28.53	19.30
Transfer to General Reserve	55.58	51.19
Balance of Profit carried to Balance Sheet	4,189.77	2824.87

* Includes opening balance of reserves (Rs. 3.97 million) of subsidiaries acquired during the year

Dividend

Keeping in view the overall performance during the year, your Directors are pleased to recommend a dividend of Rs. 1.20 per Equity Share on the face value of Re. 1 each, being 120% dividend, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The Dividend and dividend distribution tax will absorb a sum of Rs. 178.08 million.

Results of Operations (MOFSL Standalone)

The Revenue for the year decreased by 11.04% from Rs. 722.36 million to Rs. 642.59 million. The Profit before interest and taxation registered a decrease of 11.97% and were down from Rs. 683.33 million to Rs. 601.56 million. The Company's net profit for the year is Rs. 423.96 million down from Rs. 453.12 million in the previous year, a decrease of 6.44% over the previous financial year.

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

Subsidiary Companies and Consolidated Results of Operations

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

The Consolidated Group Profit for the year after exceptional items, prior period adjustments and tax and after deducting minority interests is Rs. 1,704.47 million as against Rs. 895.96 million earned last year - a growth of 90.24%. During the year under review, Motilal Oswal Securities Limited (MOSL), the 'Material Non-listed Subsidiary' of the Company earned the revenues of Rs. 5,158.99 million and PAT of Rs. 1191.41 million. During the year under review, the market share of MOSL was 3.2% as against 4.2% in the previous financial year.

During the year under review, Motilal Oswal Insurance Brokers Private Limited became a subsidiary of the Company and Motilal Oswal Asset Management Company Limited and Motilal Oswal Trustee Company Limited became the subsidiary of MOSL and in turn of the Company. The Statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's Subsidiaries is attached.



The Consolidated Financial Statements of your Company and its subsidiaries prepared in accordance with 'Accounting Standard - 21' prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report and the Accounts. In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. The Company Secretary & Compliance Officer will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. These documents will also be available for inspection at the Registered Office of the Company and the concerned subsidiary companies, during 2 p.m. to 5 p.m. on all working days upto the date of the Annual General Meeting.

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

Credit Rating

The 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 also reaffirmed the rating of 'P1 +' to the Short-term Debt Programme of Rs. 4 billion of Motilal Oswal Securities Limited, a subsidiary of the Company.

Finance

During the year under review, to meet the working capital requirements, the Company has issued Commercial Papers and 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. Raamdeo Agrawal was appointed as the Joint Managing Director of the Company by the Board of Directors, for a period of 5 years, with effect from 14th October, 2009, without any remuneration, subject to the approval of the Members in the ensuing Annual General Meeting of the Company. Mr. Agrawal is also the Joint Managing Director in Motilal Oswal Securities Limited, a material unlisted subsidiary of the Company.

Mr. Navin Agarwal and Mr. Balkumar Agarwal retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for 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, 2010 and of the Profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Audit Committee

The Audit Committee presently comprises of Mr. Balkumar Agarwal (Chairman of the Committee), Mr. Ramesh Agarwal, 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.

Directors' Report

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 the Statutory Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members will be required to appoint the Statutory 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 was no inflow of foreign exchange during the year under review. Details of the foreign exchange outflow are given in the notes to Accounts.

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

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

Acknowledgements

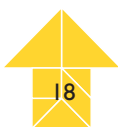
Your Directors take this opportunity to thank the Authorities, Bankers of the Company, Shareholders and the Customers for their continued support to the Company. The Directors also place on record their sincere appreciation of the contributions made by every member of the MOFSL family for their dedicated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

For and on behalf of the Board

Motilal Oswal

Chairman & Managing Director

Mumbai, 19th June, 2010



Annexure to the Directors' Report

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

Particulars	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company
	Motilal Oswal Securities Ltd.	Motilal Oswal Commodities Broker Pvt. Ltd.	Motilal Oswal Private Equity Advisors Pvt. Ltd.	Motilal Oswal Investment Advisors Pvt. Ltd.	Motilal Oswal Insurance Brokers Pvt. Ltd.	Motilal Oswal Capital Markets Pvt. Ltd.	Antop Traders Pvt. Ltd.	Motilal Oswal Asset Management Company Ltd.	Motilal Oswal Trustee Company Ltd.	Total
The Financial year of the Subsidiary ended on	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	
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	812,500	990,000	350,000	3	20,000,000	100,000	
Extent of holding (%)	99.95%	97.55%	85.00%	81.25%	99.00%	99.95%	99.95%	99.95%	99.95%	
The net aggregate of profits/(losses) of the Subsidiary Company for its financial period so far as they concern the member of Motilal Oswal Financial Services Limited										
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2010	NIL	NIL	NIL	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, 2010	1,190,859,808	12,760,852	21,235,502	175,991,166	(2,156,796)	(2,253,636)	3,365,252	(41,030,876)	(85,222)	1,358,686,050
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, 2010	NIL	NIL	NIL	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, 2010	3,392,607,381	7,694,634	24,250,983	94,265,176	(128,960)	(242,234)	2,845,806	(3,809,433)	(28,052)	3,517,455,301

For and on behalf of Board of
Motilal Oswal Financial Services Limited

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Jt. Managing Director

Place : Mumbai
Dated : 19th June, 2010

Samrat Sanyal
Company Secretary and Compliance Officer

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 with the parent company, Motilal Oswal Financial Services Limited

Loans and advances in the nature of loans to subsidiaries:

(In Rs. million)

Name of the Company	Balance as on 31st March, 2010	Maximum outstanding during the year
Motilal Oswal Commodities Broker Private Limited	Nil	20.00
Motilal Oswal Private Equity Advisors Private Limited	0.004	6.03
Motilal Oswal Investment Advisors Private Limited	0.06	20.78
Motilal Oswal Capital Markets Private Limited	43.38	47.38
Motilal Oswal Securities Limited	Nil	300.57
Motilal Oswal Insurance Brokers Private Limited	Nil	0.10
Motilal Oswal Asset Management Company Limited	Nil	2.50

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 loans: 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, 2010:-

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	55,42,500	33,15,000
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	9,35,175	2,500	Nil	Nil
d)	Options exercised	5,64,075	2,500	Nil	Nil
e)	The total number of shares arising as a result of exercise of option	11,28,150	12,500	Nil	Nil
f)	Options lapsed (as at 31.03.10)	5,72,750	1,90,000	30,42,500	60,000
g)	Variation of terms of options	N. A.	N. A.	N. A.	N. A.
h)	Money realised by exercise of options	Rs. 11,70,79,407	Rs. 19,37,500	Nil	Nil
i)	Total number of options in force (as at 31.03.10)	1,24,675	7,500	25,00,000	32,55,000
j)	Employee-wise details of options granted to:				
	(i) Senior managerial personnel	N.A.	N.A.	(i) Mr. Sameer Kamath 50,000 Options (ii) Mr. Sudhir Dhar 40,000 Options	N. A.
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	N. A.	N. A.	N.A.	N.A.
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	N. A.	N. A.	N. A.	N. A.
k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs. 2.97	Rs. 2.97	Rs. 2.97	Rs. 2.97

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)
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. 82960572, Profit after tax lower by Rs. 82960572 and the basic earnings per share would have been lower by Re. 0.58.	
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: 14th October, 2009 for 542500 options ii) Exercise Price: Rs. 172.85 per option iii) Fair Value: Rs.65.45 per option	I. Option granted on 13th July, 2009 i) No. of Options granted : 7,10,000 ii) Exercise Price: Rs. 165 per option iii) Fair Value: Rs. 52.39 per option II. Option granted on 14th October, 2009 i) No. of Options granted : 4,95,000 ii) Exercise Price: Rs. 172.85 per option iii) Fair Value: Rs. 65.45 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 14th October, 2009 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 13th July, 2009 and 14th October, 2009 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.	6%	6%
	(ii) expected life	N. A.	N. A.	3 years	3 years
	(iii) expected volatility	N. A.	N. A.	50%	50%
	(iv) expected dividends	N. A.	N. A.	0.70%	0.70%
	(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. 172.85 per share	i) Rs. 139.70 per share for grant date 13.07.09 ii) Rs. 172.85 per share for grant date 14.10.09

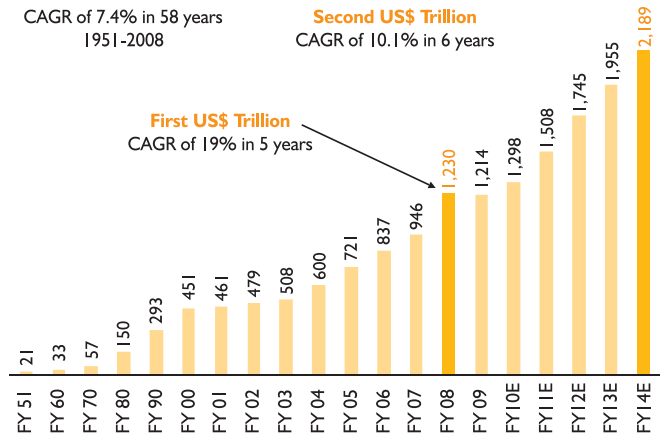
Management Discussion and Analysis

Opportunities for financial services in the NTD era

The NTD Era

It took India over 60 years since independence to create its first US\$ 1 trillion of GDP in FY08. However, growing nominally @ 12-15% per annum and at current US\$/INR rates, India will add the next trillion dollar (NTD) of GDP in 5-6 years.

The NTD Era will be marked by sustained boom in discretionary spend, savings and investment.

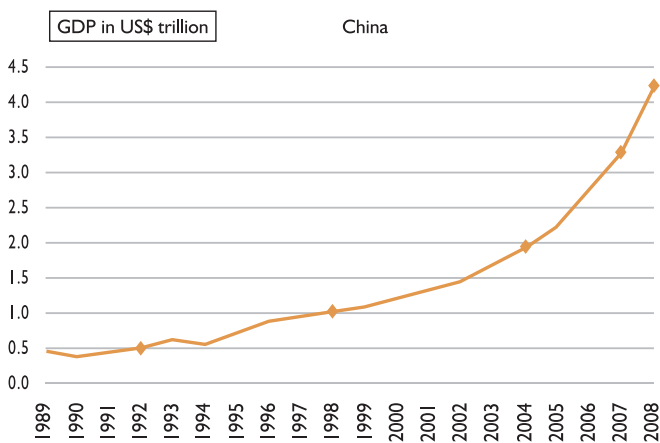


Source: MOSL

(US \$ Billion)

Comparisons with China

China achieved its first trillion dollar GDP in 1998. It took about six years to add the second trillion in 2005. However, the third trillion took just 3 years, and all of the fourth came in just one year, 2008, when China's GDP hit US\$ 4 trillion.

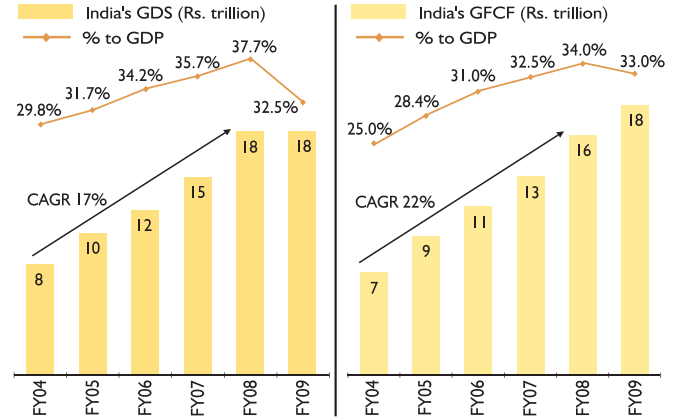


Source: MOSL

India is hopefully on its way to mimicking the Chinese experience. Whether we will do it somewhat slower or faster is just a matter of time.

Savings is on the rise

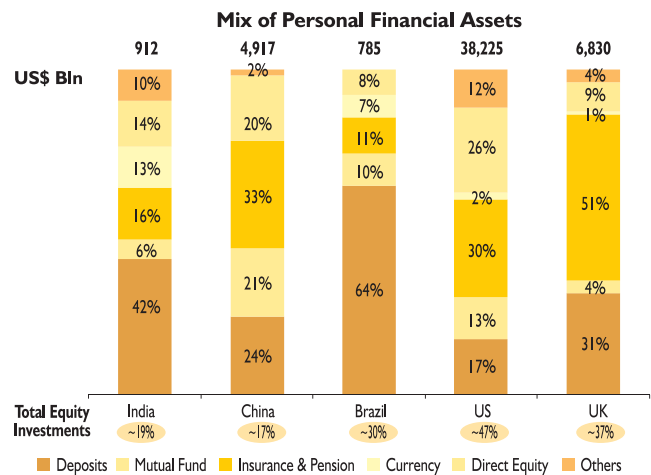
In the last 6 years to FY09, India's Gross Domestic Savings has been on the rise, clocking a CAGR of 17%. In 5-6 years' time, India's GDP may touch US\$ 2.5 trillion. At then 40% of GDP, India's savings would almost equal current GDP. Gross Fixed Capital Formation has grown even stronger - from 25% of GDP to 33% of GDP, a CAGR of 22%.



Source: Economic survey 2009-10

Equity ownership as an asset class is low in India

Recent report released by FICCI / Mckinsey indicates that total household holdings into equities both directly and indirectly is ~19% which is much lower than comparatives with developed countries like US and UK.






Source: FICCI / Mckinsey report on Capital markets

Management Discussion and Analysis

Retail penetration is low in India

Low Equity Ownership is further accentuated by the low level of equity penetration in India (~1% of population has demat accounts) as compared to ~10% in other Asian countries like China and Korea

Country	Demat Accounts	Population	Penetration %
 China	152	1,325	11
 Korea	4.6	47	10
 India	16	1,190	1

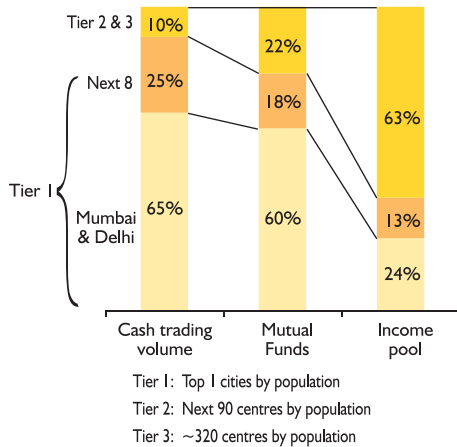
Source: Exchange publications

Low participation beyond top 10 cities

Top 10 cities (Tier 1) contribute 90% of the total trading volume and 78% of mutual fund ownership but account for only 37% of the total urban income pool. This indicates the immense potential offered by Tier 2 and Tier 3 cities.

Although disposal household income in these cities is less than in Tier 1 cities, owing to a lower share of HNI individuals and affluent segment, there is huge opportunity to be tapped.

Share of cash trading volume, mutual fund ownership and income by cities

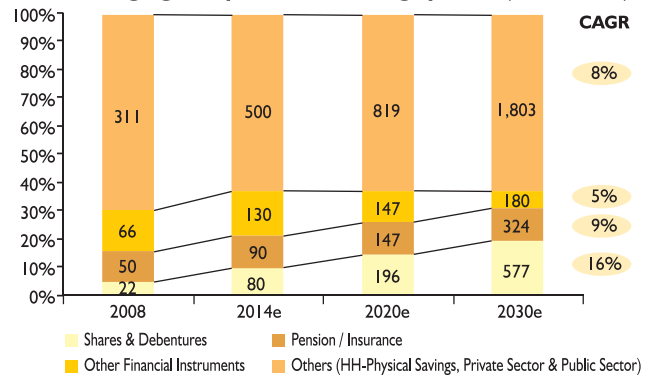


Source: FICCI / Mckinsey report on Capital markets

Opportunity for Financial intermediation

India's rising savings and income levels holds enormous potential for the development of the Financial Services sector. Data from the rich countries suggests that nearly 40% of total wealth is held in financial instruments while nearly 20% of household financial assets are held in equity. In India only 5% of household savings are channeled into equity suggesting that there is a huge scope for growth on this front.

Changing composition of savings profile (US \$ Billion)



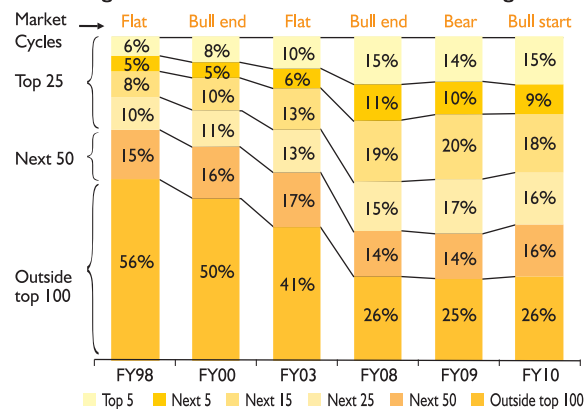
Source: Noble report, RBI data and MOSL estimates

As India's per capita income and savings rises, estimates suggest that the quantum of household savings going into the Indian stock market will increase nine fold in the next 20 years

Intensifying competition driving industry consolidation but at a slow pace

India has over 9,000 registered brokerages. Past trends suggest that consolidation within the industry follows market downturns. Effects of this were very visible post the bear phase of 2000. However, considerable consolidation has been witnessed even during the bull run of 2003-2008. During this period, competition has intensified with the entry of several new players with large brands and well capitalized balance sheets. Smaller players would face the heat of this intensifying competition resulting in large players further gaining market share. The bigger challenge for large players is to achieve sustained and consistent returns on their investments, while managing their growth trajectory.

Ranking of members based on volumes in cash segment



Source: NSE

Coming to the point of market cycle accelerating consolidation, unlike in 2003, the 2009 market downturn has not resulted in consolidation within the industry.

Management Discussion and Analysis

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:

- (i) Build on a financing infrastructure that can best customize risk adjusted products, have simple and compliant documentation, and prompt loan approval procedures; and
- (ii) 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 FY10, CRISIL Limited assigned a rating of 'PI +' the highest rating, for your company's short-term borrowing programme of Rs. 4 billion. CRISIL Limited also assigned the rating of 'PI +' to MOSL's short-term borrowing programme 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, Investment Banking, Asset Management, Private Equity and Wealth Management business through various subsidiaries:

#	Name of the Company	Business	MOFSL's Shareholding
1	Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail) and Wealth Management	99.95%
2	Motilal Oswal Investment Advisors Private Limited (MOIA)	Investment Banking	81.25%
3	Motilal Oswal Private Equity Advisors Private Limited (MOPE)	Private Equity Management and Advisory	85.00%
4	Motilal Oswal Asset Management Company Limited (MOAMC) (a subsidiary of MOSL)	Asset Management	99.95%*
5	Motilal Oswal Commodities Broker Private Limited (MOCB)	Commodities Broking	97.55%
6	Motilal Oswal Capital Markets Private Limited (a subsidiary of MOSL)	Stock Broking (membership of NSE)	99.95%*
7	Motilal Oswal Insurance Brokers Private Limited (MOIB)	Insurance Brokers (has made application IRDA for Insurance Broker Licence)	99.00%
8	Antop Traders Private Limited (a subsidiary of MOSL)	Lease Rental	99.95%*
9	Motilal Oswal Trustee Company Limited (MOTC) (a subsidiary of MOSL)	Trustee to Mutual Fund	99.95%*

* through MOSL

Our business streams

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

Management Discussion and Analysis

Broking Business

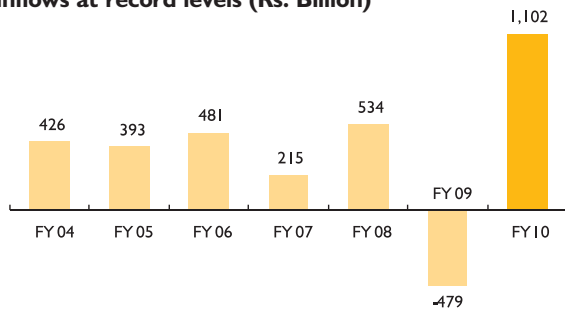
Industry Facts

Equity markets have delivered the highest returns in three decades

The BSE Sensex saw an exceptional up-swing in FY10 - from 9,901 in April 2009 to 17,582 in March 2010 returning ~80% - the best annual performance by Indian equities in three decades. Market capitalization of Indian bourses doubled from \$ 0.63 trillion in Mar 09 to \$ 1.35 trillion in March 2010.

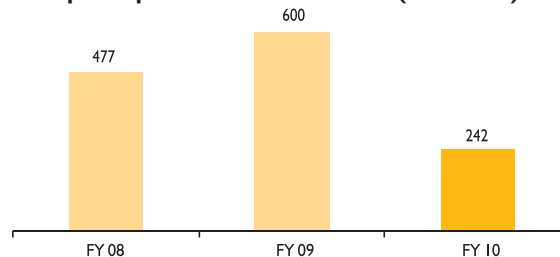
Institutional activity in Equity Markets

FII inflows at record levels (Rs. Billion)



Source: Moneycontrol.com, SEBI

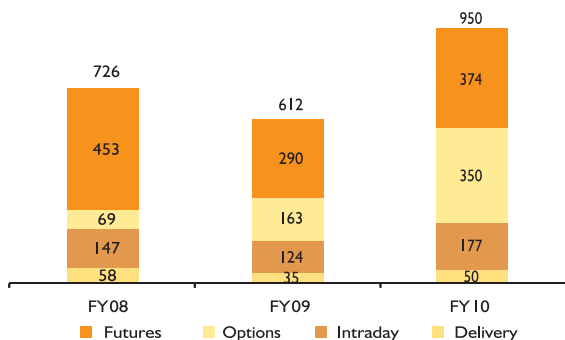
DII participation remained muted (Rs. Billion)



Source: NSE

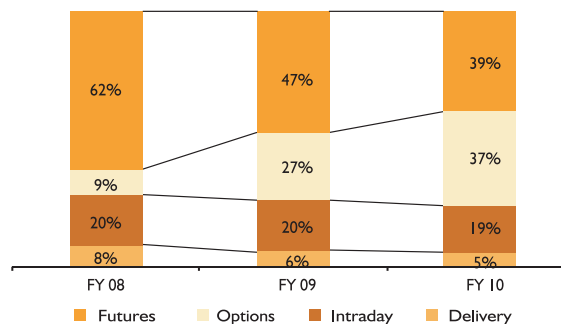
Equity Market Volumes have crossed the previous highs recorded in FY08

Derivatives volume on the rise (Rs. Billion)



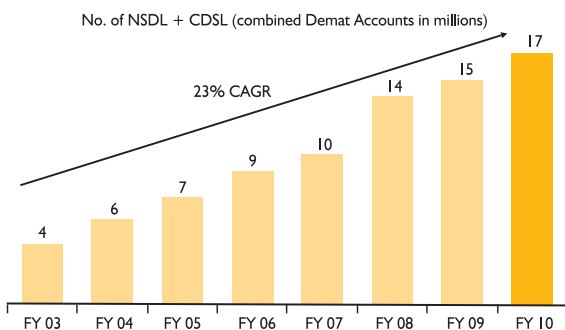
Source: NSE, BSE

Options volumes within derivatives on the rise



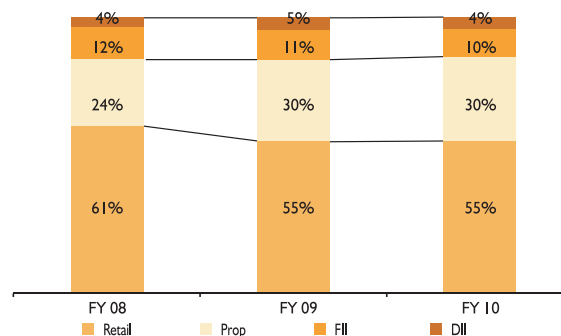
Source: NSE, BSE

Growth in addition of Demat Accounts in FY10



Source: NSDL, CDSL

Retail participation in market volumes continue to remain muted in FY10



Source: NSE, BSE

Our Broking Business

Backed by strong research and advisory capabilities, our broking business covers the entire spectrum of participants in the capital markets ranging from FIIs to Domestic Institutions, HNIs to mass retail. This large base is addressed through distinctly positioned business units - Retail Broking & Distribution and Institutional Equities business.

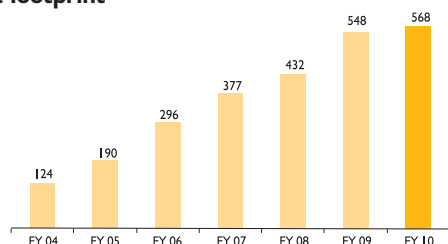


Management Discussion and Analysis

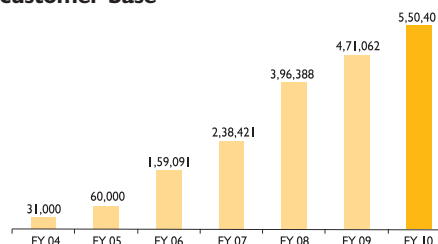
Retail Segment

Our services under the “Broking and Distribution business” include Equities, Derivatives, Commodities, Depository services; Distribution of Portfolio Management services, Mutual Funds, Primary Equity Offerings and Insurance products.

Pan India footprint



Growing customer base



As at 31st March, 2010, we had over 620,000 registered customers, whom we serve through this business. This includes over 550,000 broking clients with over 460,000 having depository accounts with us.

We serve our clients through strong branches and franchisee network spread widely across India. 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 to offer online brokerage services to their retail banking clients.

With an aim to provide best research and advisory, a core focus and strength of our company, our clients are advised by the centralized advisory and dealing desk based in Mumbai, situated in 26,500 sq.ft. of area. Extensive use of technology and the benefit of synergized operations under one roof have helped us deliver enhanced value to our clients which have been well received.

With Knowledge First as our guiding philosophy, we have actively conducted over 100 investor education and financial awareness seminars across the country covering various aspects of investing.

Our widest 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 in gaining further momentum for this business.

Institutional Segment

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, 2010, we were empanelled with over 300 institutional clients including over 200 FIIs. Our Institutional Team comprises staff from Sales and Dealing, Research and Corporate Access.

Our research team of 27 research analysts covers over 236 companies in 27 sectors and 23 commodities.

The Research team provides a complete bouquet covering Thematic, Sectoral, Company updates, Periodicals, Expert speak and Ground reality.



Highly Rated Research

We won 10 awards, highest for any Broking House, across various categories in the Starmine Analyst Awards 2009. MOSL was also highly ranked across several categories in Asia Money Polls 2009.

Strong Corporate Access

Corporate access activities were carried out throughout the year with dedicated Investor conferences being held across all leading geographies - Mumbai, US, UK & South East Asia.

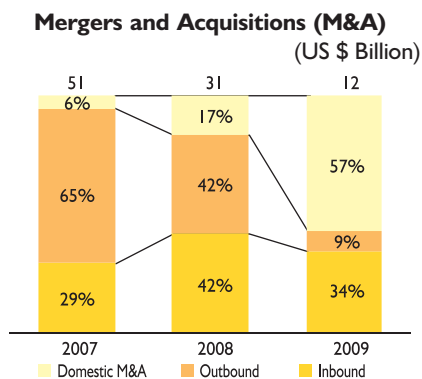
India continues to lead as one of the favoured investment destinations for global funds. Our strong clientele base spread across the globe and our constant endeavour to provide best in-class research, advice, corporate access and execution support will also help us to tap these emerging opportunities and gain higher market share across all the institutional client segments.

Management Discussion and Analysis

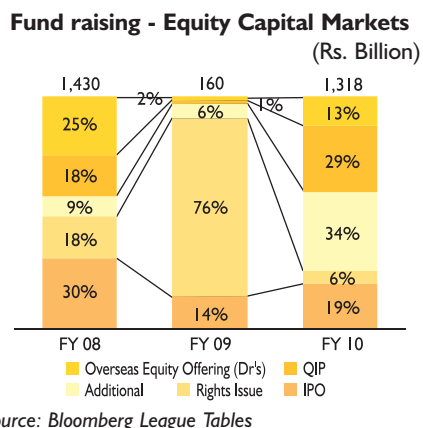
Investment Banking

Industry Facts

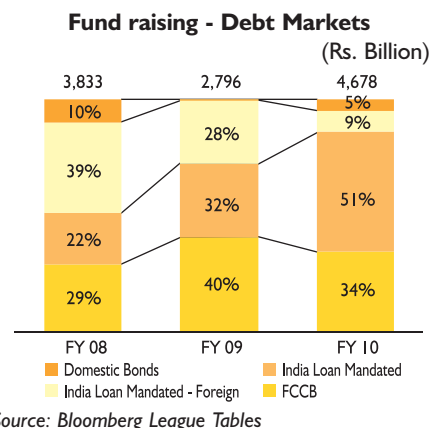
CY09 saw a further decline in total deal activity in terms of volume and value of deals. During CY09 the average deal size was US\$ 35 million across 330 deals compared to US\$ 69 million across 454 deals in CY08. Corporate finance activity slowed down during 2009 on account of the global financial crisis and companies' need to conserve capital. This later picked up as globally companies started consolidating and high growth rates in China and India continued to create a demand for commodities and capital.



Source: Bloomberg League Tables



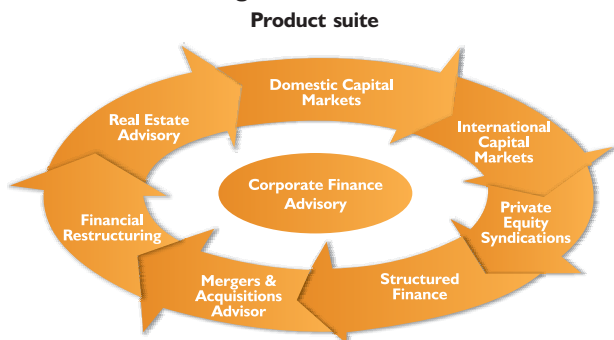
Source: Bloomberg League Tables



Source: Bloomberg League Tables

Capital raising picked up in India following a stable government coming back with a decisive mandate, overall risk appetite improving buoyed by inherent growth potential in Indian market and ability of Indian financial market to withstand global financial stresses. On the capital markets front, QIP route was preferred by listed Indian Corporates for fund raising on the backdrop of muted retail participation in equity markets. Companies with robust business plans were able to attract private equity. Improvement in business outlook and capital availability for Indian Companies led them to look for attractive assets to build their global footprint.

Our Investment Banking Business



Our team comprises multi-disciplinary professionals with extensive collective banking and corporate finance advisory experience. An extensive understanding of different sectors within the Investment Banking team underpinned by the strong research pedigree of the Group enables us to provide customized financial solutions to our clients across industries.

Since inception in 2006, the investment banking unit has executed milestone transactions relating to capital raising and financial advisory, thereby establishing a solid track record in the investment banking space.

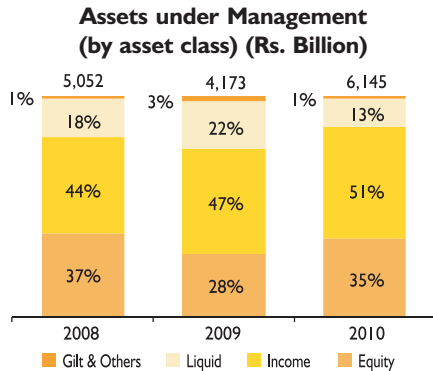
Our established track record, strong corporate relationships, experienced team and synergies within the group sets the right impetus to capture the opportunities emerging from Corporate India as it heads into the Next Trillion Dollar era; helping us build a strong and profitable franchisee in this business.

Select deals of FY10

 Alok Industries Ltd. Qualified Institutions Placement Rs. 4,250 Million Book Running Lead Manager March 2010	 COASTAL Projects Pvt. Ltd. Private Placements of Equity Rs. 2,020 Million Sole Arranger January 2010	 MBL Infrastructures Ltd. Initial Public Offer Rs. 1,013 Million Sole Book Running Lead Manager December 2009
 Shree Renuka Sugars Ltd. Acquisition of Vale do Ivaí USD 240 Million Sole Strategic & Financial Advisor November 2009	 Jai Balaji Industries Ltd. Qualified Institutions Placement Rs. 1,985 Million Book Running Lead Manager October 2009	 IBPIL Ind-Barath Power Infra Ltd. Private Placement of Equity Rs. 4,250 Million Sole Arranger October 2009
 PIPAIAN SHIPYARD Initial Public Offer Rs. 4,987 Million Co-Book Running Lead Manager September 2009	 Dewan Housing Finance Corporation Ltd. Qualified Institutions Placement Rs. 2,257 Million Sole Arranger June 2009	 GMR Energy Ltd. Acquisition of Homeland Energy Group Ltd. Strategic Advisor June 2009

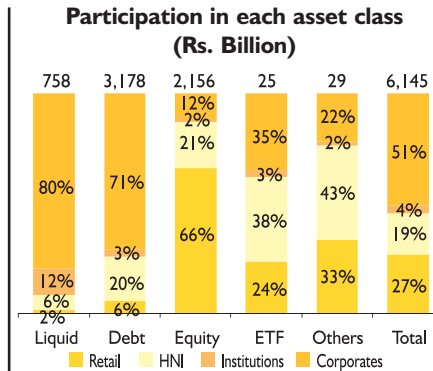
Asset Management

Industry Facts



Source: AMFI

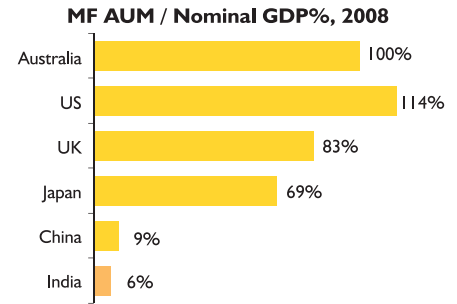
Mutual funds had assets under management of Rs. 6.14 trillion as on 31st March, 2010, compared to Rs. 4.17 trillion on 31st March, 2009 and Rs. 5.05 trillion on 31st March, 2008. The equity funds - growth funds, balanced funds and equity-linked savings schemes (ELSS) - constituted 35% of the total AUM as at March, 2010, i.e. Rs. 2.15 trillion.



Source: AMFI

Retail & HNI investors constitute 46% of total mutual fund AUM but account for 87% of equity AUM. Retail participation in Debt funds is very low at ~6%. Corporates contribute over 50% of total mutual fund AUM which is largely concentrated into Liquid / money market funds (~80%)

Low Mutual Fund penetration in India



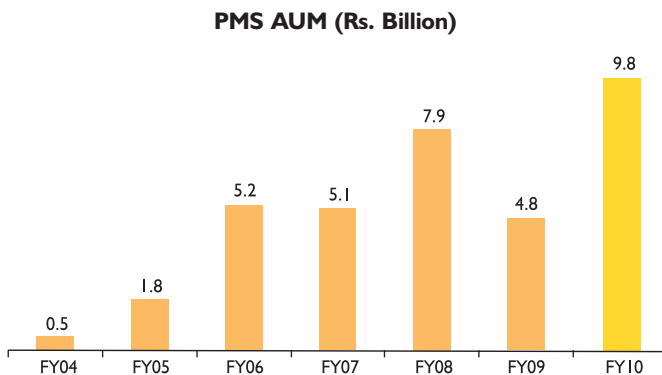
Source: Mckinsey Study

Total AUM for mutual funds in India is ~6% of GDP which is much lower than developed countries like US, UK or Australia. As financial awareness increases, demand for better inflation protection instruments like mutual funds will see significant demand.

SEBI's move to allow Stock Exchanges to offer trading platform for Mutual Fund has opened out a complete new segment of intermediation and extend reach to 1,500+ locations from the current concentration in 80 cities.

Our Asset Management Business

Our PMS business continued to attract significant investor interest with the total AUM reaching Rs. 9.8 bn as of 31st March, 2010.



A study done by a leading independent mutual fund rating agency on the flagship PMS product – Value has attributed the fund's consistent outperformance to its benchmark to the investment strategy and style adopted by the firm that has aided strong stock selection.

Both the existing as well as new schemes met with significant investor confidence and resulting inflows. PMS products are distributed through captive distribution channels within the Group as well as other national distributors and private banks.

Another milestone in our endeavour to build the asset management business was the final approval received from SEBI to commence Mutual Fund business. The first scheme offer document has been filed with SEBI for approval. A highly skilled and experienced Fund management and distribution team is already on board. It will be our endeavour to build a differentiated mutual fund business in the country.

Our proven track record in fund management and our constant focus to bring innovative products suited to client needs gives us the confidence of building a successful asset management business.

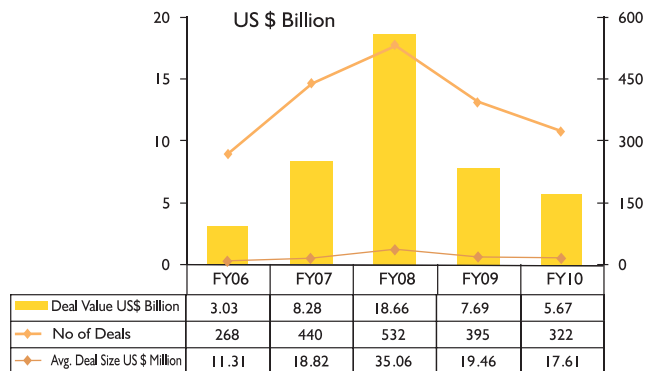
Management Discussion and Analysis

Private Equity

Industry Facts

Private Equity investment had slowed down in FY10 on the backdrop of high valuations and delay in growth plans by companies on account of economic slowdown in FY09.

The trend has significantly improved in Q4 FY10 when PE firms invested ~US \$ 2 billion in 56 deals. This is the highest investment in the last six quarters. This is 19% higher than Q3 FY10 figure when PE firms invested US \$ 1.68 billion across 102 deals.

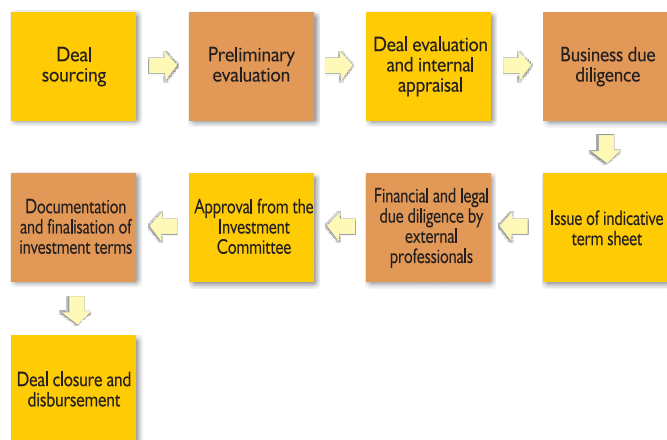


Source: VC Circle

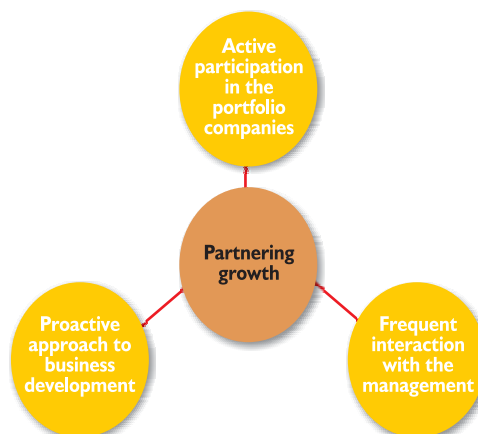
Our Private Equity Business

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

Investment Process



Nurturing Process



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\$ 5 million to US\$ 15 million. The fund has already made investments in ten companies till 31st March, 2010 committing around 61% of the funds.

MOPE was appointed as Investment Manager to India Realty Excellence Fund (IREF), a domestic real estate fund, in FY09. IREF had its final closing in December 2009 at Rs. 1.64 billion. The fund has already made investments across 2 deals till 31st March, 2010, committing 16% of total funds under management. MOPE has been able to build a strong deal pipeline for IREF and is evaluating several investment opportunities.

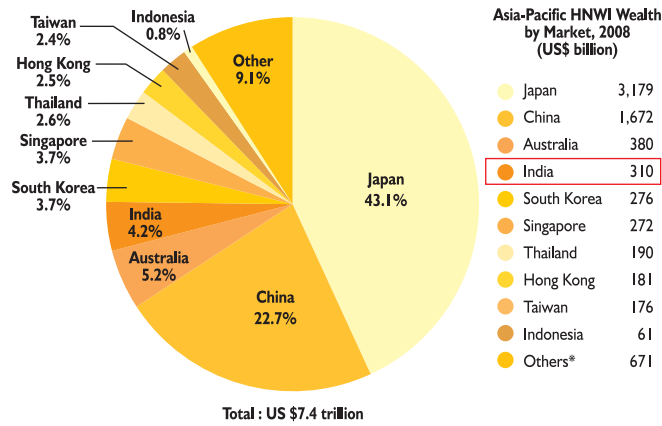
Severe correction in stock prices resulting into expectation mismatches between promoters and fund houses on valuations and delay in growth plans by several companies on account of economic uncertainty resulted in significant slowdown in private equity deal activity throughout the industry in FY10. A need for maintaining "Margin of safety" and rigorous due diligence at deal evaluation stage took precedence over euphoric valuations based on macro themes.

The strong investment culture within the Group of identifying companies with sustainable business models and strong management teams has helped MOPE identify companies which we believe can deliver good returns for our stakeholders. The track record established through successful advisory mandates of these two funds gives us the confidence to grow the private equity business to much bigger scale in the coming years.

Wealth Management

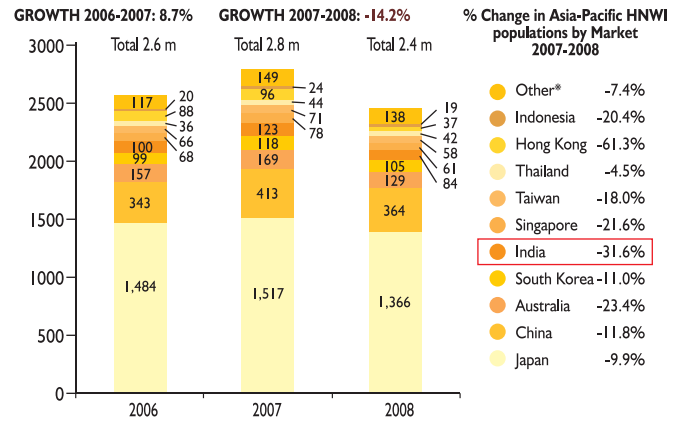
Industry Facts

Distribution of Asia-Pacific HNWI Wealth by Market, 2008



Source: Capgemini Lorenz curve analysis, 2009

Number of Asia-Pacific HNWIs by Market, 2006-2008



Source: Capgemini Lorenz curve analysis, 2009

India's HNWI population shrank 31.6% to 84,000, the second largest percentage decline in the world, after posting the fastest rate of growth (22.7%) in 2007. At the end of 2008, HNWI wealth was down 29.0% to US\$ 310 billion, with the largest losses among those in the \$ 1m - \$ 5m wealth band (-31.6%).

However despite the loss of wealth due to sharp corrections in the markets in 2008, strong GDP growth rate and high savings pool is likely to fuel the growth of the HNWI base in India. India is pitted to stimulate Asia Pacific Region's HNWI Wealth markedly by 2018.

Our Wealth Management Business

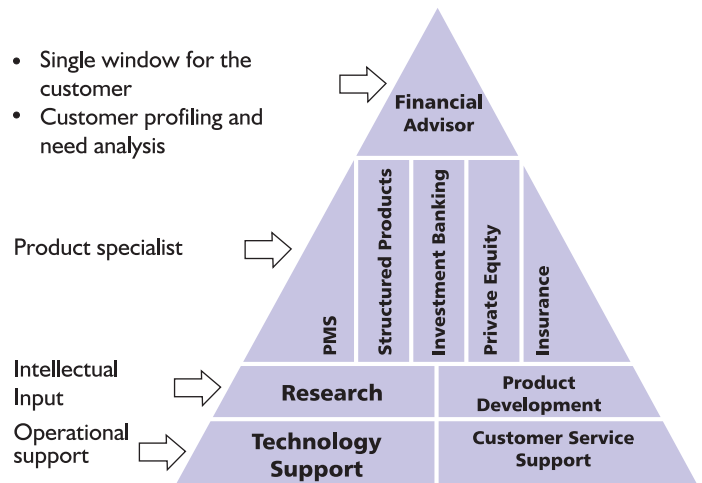
Our Wealth Management platform caters to High Networth and mass affluent clients through a separate offering called "Purple" providing a complete range of financial products best suited to client needs using an advisory model and an asset allocation approach.

A study done by Celent estimates that the players in the unorganized market have approximately 1.5 times the assets under management of the organized sector. This presents both a challenge and an opportunity. With customer needs for products and services getting more sophisticated with growing income levels organized players will drive the consolidation within this industry.

With assets under management of ~Rs. 8 billion and current presence across four cities - Mumbai, Kolkata, Pune and Ahmedabad we believe that our holistic wealth management offering and strong relationship management skills will enable us build a scalable and profitable wealth management business.



Wealth Management
from Motilal Oswal



Management Discussion and Analysis

Opportunities and Threats

Opportunities

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

Threats

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

Our Strengths

Strong Brand name

'Motilal Oswal' is a well-established brand in the Financial Services space. We believe that our brand is associated with high quality research and advice as well as our corporate values like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our businesses, build relationships and attract and retain talented individuals.

Experienced top management

The promoters are qualified chartered accountants with over two decades of experience each in the financial services industry. All businesses are headed by independent CEOs who are qualified and experienced professionals having demonstrated track record in the businesses they lead. 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.

Integrated financial services provider

Our broad range of offerings under Broking and Distribution, Institutional Equities, Asset Management, Wealth Management, Investment Banking, and Private Equity, 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.

Strong Financial Performance

Our knowledge of market cycles have enabled us build a business model that is capable of capturing market opportunities as they arise and yet protect the margins during market downturns. This has been evidenced in FY09 where the EBITDA and PAT margins of the company remained fairly stable despite over 30% drop in revenues. Further, the Company is rightly capitalized resulting in a return on average networth of 20% in FY10, which is one of the highest amongst industry peers.

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. MOSL won 10 awards, highest for any Broking House, across several categories in the Starmine Analyst Awards 2009. MOSL was also highly ranked across various categories in Asia Money Polls 2009.

One of the largest distribution network - 1,397 outlets across 584 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 1,397 business locations operated by our business associates or directly by us in 584 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) to offer online brokerage services to their retail banking clients.

Strong investment culture

We have a successfully track record of managing assets under Portfolio management services business. Strong focus on research and demonstrated ability of picking stocks based on deep understanding of company fundamentals have helped us deliver superior returns for our investors. The strong investment culture within the Group will help build the various other elements of asset management like private equity and mutual fund business.



Management Discussion and Analysis

Strong HR practices

All businesses we operate are driven by intellectual capital and people are the key drivers of building a successful franchise. Over the years we have developed strong HR practices aimed at ensuring that our employees are provided with an enabling environment for growth and higher levels of contribution.

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

The Company has a low gearing ratio as at 31 March, 2010 which augers well to manage market volatilities. During FY10, the CRISIL Limited reaffirmed the rating of 'PI +' the highest rating, for MOFSL short term borrowing programme of Rs. 4 billion. CRISIL Limited has also reaffirmed the rating of 'PI +' to MOSL's short term borrowing programme 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.

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

Particulars	2009-2010	% to Total income	2008-2009	% to Total income	Increase / (Decrease) %
Revenue					
Income from operations	510.94	79.51	557.05	77.12	(8.28)
Other income	131.65	20.49	165.31	22.88	(20.36)
TOTAL	642.59	100.00	722.36	100.00	(11.04)
Expenditure					
Financial Expenses	28.46	4.43	73.18	10.13	(61.11)
Employee cost	15.27	2.38	12.74	1.76	19.86
Other Expenses	25.75	4.01	26.29	3.64	(2.04)
TOTAL	69.49	10.81	112.21	15.53	(38.08)
Profit Before Tax	573.10	89.19	610.15	84.47	(6.07)
Tax - Current Tax & Deferred	149.14	23.21	157.03	21.74	(5.02)
PAT	423.96	65.98	453.12	62.73	(6.44)
Earnings per share (Basic) Rs.	2.97		3.19		(6.87)
Earnings per share (diluted) Rs.	2.97		3.19		(6.97)

Management Discussion and Analysis

Though the financial position of MOFSL continues to remain strong, during the year under review, there was a marginal fall in revenues by 11.04% from Rs. 722.36 million in 2008-09 to Rs. 642.59 million in 2009-10. This has been due to the overall fall in the interest rates in the markets in the year. Your company continues to hold its product portfolio in respect of its products such as loans against shares, corporate financing, arbitrage etc. The yields on the margin funding book and the arbitrage business in the current year compared to the previous year have also been relatively lesser. Also, the yields on surplus treasury funds invested have decreased compared to the previous year.

The decrease in income was partly balanced by a decrease in finance costs. During the year finance cost decreased from Rs. 73.18 million in 2008-09 to Rs. 28.46 million in 2009-10 primarily on account of decrease in interest rates and capitalization of finance cost to the extent related/attributed to the acquisition/construction of Building Project. Other costs decreased marginally by 2.04% from Rs. 26.29 million in 2008-09 to Rs. 25.75 million in 2009-10.

Profit before tax (PBT) was down by 6.07% from Rs. 610.15 million in 2008-09 to Rs. 573.10 million in 2009-10. Profit after tax (PAT) was down by 6.44%, from Rs. 453.12 million in 2008-09 to Rs. 423.96 million in 2009-10. Consequently, basic earnings per share (face value Re. 1) decreased from Rs. 3.19 in 2008-09 to Rs. 2.97 in 2009-2010.

As at March 31, 2010, investments principally consisted of long-term investments, totalling Rs. 582.36 million. Investments have increased by Rs. 268.85 million from March 31, 2009, primarily on account of higher deployment in other investments based on commitments given and acquisition of further stake in subsidiary Company MOIAPL.

Current assets mainly comprised of stock in trade, cash and bank balances and other current assets. As at March 31, 2010, cash and bank balances were Rs. 250.61 million, of which Rs. 5 million was in fixed deposits with banks.

Loans and Advances increase from Rs. 2,066.50 million as at March 31, 2009 to Rs. 2,966.90 million as at March 31, 2010, on account of increase in loans and funds deployed in arbitrage business as at the year end.

Current liabilities and Provisions principally consist of liability in respect of provision for expenses & tax deduction at source. It increased from Rs. 385.96 million as at March 31, 2009 to Rs. 571.10 million as at March 31, 2010, predominantly due to provision for taxes.

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

Particulars	2009-2010	% to Total income	2008-2009	% to Total income	Increase / (Decrease) %
Revenue					
Income from operations	6,250.10	96.85	4,592.76	98.53	36.09
Other income	203.14	3.15	68.47	1.47	196.68
TOTAL	6,453.25	100.00	4,661.23	100.00	38.45
Expenditure					
Operating Exp.	1,629.65	25.25	970.48	20.82	67.92
Financial Expenses	96.24	1.49	178.40	3.83	(46.05)
Employee cost	1,366.57	21.18	1,203.13	25.81	13.59
Depreciation	141.89	2.20	202.71	4.35	(30.01)
Administrative & other Expenses	687.18	10.65	680.72	14.60	0.95
TOTAL	3,921.53	60.77	3,235.43	69.41	21.21
Profit Before Tax, Exceptional Items	2,531.72	39.23	1,425.80	30.59	77.57
Exceptional Items -Income/(Exp.)	0.57	0.01	(30.00)	(0.64)	(101.89)
Profit Before Tax	2,532.28	39.24	1,395.80	29.94	81.42
Current Tax	802.06	12.43	491.26	10.54	63.27
Deferred Tax (Income)/Exp	(17.90)	(0.28)	(25.09)	(0.54)	(28.65)
Tax - Earlier years	3.92	0.06	(4.68)	(0.10)	(183.60)
Profit After Tax	1,744.21	27.03	934.31	20.04	86.68
Earnings per share (Basic) Rs.	11.91		6.31		88.80
Earnings per share (diluted) Rs.	11.90		6.31		88.61



Management Discussion and Analysis

Due to improved market conditions, the consolidated financial profitability of MOFSL has increased substantially. During 2009-10, MOFSL recorded 38.45% jump in total revenues from Rs. 4,661.23 million in 2008-09 to Rs. 6453.25 million in 2009-10. The increase in income was partly offset by an increase in operating expenditure from 20.82% of total revenues in 2008-09 to 25.25% of the total revenues in 2009-10.

Borrowing during the year have increased compared to last year. Total borrowings outstanding increased from Rs. 0.52 million as on 31 March, 2009 to Rs. 1083.16 million as on 31 March, 2010. However during the year finance cost decreased from Rs. 178.40 million in 2001-09 to Rs. 96.24 million in 2009-10 primarily on account of decrease in interest rates and capitalisation of finance cost to the extent related / attributed to the acquisition / construction of Building Project.

Employee costs increased 13.59% from Rs. 1203.13 million in 2008-09 to Rs. 1366.57 million in 2009-10 mainly on account of general increase in salaries and benefits. While in absolute terms this looks high, as a percentage of total income, there was a decrease from 25.81% in 2008-09 to 21.18% in 2009-10.

The Company recorded 81.42% growth in profit before tax (PBT), which grew from Rs. 1,395.80 million in 2008-09 to Rs. 2532.28 million in 2009-10. Profit after tax (PAT) grew 86.68% from Rs. 934.31 million in 2008-09 to Rs. 1744.21 million in 2009-10. Consequently, basic earnings per share increased from Rs. 6.31 during 2008-09 to Rs. 11.91 during 2009-2010.

As at March 31, 2010, investments principally consisted of Long-term investments, totalling Rs. 514.09. million. Investments have increased by Rs. 21.67 million from March 31, 2009, 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 March 31, 2010, cash and bank balances were Rs. 4333.49 million, of which Rs. 3085.04 million was in fixed deposits.

Loans and Advances increased from Rs. 4,124.09 million as at March 31, 2009 to Rs. 4,933.26 million as at March 31, 2010, mainly on account of increase in loans and funds deployed in arbitrage business as at the year end.

Current liabilities principally consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf we undertake trades as well as amounts payable to exchanges. It increased from 4,255.25 million to 5396.06 million as at 31st March, 2010. Provisions include provisions for provision for taxation and provision for proposed dividend which increased from 1,899.00 million to 2400.88 million.

Table 3 :

Performance of subsidiaries (Rs. in million unless indicated otherwise)

Motilal Oswal Securities Limited (MOSL)

Particulars Rs. million	FY10	FY09	Growth (YoY)
	As on March 31, 2010	As on March 31, 2009	
Total Revenues	5,159	3,551	45%
EBIDTA	1,927	977	97%
PBT before Exceptional Item	1,722	675	155%
PAT before Exceptional Item	1,192	454	162%

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

Particulars Rs. million	FY10	FY09	Growth (YoY)
	As on March 31, 2010	As on March 31, 2009	
Total Revenues	154	107	45%
EBIDTA	39	23	72%
PBT	37	21	80%
PAT	25	13	91%

Motilal Oswal Investment Advisors Pvt. Ltd. (MOIAPL)

Particulars Rs. million	FY10	FY09	Growth (YoY)
	As on March 31, 2010	As on March 31, 2009	
Total Revenues	655	468	40%
EBIDTA	328	221	48%
PBT	326	220	48%
PAT	217	149	45%

Management Discussion and Analysis

Motilal Oswal Commodities Broker Pvt. Limited (MOCBPL)

Particulars Rs. million	FY10	FY09	Growth (YoY)
	As on March 31, 2010	As on March 31, 2009	
Total Revenues	64	50	29%
EBIDTA	19	14	34%
PBT	17	11	60%
PAT	13	7	100%

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

(Rs. Million)

Particulars	Year Ended	
	31.03.2010	31.03.2009
I. Segment Revenue		
(a) Equity Broking & Other related activities	5,012.99	3,517.43
(b) Financing and Other activities	558.96	608.74
(c) Investment Banking	650.28	452.32
(d) Unallocated	379.75	213.37
TOTAL	6,601.98	4,791.86
Less: Inter Segment Revenue	148.73	130.63
Income From Operations, Other Operating Income and Other Income	6,454.25	4,661.23
2. Segment Results Profit / (Loss) before tax and interest from Each segment)		
(a) Equity Broking & Other related activities	1,645.03	746.32
(b) Financing and Other activities	489.48	496.53
(c) Investment Banking	321.68	204.39
(d) Unallocated	147.21	88.09
TOTAL	2,603.40	1,535.33
Less: Interest	71.68	109.51
Profit/Loss from Ordinary Activities before Tax	2,531.72	1,425.82
3. Capital Employed (Segment assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	4,787.87	3,161.18
(b) Financing and Other activities	4,941.67	4,465.17
(c) Investment Banking	79.92	227.72
(d) Unallocated	(308.66)	125.08
TOTAL	9,500.79	7,979.15



Management Discussion and Analysis

Human Resources

A wide variety of initiatives were launched during the year to strengthen connect with employees. Employee health camps were organized Pan India where blood tests, BP and BMI tests, health talks were conducted. Yoga sessions were started in the office premises, twice a week. Team bonding events such as cricket, table tennis and carom tournaments were organized on a large scale. Further all major occasions like Holi, Diwali and Christmas were celebrated across the Group. Our employee newsletter "The Insider" covering organizational news, individual employee achievements, travelogues, fun sections, etc. enables employees keep abreast with the developments within the Group.

An important initiative undertaken during the year was the addition of counselling services for our Pan India employees through partnership with ICAS India for an Employee Assistance Programme called Wellness and Wellbeing. The service aims at addressing the employees' emotional needs and assists them to stay emotionally and mentally stress-free and healthy.

As part of our continuous effort to reward superior employee performance, employee awards are given out across various categories during our Foundation Day function. The process of choice of employee is well evolved and democratic one that gives each department a platform to recognize high performers in other teams too.

We conducted over 263 trainings sessions covering over 3,800 participants on various subjects like effective communication skills, advanced excel, basics of stock market, green belt trainings etc.

Setting a goal is the first step to achieving it. We ensured that a detailed goal setting exercise was conducted well before the start of the next appraisal cycle and almost 95% of employees completed their goal setting process through the online HR portal. Comprehensive performance management training was conducted across the company to ensure that a standardized and structured performance appraisal was conducted.

The entire team for the newly set up asset management business was built during the year with infusion of new talent from well established companies. We believe that the trust and strong brand name of the Group will enable us position ourselves as employer of choice for attracting new talent.

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

Corporate Governance Philosophy

The Company believes that good corporate governance consists of a combination of business practices which result in enhancement of the value of the Company to its shareholders and simultaneously enable the Company to fulfil its obligations to other stakeholders such as customers, employees and financiers, and to the society in general. The Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environmental consciousness. The Company makes its best efforts to uphold and nurture these core values in all aspects of its operations.

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

Board of Directors

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, Joint Managing Director is also the Joint Managing Director in MOSL and Mr. Navin Agarwal, the Non-Executive Directors of your Company is 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 judgment would affect their independence. There are no inter-se relationships amongst our Board of Directors.

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

Number of Board Meetings

The Board of Directors met five times during the year ended 31st March, 2010, on 4th April, 2009, 11th May, 2009, 13th July, 2009, 14th October, 2009 and 8th January, 2010. 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, 2010, the Company's Board comprised of six members. Mr. Motilal Oswal, Chairman of the Board is the Managing Director of the Company, Mr. Raamdeo Agrawal was appointed the Joint Managing Director of the Company during the financial year and four other members are Non-Executive Directors. The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting (AGM) of the Company which was held on 1st August, 2009, 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)	5	5	Yes	9	1	–
Mr. Raamdeo Agrawal	Joint Managing Director (Promoter)	5	5	Yes	9	2	–
Mr. Navin Agarwal	Non-independent Non-executive	5	5	Yes	3	–	–
Mr. Ramesh Agarwal	Independent	5	5	Yes	2	1	–
Mr. Madhav Bhatkuly	Independent	5	5	Yes	2	1	–
Mr. Balkumar Agarwal	Independent	5	4	Yes	3	3	3

\$ 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.

\$\$ 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. Navin Agarwal, the Non-independent Non-Executive Director of the Company.

During 2009-2010, the Company did not advance any loans to any of its Directors.

Corporate Governance

Details of the sitting fees & Commission paid to the Non-Executive Directors during the year ended 31st March, 2010: -

Name of the Directors	Category	Sitting Fees (Rs.)	Commission (Rs.)
Mr. Navin Agarwal	Non-independent Non-executive	Nil	Nil
Mr. Ramesh Agarwal	Independent	170000	400000
Mr. Madhav Bhatkuly	Independent	140000	400000
Mr. Balkumar Agarwal	Independent	150000	400000

No Stock Option was granted to the Directors during the year ended 31st March, 2010.

Remuneration to the Chairman & Managing Director and the Joint 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.

No remuneration is paid to Mr. Raamdeo Agrawal, Joint Managing Director. Mr. Agrawal is also designated as the Joint Managing Director of Motilal Oswal Securities Ltd. (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, 2010.

Name of the Directors	Category	Number of Equity Shares of Re. 1 each held
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. 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, 2010.

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, 2010, the Audit Committee comprised of one Executive Director and three Non-Executive Directors, of which three are Independent. The Committee comprises:-

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

The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory Auditors and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review, *inter alia*, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, Material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C. 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 11th May, 2009, 13th July, 2009, 14th October, 2009 and 8th January, 2010.. 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	Executive	Member	4	4
Mr. Madhav Bhatkuly	Independent	Member	4	4

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, 2010, 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 Employees' Stock Option Schemes.

Corporate Governance

The Committee met three times during the year under review on 11th May, 2009, 13th July, 2009 and 14th October, 2009. 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, Joint Managing Director

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

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

Details of queries and grievances received and attended to by the Company during the year 2009-10 are given herein below:-

S. No.	Nature of complaint	Pending as on 1st April, 2009	Received during the year	Pending as on 31st March, 2010
i.	SEBI / Stock Exchange Complaints	Nil	2	Nil
ii.	Non-receipt of Dividend warrant	Nil	16	Nil
iii.	Non-receipt of Annual Report	Nil	1	Nil
iv.	Others	Nil	4	Nil
	TOTAL	Nil	23	Nil

iv. Nomination Committee

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

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

v. Risk Management Committee

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

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

Subsidiary Companies

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



Management

Management Discussion and Analysis

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

Disclosures:

- i) There have been no materially significant transactions, pecuniary transactions or relationships between the Company and Directors, management, subsidiaries or related parties except those disclosed in the financial statements for the year ended 31st March, 2010. Further the details of the Related Party Transactions are presented in the Notes to Accounts.
- ii) The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.
- iii) The Company has complied with the mandatory requirements of Clause 49 of the listing agreement with the Stock Exchanges.
- iv) The Company has complied with the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement: -
 - a) The Company has set up a Remuneration/Compensation Committee long before it got listed. Please see the para on Remuneration/Compensation Committee for details.
 - b) The financial statements of the Company are unqualified.

Disclosure of Accounting Treatment in Preparation of Financial Statements

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

Code for Prevention of Insider-Trading Practices

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

Shareholders

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.

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

I. Details of Mr. Navin Agarwal seeking re-appointment at the forthcoming Annual General Meeting

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

Corporate Governance

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

2. Details of Mr. Balkumar Agarwal seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. Balkumar Agarwal
Date of Birth	23rd August, 1942
Date of Appointment on the Board	17th February, 2007
Expertise in specific functional area	Administrative State Affairs
Qualifications	Retired I.A.S., B.Com., LL.B.
Directorships in Limited Companies	i) Motilal Oswal Financial Services Limited ii) Dwarkesh Sugar Industries Limited iii) Sidhesh Capital Markets Limited

Membership of Committees in Public Limited Companies

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

Mr. Balkumar Agarwal is a Commerce and Law Graduate from the University of Pune and is a retired officer of Indian Administrative Service of 1967 batch. He has held the post of Managing Director, Maharashtra State Warehousing Corporation from 1974 to 1977, the Managing Director of the Maharashtra Cooperative Cotton Growers Federation from 1984 to 1989 and as the Managing Director of Maharashtra State Financial Corporation from 1996 to 1999. Mr. Balkumar Agarwal has also held the position of Secretary (Housing), Secretary (Transport) and Secretary (Industries) to the Government of Maharashtra in the past. He was the Government of Maharashtra's Nominee as the Director of the Bombay Stock Exchange from 1994 to 1995. He retired in 2002 as Additional Chief Secretary, Government of Maharashtra. Presently he is associated with "Salam Bombay Foundation" whose aim is to make the younger generation aware of the harmful consequences of tobacco abuse.

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 are given herein below:-

- 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.
- The Fourth Annual General Meeting of the Company was held on Saturday 1st August, 2009 at 1.30 p.m. at Indian Education Society's Manik Sabhagriha, 'Vishwakarma' M.D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Bandra (West), Mumbai - 400 050.



Year	Date	Time	Special Resolutions 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.
2009	1st August, 2009	1.30 p.m.	1. Issue of 989066 Equity Shares of Re. 1 each at a premium of Rs.137.74 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity Shares of Motilal Oswal Investment Advisors Pvt. Ltd.

No resolution is proposed to be passed through Postal Ballot.

General Shareholder Information

(i) Details of the 5th Annual General Meeting of the Company:-

Date : 24th July, 2010

Time : 10.00 a.m.

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

(ii) Financial year of the Company

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

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

Financial reporting for the	Tentative dates of the Board Meeting
first quarter ending 30th June, 2010	Second fortnight of July 2010
half year ending 30th September, 2010	First fortnight of October 2010
third quarter ending 31st December, 2010	First fortnight of January 2011
year ending 31st March, 2011	Second fortnight of April 2011

- Annual General Meeting for the year ending 31st March, 2011 is likely to be held in the first fortnight of July 2011.

(iii) Date of Book Closure

From 16th July, 2010 to 24th July, 2010, inclusive of both days.

(iv) Dividend Payment Date

Subject to the approval of the members, the dividend of Rs. 1.20 per share recommended by the Board will be paid on or after 27th July, 2010.

(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 2010-2011 have been paid in full to BSE and NSE.

Corporate Governance

(vi) Stock Code/ISIN No.

BSE : 532892

NSE : MOTILALOFS

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

(vii) Market Price Data

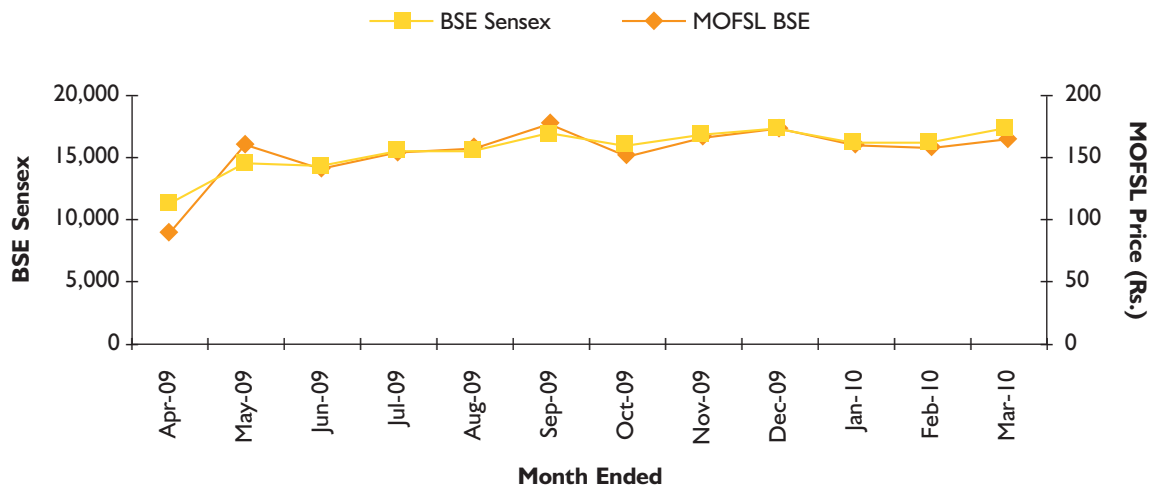
High, low during each month in the last financial year at BSE and NSE:-

Month	BSE Rs.		NSE Rs.	
	High	Low	High	Low
April 2009	102.90	74.25	102.90	76.20
May 2009	174.55	88.95	178.30	89.00
June 2009	189.70	122.10	190.80	122.40
July 2009	158.60	125.00	158.40	136.15
August 2009	160.90	133.50	160.90	131.25
September 2009	183.90	146.00	184.70	146.00
October 2009	187.50	149.50	196.30	149.00
November 2009	176.00	144.95	173.75	145.40
December 2009	180.00	160.00	181.00	159.00
January 2010	186.00	158.05	184.90	157.55
February 2010	174.00	153.00	173.50	152.95
March 2010	180.80	152.00	179.85	155.75

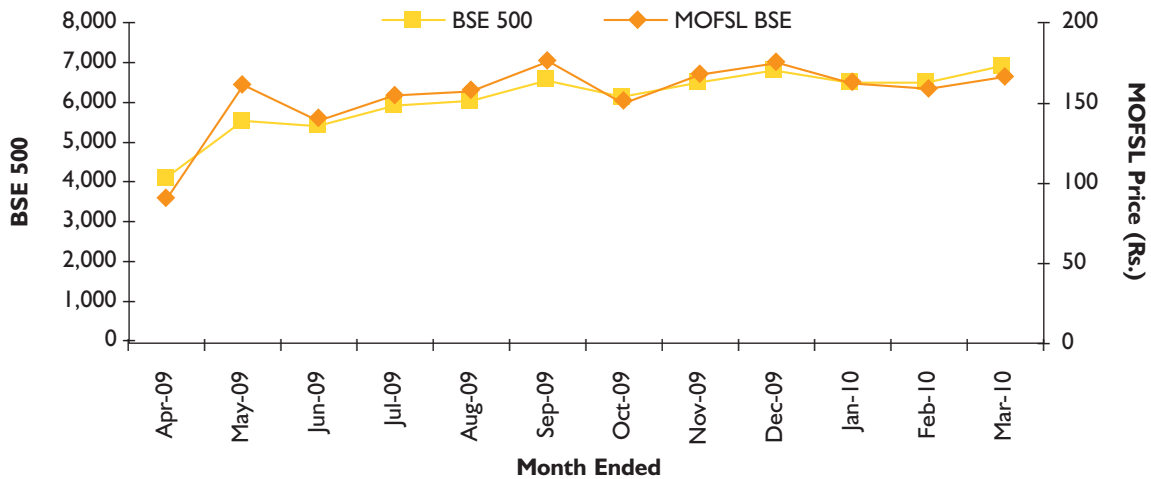
(viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.:

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:-

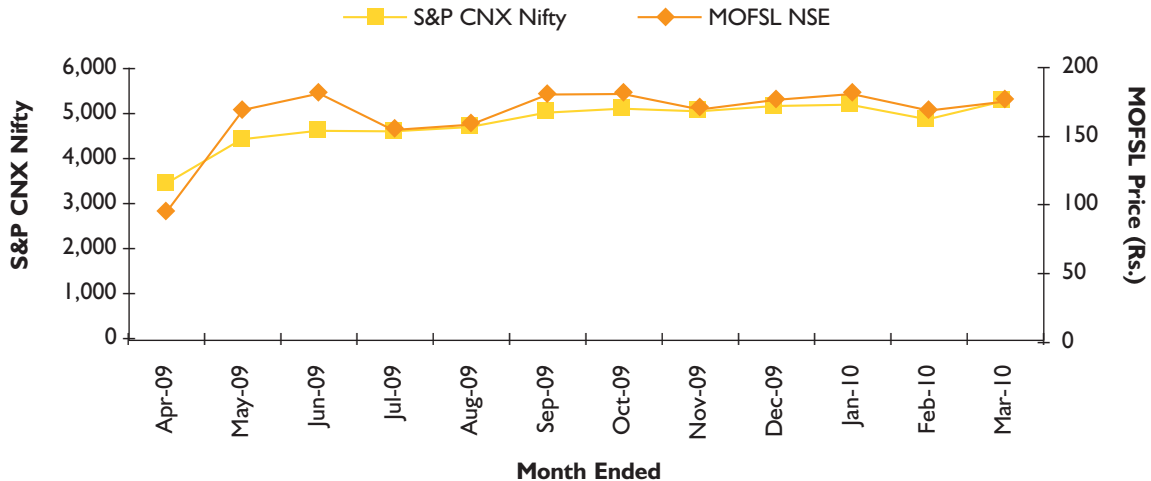
MOFSL Share performance versus BSE Sensex



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 Website: www.linkintime.co.in

The Registrars and Transfer Agent also has 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 4127 Fax: 2269 4127.

(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. Samrat Sanyal and Mr. Shalibhadra Shah are severally authorised to approve transfers of upto 50,000 equity shares per transfer, provided that the transferee does not hold 5,00,000 or more equity shares. The Shareholders/Investors Grievance Committee meets as and when required to consider the other transfer, transmission of shares etc. and attend to shareholder grievances.

Corporate Governance

(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, 2010.

Shareholding pattern by size as on 31st March, 2010: -

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 - 500	15573	1388823	0.97
501 - 1000	270	211249	0.15
1001 - 2000	142	198454	0.14
2001 - 3000	69	175913	0.12
3001 - 4000	34	121460	0.08
4001 - 5000	29	140242	0.10
5001 - 10000	49	365267	0.26
10001 & Above	118	140570808	98.18
TOTAL	16284	143172216	100.00

Shareholding pattern by ownership class as on 31st March, 2010: -

Sr. No.	Description	Number of Shares (as at 31st March, 2010)	% to capital
(i)	Promoters & promoter group	9,99,04,200	69.78
(ii)	Mutual Funds	14513473	10.14
(iii)	Foreign Institutional Investors / Foreign Companies/Foreign Venture Capital	2340826	1.64
(iv)	NRI/OCBs	9300434	6.50
(v)	Bodies Corporate	364354	0.25
(vi)	Public	16748929	11.69
	TOTAL	143172216	100.00

(xii) Dematerialisation of Shares

As on 31st March, 2010, 98.99% 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 and post preferential issue 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, 2010, the Company did not have any outstanding GDRs / ADRs / Warrants or any Convertible instruments (excluding ESOPs).

(xiv) Plant Locations

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

(xv) Address for Correspondence

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

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

Motilal Oswal Financial Services Limited

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

Tel.: +91-22-3080 1000 Fax: +91-22-2844 9044

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, 27th April, 2010.

Auditors' Certificate on Corporate Governance

To

The Members of Motilal Oswal Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by Motilal Oswal Financial Services Limited for the year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For and on behalf of

HARIBHAKTI & CO.

Chartered Accountants

FRN No. 103523W

Rakesh Rathi

Partner

Membership No. 045228

Place: Mumbai

Dated: 27th April, 2010.



To The Members of The Motilal Oswal Financial Services Limited

We have audited the attached Balance Sheet of **MOTILAL OSWAL FINANCIAL SERVICES LIMITED** ("the Company") as at 31st March, 2010, 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, 2010 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, 2010 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 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 case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - ii. in case of Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountant
FRN No. 103523W

Rakesh Rathi
Partner
Membership No. 045228

Place: Mumbai
Date: 27th April, 2010

Annexure to Auditors' 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, 2010

- 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 seven Subsidiary Companies listed in the register maintained under Section 301 of Companies Act, 1956. The maximum amount involved during the year is Rs. 39.74 crores and the year-end balance of loan obtained from such parties was Rs. 4.34 crores.
- 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 explanations 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 and sale of fixed asset and inventory (securities). 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 explanations 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 explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of rupees 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) of the Companies (Auditor's Report) Order, 2003 (as amended) in respect of maintenance of Cost records is not applicable to Company.
- 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, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities as applicable.
- 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, Sales Tax, Wealth Tax, Income Tax, Custom Duty, Excise Duty, Service Tax, Cess and other

Annexure to Auditors' Report

statutory dues which are outstanding as at March 31, 2010 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 disputed amounts payable in respect of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess as on March 31, 2010.
- x) There are no accumulated losses as at March 31, 2010. The Company has not incurred any cash losses during the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations 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) of the Companies (Auditor's report) Order, 2003 (as amended) is not applicable to Company.
- xiv) Based on our audit procedures and according to the information and explanations 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 corporate guarantees of Rs. 392,000,000 to various banks for two of its subsidiary companies for margin requirement with Stock Exchange, from banks or financial institutions, the terms and conditions thereof, in our opinion, are not prejudicial to the interest of the Company.
- xvi) The Company did not have any term loan outstanding during the year.
- 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 585 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
FRN No. 103523W

Rakesh Rathi
Partner
Membership No. 045228

Place: Mumbai
Date: 27th April, 2010

Balance Sheet

Balance Sheet as at 31st March, 2010

	Schedule No.	As at 31-Mar-10 (Rupees in '000)	As at 31-Mar-09 (Rupees in '000)
I SOURCES OF FUNDS			
Share Holders' Fund :			
Share Capital	A	143,172.22	142,020.00
ESOP Outstanding		532.23	252.71
Reserves and Surplus	B	4,591,149.21	4,191,625.87
Loan Funds :			
Unsecured Loans	C	593,209.20	—
Deferred Tax Liability		11,535.03	—
TOTAL SOURCES OF FUND		5,339,597.89	4,333,898.58
II APPLICATION OF FUNDS			
Fixed Assets (At Cost) :			
Gross Block		158,411.89	81.75
Less:- Depreciation		52.21	32.52
Net Block	D	158,359.68	49.23
Capital Work-in-Progress		874,789.93	—
		1,033,149.61	49.23
Investments	E	582,359.42	313,511.65
Deferred Tax Asset		—	174.25
Current Assets, Loans and Advances :			
Stock in Trade	F	1,077,642.51	327,213.68
Other Assets	G	40.69	78.86
Cash and bank balances	H	250,608.03	2,012,328.60
Loans & Advances	I	2,966,898.43	2,066,499.75
	(i)	4,295,189.66	4,406,120.89
Current Liabilities and Provisions :			
Current Liabilities	J	25,632.37	9,809.87
Provision	K	545,468.43	376,147.57
	(ii)	571,100.80	385,957.44
Net Current Assets	(i)-(ii)	3,724,088.86	4,020,163.45
TOTAL APPLICATIONS OF FUND		5,339,597.89	4,333,898.58
Significant Accounting Policies & Notes to Accounts	R		
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

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2010



Profit and Loss Account

Profit and Loss Account for the year ended 31st March, 2010

	Schedule No.	For the Year ended 31-Mar-10 (Rupees in '000)	For the Year ended 31-Mar-09 (Rupees in '000)
INCOME			
Income from operations	L	510,935.25	571,905.37
Other Income	M	131,650.59	150,457.35
TOTAL		642,585.84	722,362.72
EXPENDITURE			
Operating Expenses	N	777.38	1,220.96
Personnel Expenses	O	15,274.91	12,744.46
Administrative & Other Expenses	P	24,954.40	25,037.82
TOTAL		41,006.70	39,003.24
Profit before Depreciation, Interest & Taxation		601,579.14	683,359.47
Depreciation		19.69	28.94
Profit before Interest & Taxation		601,559.45	683,330.54
Interest and Finance Charges	Q	28,459.09	73,180.36
Profit before Tax		573,100.37	610,150.18
Provision for Tax			
Current Tax		137,435.03	156,763.56
Fringe Benefit Tax		–	221.00
Deferred Tax		11,709.27	49.13
		149,144.30	157,033.69
Profit after Tax		423,956.07	453,116.49
Balance brought forward from Previous year		224,131.09	16,600.19
Profit available for Appropriations		648,087.16	469,716.68
Appropriations			
Transfer to Statutory Reserve for the year		(84,791.21)	(90,623.30)
Dividend - Rs. 1.20 per share (PY 0.80 per share) - Proposed		(171,806.66)	(113,616.00)
Provision for Dividend Distribution Tax		(6,268.83)	(5,096.97)
Transfer to General Reserve		(33,916.49)	(36,249.32)
Balance Carried to Balance Sheet		351,303.97	224,131.09
Earnings per share (Rs.)			
Basic Earnings per share (Face Value of share Re. 1 each)		2.97	3.19
Diluted Earnings per share (Face Value of share Re. 1 each)		2.97	3.19
Significant Accounting Policies & Notes to Accounts	R		
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

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2010

Cash Flow

Cash Flow Statement for the year ended 31st March, 2010

Particulars	For the year ended 31st March, 2010 (Rupees in '000)	For the year ended 31st March, 2009 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	573,100.37	610,150.18
Add :		
1) Stock Option	279.52	252.71
2) Depreciation	19.69	28.94
	299.21	281.65
Operating Profit	573,399.58	610,431.83
Adjustment for working capital changes		
1) (Increase)/Decrease in Stock-in-trade	(750,428.82)	(310,909.14)
2) (Increase)/Decrease in Loans & Advances	(763,914.55)	907,085.01
3) Provision for Gratuity	186.03	92.03
4) (Increase)/Decrease in Interest Accrued / Other Current Assets	38.18	(34.82)
5) Increase in Current Liabilities	15,822.50	1,616.69
	(1,498,296.66)	597,849.77
Cash Generated / (used) in Operations	(924,897.08)	1,208,281.60
Taxes Paid	(164,146.85)	(133,461.06)
Net Cash Flow from Operating Activities	(1,089,043.93)	1,074,820.54
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Investments	(268,847.77)	(139,517.11)
(Increase)/Decrease in Fixed Assets	(1,033,120.06)	(27.25)
Net Cash Flow from Investing Activities	(1,301,967.83)	(139,544.36)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Share capital	1,152.22	—
Increase/(Decrease) in Securities Premium Account	153,642.76	—
Increase/(Decrease) in Borrowing	593,209.20	—
Dividend paid	(118,712.97)	(113,616.00)
Net Cash Flow from Financing Activities	629,291.21	(113,616.00)
Net Cash Flow for the year ended	(1,761,720.55)	821,660.18
Cash & Cash Equivalents as at beginning of period :		
Cash in hand	1.84	1.84
Scheduled Bank - In Current Account	2,001,056.40	4,514.59
Fixed Deposit with Banks (lien with stock exchange)	11,152.00	6,152.00
Scheduled Bank - Unpaid Dividend Account	118.37	—
Cash Equivalents (Mutual Fund Investment) as at beginning of period	—	1,180,000.00
Total Cash & Cash Equivalents as at beginning of period	2,012,328.61	1,190,668.43
Cash & Cash Equivalents as at end of period :		
Cash in hand	—	1.84
Scheduled Bank - In Current Account	245,476.95	2,001,056.40
Fixed Deposit with Banks (lien with stock exchange)	5,000.00	11,152.00
Scheduled Bank - Unpaid Dividend Account	131.09	118.37
Total Cash & Cash Equivalents as at end of period	250,608.04	2,012,328.61

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

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2010



Schedules to Balance Sheet as at 31st March, 2010

Schedule A : Share Capital

Authorised

870,000,000 Equity Shares of Re. 1 each

50,00,000 Preference Shares of Rs. 100 each

TOTAL

Issued, Subscribed & Paid-Up

143,172,216 Equity Shares of Re.1 /- each fully paid-up

(PY 142,020,000 Equity Shares of Re. 1/- each fully paid-up)

[Includes allotment of 9,89,066 Equity Shares for consideration other than cash (Previous year - NIL Equity Shares)]

TOTAL

As at
31-Mar-10
(Rupees in '000)

As at
31-Mar-09
(Rupees in '000)

870,000.00

870,000.00

500,000.00

500,000.00

1,370,000.00

1,370,000.00

143,172.22

142,020.00

143,172.22

142,020.00

Schedule B : Reserves & Surplus

Statutory Reserve (under Sec. 45IC of RBI Act, 1934)

Opening balance

127,105.82

Add : Transfer from Profit & Loss A/c for the year

84,791.21

211,897.04

127,105.82

Securities Premium Account

Opening balance

3,790,306.27

Addition during the period

153,642.76

3,943,949.03

3,790,306.27

Capital Redemption Reserve

1.03

1.03

Profit & Loss Account

351,303.97

224,131.09

General Reserve

Opening balance

50,081.67

Addition during the year

33,916.49

83,998.15

50,081.67

TOTAL

4,591,149.21

4,191,625.88

Schedule C : Unsecured Loans

Commercial Paper

600,000.00

Less: Discount not written off

6,790.80

593,209.20

-

Maximum outstanding during the year Rs. 1,000,000 (in thousands)

(Previous Year Rs. 2,000,000 in thousands)

TOTAL

593,209.20

-

Schedule D : Fixed Assets

(Rupees in '000)

No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 01.04.09	Addition	Deduction	As on 31.03.10	As on 01.04.09	For the Year ended 31.03.10	Deduction	As on 31.03.10	As on 31.03.10	As on 31.03.09
1	Computer	81.75	-	-	81.75	32.52	19.69	-	52.21	29.54	49.23
2	Land	-	158,330.14	-	158,330.14	-	-	-	-	158,330.14	-
	TOTAL	81.75	158,330.14	-	158,411.89	32.52	19.69	-	52.21	158,359.68	49.23
	Previous Year	54.50	27.25	-	81.75	3.58	28.94	-	32.52	49.23	-

Schedules

Schedules to Balance Sheet as at 31st March, 2010

	Face Value	31-Mar-10 Quantity	31-Mar-09 Quantity	As at 31-Mar-10 (Rupees in '000)	As at 31-Mar-09 (Rupees in '000)
Schedule E : Investments					
Long Term Investments - Non-trade					
I. Investment in Equity Shares					
A. Quoted Investments					
IDFC Ltd. (market value as on 31-03-10 is Rs. Nil previous year Rs. 7,406 in thousands)	10	–	136,649	–	6,312.36
B. Unquoted Investments					
Subsidiary Company					
Motilal Oswal Securities Ltd.	10	1,318,218	1,318,218	13,182.18	13,182.18
Motilal Oswal Commodities Brokers Pvt. Ltd.	10	400,000	400,000	4,000.00	4,000.00
Motilal Oswal Investment Advisors Pvt. Ltd.	10	812,500	750,000	144,723.02	7,500.00
Motilal Oswal Private Equity Advisors Pvt. Ltd.	10	50,000	50,000	500.00	500.00
Motilal Oswal Insurance Brokers Pvt. Ltd.	10	990,000	–	9,900.00	–
				172,305.20	31,494.54
II. Investments in Preference Shares					
Motilal Oswal Commodities Brokers Pvt. Ltd.	10	600,000	600,000	6,000.00	6,000.00
III. Other Investments					
India Business Excellence Fund	1,000,000	337.50	225	337,500.00	225,000.00
India Reality Excellence Fund	500,000	75	30	37,500.00	15,000.00
Share application pending allotment in respect of Motilal Oswal Insurance Brokers Pvt. Ltd.				–	6,000.00
Investment in property				29,054.22	30,017.11
TOTAL				582,359.42	313,511.65

	As at 31-Mar-10 (Rupees in '000)	As at 31-Mar-09 (Rupees in '000)
Schedule G : Other Assets		
Accrued Interest on Fixed Deposit Receipt	40.69	78.86
TOTAL	40.69	78.86

Schedule H : Cash & Bank Balance

	As at 31-Mar-10 (Rupees in '000)	As at 31-Mar-09 (Rupees in '000)
Cash in hand	–	1.84
Balance With :		
Scheduled Bank - In Current Account	245,476.95	2,001,056.39
Fixed Deposit with Banks	5,000.00	11,152.00
Scheduled Bank - Unpaid Dividend Account	131.09	118.37
TOTAL	250,608.03	2,012,328.60



Schedules to Balance Sheet as at 31st March, 2010

	As at 31-Mar-10 (Rupees in '000)	As at 31-Mar-09 (Rupees in '000)
Schedule I : Loans and Advances		
Loans, Advances & Deposits Recoverable in Cash or In Kind or for Value to be received	13,623.52	13,314.87
Standard Assets		
Loans to Subsidiary	43,443.86	588.11
Loans to Others		
Unsecured (includes interest accrued on loans)	103,168.92	
Secured (includes interest accrued on loans)	1,507,473.11	1,464,085.70
Sub-Standard Assets		
Non Performing Assesets (Debts outstanding for a period exceeding Six months)	13,919.89	
Less: Provision for bad & doubtful debts	4,175.97	9,743.92
Other Advances		
Loan to staff	12.51	122.30
Deposit for arbitrage	660,135.27	142,514.17
Mark to Market Margin - Equity Idex/Stock Futures		
Equity Idex/Stock Option Premium	280,636.88	
Less : Provision for loss	1,253.32	279,383.56
Deposits	281.90	10.00
Advance Tax, Tax Deducted at Source, etc.	349,631.85	213,147.72
TOTAL	2,966,898.43	2,066,499.75
Schedule J : Current Liabilities		
Sundry Liabilities - due to others	11,846.77	3,420.05
Unpaid Dividend	131.04	118.36
Mark to Market Margin - Equity Idex/Stock Futures	(6,978.81)	
Add : Provision for loss	20,633.37	6,271.46
TOTAL	25,632.37	9,809.87
Schedule K : Provisions		
Provision for Gratuity	555.50	369.47
Provision for Fringe Benefit Tax	950.97	950.97
Provision for Income Tax	365,886.47	256,114.16
Proposed Dividend	171,806.66	113,616.00
Provision for Proposed Dividend Distribution Tax	6,268.83	5,096.97
TOTAL	545,468.43	376,147.57

Schedules

Schedules to the Profit and Loss Account for the year ended 31st March, 2010

	For the Year Ended 31-Mar-10 (Rupees in '000)	For the Year Ended 31-Mar-09 (Rupees in '000)
Schedule L : Income from Operations		
Interest	255,924.58	368,995.03
Income from Arbitrage Transaction / Stock-in-trade (Net)	245,430.43	188,057.72
Dividend From Arbitrage	9,580.25	14,852.62
TOTAL	510,935.25	571,905.37
Schedule M : Other Income		
Dividend on Long term Investments (Non-trade)	724.84	-
Dividend From Stock in Trade	33,554.43	35,039.46
Profit on sale of Investments (Non-trade)	12,423.28	-
Dividend from Subsidiary	83,625.00	113,625.00
Interest on Fixed Deposits	413.85	886.56
Miscellaneous Income	909.20	906.33
TOTAL	131,650.59	150,457.35
Schedule N : Operating Expenses		
Stamp duty & Miscellaneous	511.51	845.59
Depository charges	265.88	375.37
TOTAL	777.38	1,220.96
Schedule O : Personnel Expenses		
Salary, Bonus and Allowances	12,958.25	12,039.73
Directors sitting fees	1,660.00	380.00
Contribution to provident and other funds	195.31	212.79
Staff welfare expenses	275.33	19.92
Gratuity	186.03	92.03
TOTAL	15,274.91	12,744.46
Schedule P : Administrative & Other Expenses		
Rent, rates and taxes	7.00	-
Insurance	339.54	39.99
Legal & Professional Fees	4,926.65	6,035.02
Remuneration to Auditors	541.59	448.57
Membership and Subscription	172.23	50.37
Marketing and Brand Promotion	12,705.11	4,327.09
Printing & Stationery	1,390.50	2,474.24
Communication Expenses	326.42	26.28
Travelling Expenses	1,093.91	1,114.22
Conveyance Expenses	35.71	40.11
Courier Expenses	81.39	0.83
Entertainment Expenses	391.53	429.05
Miscellaneous Expenses	961.01	0.42
Filing Fees	11.44	17.11
Bad Debts Written Off	6.14	3,831.51
Provision for bad & doubtful debts/Bad debts	-	4,175.97
Listing and credit rating fees	1,296.26	1,315.23
Busines Support Charges	661.80	661.80
Repair & Maintenance Others	6.18	50.01
TOTAL	24,954.40	25,037.82
Schedule Q : Interest & Finance Charges		
Bank Gaurantee Commission and Other Charges	160.69	343.02
Interest on Non Convertible Debentures	9,791.33	9,092.38
Interest Others	-	658.90
Discount on Commercial Paper	18,507.07	63,086.05
TOTAL	28,459.09	73,180.36



Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010

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. 84,791 (in thousands) (Previous Year Rs. 90,623 in thousands) to Reserve Fund, it being 20% of the Profit After Tax.

II Significant Accounting Policies:

2.1 Basis of Preparation of Financial Statements:

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

2.2 Use of Estimates:

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

2.3 Fixed Assets & Depreciation:

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

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

2.4 Borrowing Cost:

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

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

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

2.6 Revenue Recognition:

- a) Interest Income is recognized on the time proportionate basis starting from the date of disbursement of loan. In case of Non Performing Assets, interest income is recognized on receipt basis, as per NBFC Prudential norms.
- b) Dividend income is recognized when the right to receive payment is established.
- c) Income from arbitrage comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments.
 - i. Profit/loss on sale of securities is determined based on the weighted average cost of the securities sold.
 - ii. Profit/loss on equity derivative transactions is accounted for as explained below :-
 1. Initial and additional margin paid over and above initial margin, for entering into contracts for Equity Index/Stock Futures and or equity Index/stock options which are released on final settlement/squaring-up of underlying contracts are disclosed under Current Assets, Loans and advances. "Mark-to-market margin- Equity Index/Stock Futures" representing the amounts paid in respect of mark to market margin is disclosed under Loans and Advances.
 2. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
 3. On final settlement or squaring up of contracts for equity index / stock futures, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Profit and Loss Account. On settlement or squaring up of equity index / stock options before

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

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

4. As at the balance sheet date, the mark to market / Unrealised Profit / (Loss) on all outstanding hedged transactions comprising of Securities and Equity Derivatives positions is determined on a Portfolio basis with net unrealized losses being recognized in the Profit and Loss Account. Unrealized gains (on overall portfolio basis) are not recognized in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard - I, Disclosure of Accounting Policies. In respect of other transactions, the unrealized losses on equity derivatives determined on scrip-basis are recognized in Profit and Loss Account and unrealized gains are ignored; and in case of securities (shares, etc.) the net unrealized losses are recognized in Profit & Loss Account and net unrealized gains are ignored

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

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

2.8 Foreign Currency Transactions:

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

2.9 Employee Benefits:

Provident Fund:

Contribution payable to the recognized provident fund, which is a defined contribution scheme, is charged to the Profit and Loss Account in the period in which they occur.

Gratuity:

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

Compensated Absences:

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

Ex-gratia (Bonus):

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

2.10 Taxation:

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

Current Tax:

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

Deferred taxation:

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

2.11 Preliminary Expenses:

Preliminary expenses are charged to the Profit and Loss Account in the year in which they are incurred.

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)**2.12 Provisions and Contingencies:**

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

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

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

2.13 Impairment of Assets:

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

2.14 Commercial Paper:

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

III Notes to Accounts:**3.1 Contingent Liabilities:**

The Company has given corporate guarantees of Rs. 92,000 (in thousands) (Previous Year: Rs. 47,000 in thousands) to various banks for its subsidiary Motilal Oswal Commodity Brokers Pvt. Ltd. & Rs. 300,000 (in thousands) (Previous Year: Rs. NIL) to Punjab National Bank for its subsidiary Motilal Oswal Securities Limited.

Demand in respect of Income Tax matters for which appeal is pending is Rs. 2,499 (in thousands) (Previous Year: Rs. Nil). This is disputed by the Company and hence not provided for in the books of accounts.

3.2 Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted 1,747,500 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, 2010 over the balance vesting period is Rs. 493 (in thousands) (Previous year- Rs. 772 in thousands)

3.3 Commercial paper & Non-convertible debentures:

The maximum balance outstanding during the year in respect of commercial paper & Non convertible debentures was Rs. 1,000,000 (in thousands) (PY Rs. 2,000,000 in thousands) & Rs. 1,100,000 (in thousands) (PY Rs. Nil) respectively.

3.4 During the year Motilal Insurance Brokers Pvt. Ltd. became the Subsidiary of Motilal Oswal Financial Services Limited by virtue of acquiring of 99% stake & Motilal Oswal Asset Management Company Limited & Motilal Oswal Trustee Company Limited became the subsidiary of Motilal Oswal Securities Limited (Subsidiary of Motilal Oswal Financial Services Limited) by virtue of acquiring of 100% stake.

3.5 Auditor's Remuneration : -

(Rupees in '000)

Particulars	2009-10	2008-09
As Auditors:		
Audit Fees	400	296
Tax Audit Fees	25	25
Out of pocket expenses	6	9
In any other capacity, in respect of:		
Other Certification	60	98
Service Tax	51	21
Total	542	449

Schedules

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

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

(Rupees in '000)

Particulars	2009-10	2008-09
Deferred Tax Liability		
WDV of fixed assets	(11,774)	(8)
Deferred Tax Asset		
Preliminary expenses	55	56
Provision for Gratuity	184	126
Net Deferred Tax Asset / (Liability)	(11,535)	174

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

(Rupees in '000)

Particulars	2009-10	2008-09
Net Profit attributable to equity shareholders after minority interests [A] (Rs. in thousands)	423,956	453,117
Weighted Number of equity shares for Basic EPS Face value Re. 1 each [B]	142,681,601	142,020,000
Weighted Number of equity shares outstanding for Diluted EPS Face Value Re. 1 each [C]	142,830,473	142,020,000
Basic Earnings per share (EPS) (Rs.) [A/B]	2.97	3.19
Diluted Earnings per share (EPS) (Rs.) [A/B]	2.97	3.19

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
- d) Motilal Oswal Commodities Broker Private Limited
- e) Motilal Oswal Capital Market Private Limited
- f) Antop Traders Private Limited
- g) Motilal Oswal Insurance Brokers Private Limited
- h) Motilal Oswal Asset Management Company Limited
- i) Motilal Oswal Trustee Company Limited

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

1. Passionate Investment Management Private Limited
2. Nagori Agro & Cattle Feeds Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited

C) Key Management Personnel:

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

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

Transactions with related parties:

Rs. in Thousands

Transaction	Name of the related Party	Subsidiaries		Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel		Total	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Business Support Service	Motilal Oswal Securities Limited	(900)	(900)	-	-	-	-	(900)	(900)
	Motilal Oswal Securities Limited	600	600	-	-	-	-	600	600
Interest	Motilal Oswal Securities Limited	(1,144)	(2,919)	-	-	-	-	(1,144)	(2,919)
	Motilal Oswal Commodities Broker Private Limited	(100)	(1,251)	-	-	-	-	(100)	(1,251)
	Motilal Oswal Asset Management Co. Ltd.	(29)	-	-	-	-	-	(29)	-
	Motilal Oswal Insurance Brokers Private Limited	(0)	-	-	-	-	-	(0)	-
	Motilal Oswal Capital Markets Pvt. Ltd.	(1,404)	-	-	-	-	-	(1,404)	-
	Motilal Oswal Investment Advisors Private Limited	(207)	(94)	-	-	-	-	(207)	(94)
	Motilal Oswal Private Equity Advisors Private Limited	(38)	(30)	-	-	-	-	(38)	(30)
Rent	Motilal Oswal Securities Limited	-	-	-	-	-	-	-	-
Brokerage	Motilal Oswal Securities Limited	5,392	4,293	-	-	-	-	5,392	4,293
Share application money	Motilal Oswal Insurance Brokers Private Limited	-	-	-	6,000	-	-	-	6,000
Subscription of Equity Shares	Motilal Oswal Asset Management Co. Ltd.	52,500	-	-	-	-	-	52,500	-
	Motilal Oswal Insurance Brokers Private Limited	9,900	-	-	-	-	-	9,900	-
Sale of Equity Shares	Motilal Oswal Securities Limited	(52,500)	-	-	-	-	-	(52,500)	-
Dividend	Motilal Oswal Investment Advisors Private Limited	(83,625)	(113,625)	-	-	-	-	(83,625)	(113,625)
	Motilal Oswal	-	-	-	-	19,747	19,747	19,747	19,747
	Raamdeo Agrawal	-	-	-	-	18,742	18,742	18,742	18,742
	Raamdeo Agrawal (HUF)	-	-	-	-	520	520	520	520
	Suneeta Agrawal	-	-	-	-	256	256	256	256
	Vimla Oswal	-	-	-	-	100	100	100	100
	Passionate Investment Management Private Limited.	-	-	40,000	40,000	-	-	40,000	40,000
Employee's Stock Option (In Nos.)	Motilal Oswal Asset Management Co. Ltd.	20,000	-	-	-	-	-	20,000	-
	Motilal Oswal Commodities Broker Private Limited	22,500	-	-	-	-	-	22,500	-
	Motilal Oswal Insurance Brokers Private Limited	15,000	-	-	-	-	-	15,000	-
	Motilal Oswal Securities Limited	1,537,500	-	-	-	-	-	1,537,500	-
Loans (Maximum balance)	Motilal Oswal Securities Limited	300,575	543,481	-	-	-	-	300,575	543,481
	Motilal Oswal Commodities Broker Private Limited	20,002	122,816	-	-	-	-	20,002	122,816
	Motilal Oswal Asset Management Co. Ltd.	2,501	-	-	-	-	-	2,501	-
	Motilal Oswal Insurance Brokers Private Limited	100	-	-	-	-	-	100	-
	Motilal Oswal Capital Markets Pvt. Ltd.	47,383	-	-	-	-	-	47,383	-
	Motilal Oswal Investment Advisors Private Limited	20,783	30,017	-	-	-	-	20,783	30,017
	Motilal Oswal Private Equity Advisors Private Limited	6,026	10,003	-	-	-	-	6,026	10,003
Outstanding Balances:									
Corporate Guarantees	Motilal Oswal Securities Ltd.	300,000	-	-	-	-	-	300,000	-
	Motilal Oswal Commodities Broker Private Limited	92,000	47,000	-	-	-	-	92,000	47,000
Loans & Advances	Motilal Oswal Securities Limited	-	575	-	-	-	-	-	575
	Motilal Oswal Commodities Broker Private Limited	-	2	-	-	-	-	-	2
	Motilal Oswal Capital Markets Pvt. Ltd.	43,381	-	-	-	-	-	43,381	-
	Motilal Oswal Investment Advisors Private Limited	58	8	-	-	-	-	58	8
	Motilal Oswal Private Equity Advisors Private Limited	4	4	-	-	-	-	4	4

Schedules

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

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 Provisions made for the year ended 31st March, 2010 comprises of:

(Rupees in '000)

Particulars	Opening balance as on 01.04.2009	Provided on 31.03.2010	Provision reversed / paid the year ended 31.03.2010	Closing balance as of 31.03.2010
Ex-gratia	1,433	4,551	1,265	4,719
Provision for Gratuity	369	186	–	555

3.13 Initial Margin:

Initial margin for open positions in respect of Futures and Options is Rupees 275,998 (in thousands) which includes non-cash component (i.e. collateral).

3.14 Arbitrage transactions:

The arbitrage transactions of the Company, encompass of purchase / sale of equity shares/securities and equity derivatives which comprise a portfolio. In view of this, during the year the company has accounted the arbitrage transactions on portfolio basis instead of scrip basis and is marked to market. The transactions of cash segment are valued on weighted average basis as done for Derivatives segment as against first-in-first-out followed earlier year. Accordingly, if the net difference is loss (being an unrealized loss), provision is made in the Profit & Loss Account and if the net difference is a gain (being an unrealized gain), credit is not taken for the same on the principle of prudence.

Pursuant to above change, profit for the year ended 31st March, 2010 is increased by Rs. 8,891/- (in thousands).

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 (in thousands) of the Company.

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.

(Rupees in '000)

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-10
Present Value Of obligation 01-04-2009	369
Interest Cost	30
Current Service Cost	209
Past Service Cost	–
Benefits Paid	–
Actuarial (gain) loss on Obligation	(53)
Present Value Of obligation 31-03-2010	556
Fair value of plan Assets 01-04-2009	–
Expected Return On plan assets	–
Contributions	–
Benefits Paid	–
Actuarial gain (Loss) Plan Assets	–
Fair value of plan Assets 31-03-2010	–
Total Actuarial gain (loss) to be recognised	53

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

	Mar-10
Balance Sheet Recognition	
Present Value Of Obligation	555
Fair Value Of Plan Assets	0
Liability (assets)	555
Unrecognised Past Service Cost	0
Liability (asset) recognised in the Balance Sheet	555
Profit & Loss - Expenses	
Current Service Cost	209
Interest Cost	30
Expected Return On plan assets	-
Net Actuarial gain (loss) recognised in the year	(53)
Past Service Cost	-
Expenses Recognised in the statement of Profit & Loss	186
Movement in the net Liability recognised in the Balance Sheet	
Opening Net Liability	369
Expenses	186
Contribution	-
Closing Net Liability	555
Data	
No.	7
Avg.Age (yrs)	38 yrs
Avg.PS (yrs)	3 yrs
Avg.Sal. (Rs. in thousands)	52

3.18 Capital Commitment:

- Out of the capital commitment of 10% (subject to maximum limit of Rs. 450,000 in thousands) 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. 337,500 (in thousands) towards its capital contribution as per the draw down intimations received from the Fund.
- During the year, the Company settled Realty Excellence Trust (RET). The Company has given a capital commitment of an amount of Rs. 150,000 (in thousands) to India Realty Excellence Fund launched by RET. In respect of this, the Company has contributed an amount of Rs. 37,500 (in thousands) as per the draw down intimations received from the Fund.
- Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is Rs. 25,467 (in thousands) (Previous Year: Rs Nil).

3.19 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.

3.20 During the year, the Company jointly with subsidiary Company (Motilal Oswal Securities Limited) has acquired land & building situated at Prabhadevi, Mumbai. The Company is constructing additional building space (jointly with its subsidiary company) on the existing land/building structure for its corporate office. The Company has, during the year, capitalized interest of Rs. 35,426 (in thousands) attributed to capital work-in-progress, which is in accordance with Accounting Standard on 'Borrowing Costs' (AS-16) issued by the Institute of Chartered Accountants of India. The said Accounting Standard specifies that interest on funds that are borrowed generally (for working capital) and used for the purpose of obtaining a qualifying asset are costs that are eligible for capitalisation. The amount of borrowing costs (interest) attributable to the qualifying asset is determined by applying the weighted average rate of borrowings outstanding to the asset expenditures ('qualifying assets').

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

3.22 Foreign Currency Transactions:**Expenditure in Foreign Currency (on accrual basis):**

(Rs. in 000's)

Particulars	2009-10	2008-09
Travelling Expenses	4	NIL
Total	4	NIL

Schedules

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

3.23 Foreign Exchange gain / loss:

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

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

CRAR

Particulars	2009-10	2008-09
CRAR %	83.01	172.12
CRAR - Tier I Capital %	83.01	172.12
CRAR - Tier II Capital %	-	-

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 (in thousands) 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. 37,500 (in thousands) in RET Rs. 29,100 (in thousands) in other property as mentioned above)

Asset Liability Management

Maturity Pattern of Certain Items of assets and liabilities

(Rupees in '000)

	1 day to 30/31 days (One month)	Over One months to 2 Months	Over 2 months to 3 Months	Over 3 months to 6 Months	Over 6 months to one year	Over one year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	600,000	-	-	-	-	-	-	600,000
Assets									
Advances	650,000	540,000	-	-	-	1,133,978	-	-	2,323,978
Investments	29,054	-	-	-	-	-	-	553,305	582,359

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

3.26 Schedule to the Balance Sheet of NBFC as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007) given in "Annexure - I", to the Balance Sheet.

Note : The financial information presented above is extracted from the audited financial statements of the Company for the year ended March 31, 2010.

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

Place : Mumbai
Date : 27th April, 2010

Samrat Sanyal Company Secretary
Motilal Oswal Chairman & Managing Director
Raamdeo Agrawal Joint Managing Director

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

Accounting Year: 2009-2010

ANNEXURE I

Schedule to the Balance Sheet of Motilal Oswal Financial Services Limited

(as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)
(Rs. in '000s)

Particulars		Amount out-standing	Amount overdue
(1)	Liabilities Side :		
	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
	(a) Debentures : Secured	NIL	NIL
	: Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	NIL	NIL
	(d) Inter-corporate loans and borrowing	NIL	NIL
	(e) Commercial Paper	593,209.20	NIL
(f) Other Loans	NIL	NIL	
* Please see Note I below			
(2)	Assets Side :	Amount outstanding	
	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	1,517,217.03	
	(b) Unsecured	1,449,681.39	
		2,966,898.43	
(3)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities		
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease		NIL
	(b) Operating lease		NIL
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire		NIL
	(b) Repossessed Assets		NIL
	(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed		NIL	
(b) Loans other than (a) above		NIL	
(4)	Break-up of Investments :		
	Current Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity		NIL
	(b) Preference		NIL
	(ii) Debentures and Bonds		NIL
	(iii) Units of mutual funds		NIL
	(iv) Government Securities		NIL
	(v) Others (please specify)		NIL
	2. Unquoted :		
	(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	

Annexure

Schedule R : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

Particulars				
Long Term investments :				
1. Quoted :				
(i) Share : (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		172,305.20		
(b) Preference		6,000.00		
(ii) Debentures and Bonds		NIL		
(iii) Units of mutual funds		NIL		
(iv) Government Securities		NIL		
(v) Others (please specify)		404,054.22		
Total		582,359.42		
(5)	Borrower group-wise classification of assets financed as in (2) and (3) above : Please see Note 2 below			
Category		Amount net of provisions		
		Secured	Unsecured	Total
1. Related Parties **				
(a) Subsidiaries		NIL	43,443.86	43,443.86
(b) Companies in the same group		NIL	NIL	NIL
(c) Other related parties		NIL	NIL	NIL
2. Other than related parties		1,517,217.04	1,406,237.53	2,923,454.57
Total		1,517,217.04	1,449,681.39	2,966,898.43
(6)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below			
Category		Market Value / Break up or fair value or NAV		Book Value (Net of Provisions)
1. Related Parties **				
(a) Subsidiaries		7,069,488.92		178,305.20
(b) Companies in the same group		Nil		Nil
(c) Other related parties		Nil		Nil
2. Other than related parties		Nil		Nil
Total		7,069,488.92		178,305.20
** As per Accounting Standard of ICAI (Please see Note 3)				
(7)	Other information			
Particulars		Amount (in thousands)		
(i) Gross Non-Performing Assets		13,919.89		
(a) Related parties		Nil		
(b) Other than related parties		13,919.89		
(ii) Net Non-Performing Assets		9,743.92		
(a) Related parties		Nil		
(b) Other than related parties		9,743.92		
(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" issued by Reserve Bank of India ("the Bank" or 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 paragraph 3 of the said Directions for MOTILAL OSWAL FINANCIAL SERVICES LIMITED ("the Company"):

1. The Company is engaged in the business of Non Banking Finance Institution and it has obtained Certificate of Registration No. N-13.01830 dated 5th April, 2006 from Reserves Bank of India.
2. The Company is entitled to hold such certificate of registration in terms of its asset income pattern as on March 31, 2010.
3. 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.
4. As per the information and explanations 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, 2010.
5. In our opinion and as per the information and explanations 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 in terms of Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 for the year ended on 31st March, 2010.
6. In our opinion and as per the information and explanations given to us by the Company, the capital adequacy ratio as disclosed in the return submitted to bank in form NBS-7, has been correctly arrived at and such ratio is in compliance with the minimum Capital to Risk Asset Ratio prescribed by the bank and such NBS -7 is duly submitted to Bank within the stipulated period.

For **HARIBHAKTI & CO.**
Chartered Accountants
FRN No. 103523W

Rakesh Rathi
Partner
Membership No. 045228

Place: Mumbai
Date: 1st June, 2010

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 03 2010		
	Day Month Year		

II Capital Raised during the year (Rs. In Thousands)

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	154,794.98

III Position of Mobilisation and Development of funds (Rs. In Thousands)

Sources of funds

Total Liabilities	Total Assets
5,339,597.89	5,339,597.89
Paid-up Capital	Reserve and Surplus
143,172.22	4,591,149.21
Secured Loans	Unsecured Loans
Nil	593,209.20
Deferred Tax Liability	
11,535.03	

Application of funds

Net Fixed Assets	Investments
1,033,149.61	582,359.42
Net Current Assets	Misc. Expenditure
3,724,088.86	Nil
Deferred Tax Assets	
-	

IV Performance of the Company (Rs. In Thousands)

Turnover	Total Expenditure
642,585.84	69,485.48
Profit before Tax	Profit After Tax
573,100.37	423,956.07
Earning per Share in Rs.	Dividend Rate %
2.97	120

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.

Samrat Sanyal **Motilal Oswal** **Raamdeo Agrawal**
Company Secretary Chairman & Managing Director Joint Managing Director

Place : Mumbai
Date : 27th April, 2010



Auditors' Report to the Board of Directors of Motilal Oswal Financial Services Ltd. on the Consolidated Financial Statements

1. We have audited the attached Consolidated Balance Sheet of Motilal Oswal Financial Services Ltd. ("the Company") and its Subsidiaries (collectively referred to as "the group") as at 31st March, 2010 and also 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 the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the following subsidiaries
 - a) Motilal Oswal Commodities Broker Pvt. Ltd.
 - b) Motilal Oswal Investment Advisors Pvt. Ltd.
 - c) Motilal Oswal Trustee Company Ltd.
 - d) Antop Traders Pvt. Ltd.
 - e) Motilal Oswal Insurance Broker Pvt. Ltd.
 - f) Motilal Oswal Asset Management Company Ltd.

whose financial statements reflect total net assets of Rs. 361,042,170 as at 31st March, 2010 and total net revenues of Rs. 731,009,521 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 other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements", as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Motilal Oswal Financial Services Ltd. and its subsidiaries.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **HARIBHAKTI & CO.**
Chartered Accountants
FRN No. 103523W

Rakesh Rathi
Partner

Membership No. 045228

Place: Mumbai
Date: 27th April, 2010

Balance Sheet

Consolidated Balance Sheet as at 31st March, 2010

	Schedule No.	Consolidated As at 31-Mar-10 (Rs. in lakhs)	Consolidated As at 31-Mar-09 (Rs. in lakhs)
SOURCES OF FUNDS			
Share Holders' Funds :			
Share Capital	A	1,431.72	1,420.20
ESOP Outstanding		5.32	2.53
Reserves and Surplus	B	93,160.50	77,966.73
TOTAL SHARE HOLDERS FUND		94,597.54	79,389.46
Loan Funds :			
Secured Loans	C	2,500.07	5.21
Unsecured Loans	D	8,331.51	-
TOTAL LOAN FUNDS		10,831.58	5.21
Minority Interest	E	410.36	402.01
TOTAL SOURCES OF FUNDS		105,839.48	79,796.68
APPLICATION OF FUNDS :			
Fixed Assets:			
Gross Block	F	16,636.08	13,416.17
Less:- Depreciation		7,371.25	6,006.65
Net Block		9,264.83	7,409.52
Capital work-in-progress (including Capital Advances)		14,732.43	36.79
		23,997.26	7,446.31
Investments	G	5,140.90	4,924.22
Deferred Tax Asset (Net)		314.69	118.03
Current Assets, Loans and Advances :			
Sundry Debtors	H	30,590.97	23,112.25
Stock-in-trade	I	30,548.50	9,641.86
Cash & Bank Balances	J	43,334.84	54,280.62
Loans & Advances	K	49,332.61	41,240.88
Other Current Assets	L	549.16	575.07
	(i)	154,356.08	128,850.68
Less : Current Liabilities and Provisions :			
Current Liabilities	M	53,960.62	42,552.47
Provisions	N	24,008.83	18,990.08
	(ii)	77,969.45	61,542.55
Net Current Assets	(i)-(ii)	76,386.63	67,308.13
TOTAL APPLICATION OF FUNDS		105,839.48	79,796.68
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of the Consolidated Financial Statements	U		

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
Place : Mumbai
Date : 27th April, 2010

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Profit and Loss Account

Consolidated Profit and Loss Account for the year ended 31st March, 2010

	Schedule No.	Consolidated For the Year ended 31-Mar-10 (Rs. in lakhs)	Consolidated For the Year ended 31-Mar-09 (Rs. in lakhs)
INCOME			
Income from Operations	O	62,501.05	45,927.56
Other Income	P	2,031.43	684.71
TOTAL (A)		64,532.48	46,612.27
EXPENDITURE			
Operating Expenses	Q	16,296.47	9,704.76
Personnel Expenses	R	13,665.75	12,031.26
Administrative & Other Expenses	S	6,871.83	6,807.18
TOTAL (B)		36,834.05	28,543.20
Profit Before Depreciation, Interest, Taxation & exceptional items (C) = (A) - (B)		27,698.43	18,069.07
Depreciation (D)	F	1,418.88	2,027.12
Profit Before Interest, Taxation & exceptional items (E) = (C) - (D)		26,279.55	16,041.95
Interest & Finance Charges (F)	T	962.37	1,783.98
Profit Before Taxation & exceptional items (G) = (E) - (F)		25,317.18	14,257.98
Exceptional Items (Income)/Expense (H)		(5.66)	300.00
Profit Before Taxation		25,322.84	13,957.98
Less: Provision for Taxation			
i) For current year			
Current tax		8,018.70	4,795.81
Deferred tax (Asset)/Liability		(179.00)	(250.87)
Fringe Benefit Tax		-	114.22
Wealth Tax		1.88	2.59
ii) For Previous year(s)		39.16	(46.84)
		7,880.74	4,614.91
Profit after Tax before Minority Interests		17,442.10	9,343.07
Add/(Less) : Minority interests (Profit)/Loss		(397.44)	(383.44)
Profit after Tax (PAT) & Minority Interests		17,044.66	8,959.63
Balance brought forward from previous year		28,208.96	20,462.52
[Current year amount includes opening balance of Motilal Oswal Asset Management Company Ltd. (Rs. 38.11 lakhs), Motilal Oswal Insurance Brokers Pvt. Ltd. (Rs. 1.30 lakhs) & Motilal Oswal Trustee Company Ltd. (Rs. 0.28 lakhs)]			
Add: Minority share in dividend and others for the financial year 2007-08		-	454.43
Add: Dividend from Subsidiary companies for the financial year 2007-08		-	1,136.25
Profit Available For Appropriations		45,253.62	31,012.83
Appropriations			
Transfer to Statutory Reserve for the year		(847.91)	(906.23)
Pre-acquisition (Profit)/Loss		51.17	(16.81)
Proposed Dividend		(1,718.07)	(1,136.16)
Provision for Dividend Distribution Tax		(285.35)	(193.09)
Transfer to General Reserve		(555.76)	(511.88)
Balance Carried to Balance Sheet		41,897.70	28,248.66
Consolidated Earnings Per share (Rs.)			
Basic Earnings per share (Face Value of share Re. 1 each)		11.91	6.31
Diluted Earnings per share (Face Value of share Re. 1 each)		11.90	6.31
Significant Accounting Policies & Notes to Accounts	U		
Schedules referred to above form an integral part of the Consolidated Financial Statements			

As Per our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

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

Rakesh Rathi
Partner
Membership No. 045228
Place : Mumbai
Date : 27th April, 2010

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Cash Flow

Consolidated Cash Flow Statement for the year ended 31st March, 2010

Particulars	Consolidated For the year ended 31st March, 2010 (Rs. in Lakhs)	Consolidated For the year ended 31st March, 2009 (Rs. in Lakhs)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Taxation and Extraordinary Items	25,322.84	13,957.98
Add : 1) Depreciation / Amortisation	1,418.88	2,027.12
2) Loss on Sale of Fixed Assets	28.91	200.02
3) Loss on sale of Investments	-	95.16
4) Provision for diminution in investments	-	300.00
5) Stock option outstanding	2.80	2.52
6) Interest Paid	677.77	1,052.17
	2,128.36	3,676.99
Less : 1) Interest Received	16.71	35.45
2) Profit on Investments	1,122.65	-
3) Reversal of Provision for diminution in investments	5.66	-
4) Dividend Received	905.82	579.07
	2,050.84	614.52
Operating Profit	25,400.36	17,020.44
Adjustment for Changes in working capital :		
1) (Increase)/Decrease In Sundry Debtors	(7,478.72)	8,633.25
2) (Increase)/Decrease In Stock-in-trade	(20,906.64)	(9,476.10)
3) Increase In Loans & Advances	(3,943.38)	7,272.21
4) Provision for Gratuity	73.28	51.41
5) (Increase)/Decrease In Interest Accrued / Other Current Assets	25.91	345.93
6) Increase/(Decrease) In Current Liabilities & Provisions	11,353.04	(20,034.21)
	(20,865.71)	(13,207.51)
Cash Generated from Operations	4,523.85	3,812.93
Taxes Paid	(7,968.61)	(5,203.58)
Net Cash Flow from Operating Activities (A)	(3,444.76)	(1,390.65)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,552.50)	(1,881.08)
Sale of Investments	2,404.12	830.30
Purchase of subsidiary	(11.31)	(750.00)
Purchase of Fixed Assets (including Capital WIP)	(18,059.05)	(984.79)
Sale of Fixed Assets	60.31	260.30
Interest Received	16.71	35.45
Dividend Received	905.82	579.07
	(16,235.90)	(1,910.75)
Net Cash Flow from Investing Activities (B)	(16,235.90)	(1,910.75)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) In Share capital	1.63	-
Increase/(Decrease) In Securities Premium Account	174.09	-
Increase/(Decrease) In Borrowing	10,826.37	(14,836.25)
Dividend paid	(1,414.91)	(1,514.91)
Dividend Distribution Tax	(240.46)	(257.47)
Interest Paid	(677.77)	(1,052.17)
	8,668.94	(17,660.80)
Net Cash Flow from Financing Activities (C)	8,668.94	(17,660.80)
Net Cash Flow for the Year Ended (A+B+C)	(11,011.72)	(20,962.20)
Cash & Cash Equivalents as at beginning of year:		
Cash as at beginning of the year (Balance as at 01.04.08 includes opening balance of Motilal Oswal Insurance Brokers Pvt. Ltd. of Rs. 60.93 lakhs, Motilal Oswal Trustee Company Ltd. of Rs. 4.93, Motilal Oswal Asset Management Company Ltd. Rs. 0.08 lakhs)	54,346.56	43,124.27
Cash Equivalents (Mutual Fund Investment) as at beginning of the year	-	32,118.55
Total Cash & Cash Equivalents as at beginning of the year	54,346.56	75,242.82
Cash & Cash Equivalents as at end of year :		
Cash as at end of the year	43,334.84	54,280.62
Cash Equivalents (Mutual Fund Investment) as at end of the year	-	-
Total Cash & Cash Equivalents as at end of the year	43,334.84	54,280.62

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
Place : Mumbai
Date : 27th April, 2010

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Schedules to Consolidated Balance Sheet as at 31st March, 2010

	Consolidated As at 31-Mar-10 (Rs. in Lakhs)		Consolidated As at 31-Mar-09 (Rs. in Lakhs)	
Schedule A : Share Capital				
Authorised				
870,000,000 Equity Shares of Re. 1 each		8,700.00		8,700.00
50,00,000 Redeemable Preference Shares of Rs. 100 each		5,000.00		5,000.00
TOTAL		13,700.00		13,700.00
Issued, Subscribed & Paid-Up				
143,172,216 Equity Shares of Re. 1/- each fully Paid-up [Includes allotment of 9,89,066 equity shares for consideration other than cash (Previous year - NIL Equity Shares)]		1,431.72		1,420.20
TOTAL		1,431.72		1,420.20
Schedule B : Reserves & Surplus				
Statutory Reserve				
Opening balance	1,271.06		364.83	
Add : Transfer from Profit & Loss A/c for the Year	847.91	2,118.97	906.23	1,271.06
Capital Redemption Reserve				
Opening balance	900.01		900.01	
Addition during the year	–	900.01	–	900.01
Securities Premium				
Opening balance	37,903.06		37,903.06	
Addition during the year	1,536.43		–	
		39,439.49	37,903.06	37,903.06
Capital Reserve				
Opening balance	8,826.14		9,557.83	
Addition /(Deduction) during the year	(1,395.37)	7,430.77	(731.69)	8,826.14
General Reserve				
Opening balance	817.80		305.93	
Addition during the year	555.76	1,373.56	511.87	817.80
Profit & Loss Account		41,897.70		28,248.66
TOTAL		93,160.50		77,966.73
Schedule C : Secured Loans				
Loans From ICICI Home Finance (Secured by corporate guarantee given by Motilal Oswal Securities Limited.)		0.07		5.21
Loan from Bank (Secured against FDR of Rs.1250 Lakhs)		2,500.00		–
TOTAL		2,500.07		5.21
Schedule D : Unsecured Loan				
Commercial Paper	8,500.00			–
Less: Discount not written off	168.49	8,331.51		–
[Maximum outstanding during the year Rs. 11,000 lakhs (Previous Year Rs. 17,000 lakhs)]				
TOTAL		8,331.51		–

Schedules

Schedules to Consolidated Balance Sheet as at 31st March, 2010

Schedule E : Minority Interest

Motilal Oswal Securities Limited

Opening Balance	16.16		14.14	
Add: Share of Profit/(Loss) during the year	5.53	21.69	2.02	16.16

Motilal Oswal Commodities Broker Private Limited

Opening Balance	2.94		1.33	
Add: Share of Profit/(Loss) during the year	3.20	6.14	1.60	2.94

Motilal Oswal Private Equity Advisors Private Limited

Opening Balance	43.69		35.38	
Add: Share of Profit/(Loss) during the year	37.49	81.18	8.31	43.69

Motilal Oswal Investment Advisors Private Limited

Opening Balance	339.22		748.27	
Add: Share of Profit/(Loss) during the year	439.33		360.18	
Add/(Less) : Investment/(sale) by Minority	(6.25)		-	
Less : Preacquisition Profits transferred on acquisition of minority investment	(111.76)		-	
Less: Shares of Minority in dividend paid & tax thereon	(360.76)	299.78	(769.24)	339.21

Motilal Oswal Capital Markets Private Limited

Opening Balance	(0.00)		0.00	
Add: Share of Profit/(Loss) during the year	(0.01)	(0.01)	(0.00)	(0.00)

Antop Traders Private Limited

Opening Balance	0.01			
Add: Share of Profit/(Loss) during the year	0.02	0.03	0.01	0.01

Motilal Oswal Asset Management Company Limited

Opening Balance	-			
Add: Share of Profit/(Loss) during the year	(87.89)			
Add: Investment by Minority	1.00			
Less : Preacquisition (Profits) / loss transferred on acquisition of minority investment	87.66	0.77	-	-

Motilal Oswal Insurance Brokers Private Limited

Opening Balance	-			
Add: Share of Profit/(Loss) during the year	(0.22)			
Add: Investment by Minority	1.00			
Less : Preacquisition (Profits) / loss transferred on acquisition of minority investment	(0.00)	0.78	-	-

Motilal Oswal Trustee Company Limited

Opening Balance	-			
Add: Share of Profit/(Loss) during the year	(0.00)			
Add: Investment by Minority	0.01			
Add: Share of Opening Reserves of Minority	(0.00)	0.01	-	-

TOTAL

410.36

402.01

Schedule F : Consolidated Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01.04.09	Addition	Deduction	As on 31.03.10	As on 01.04.09	Addition	Deduction	As on 31.03.10	As on 31.03.10	As on 31.03.09	
Tangible Assets											
Computer	2,827.49	268.31	18.53	3,077.28	2,023.57	369.02	13.90	2,378.68	698.60	803.92	
Furniture & Fittings	1,149.14	4.76	8.98	1,144.92	563.00	109.03	4.68	667.34	477.58	586.14	
Office Equipments	2,469.51	44.32	54.05	2,459.78	743.85	243.65	18.02	969.50	1,490.27	1,725.64	
Office Premises	4,113.93	15.57	8.24	4,121.26	961.90	281.74	6.70	1,236.95	2,884.31	3,152.03	
Land	29.06	2,638.32	-	2,667.38	-	-	-	-	2,667.38	29.06	
Vehicles	357.16	51.98	27.61	381.53	199.83	46.82	10.99	235.66	145.87	157.34	
Intangible Assets											
BSE/MCX Cards	655.71	-	-	655.71	653.64	1.52	-	655.16	0.55	2.07	
Customer Rights	683.52	-	-	683.52	401.11	136.70	-	537.81	145.71	282.41	
Software	1,040.65	340.15	26.10	1,354.70	371.15	229.00	-	600.15	754.56	669.50	
Goodwill	90.00	-	-	90.00	88.60	1.40	-	90.00	0.00	1.40	
TOTAL	13,416.17	3,363.41	143.51	16,636.08	6,006.65	1,418.88	54.29	7,371.25	9,264.83	7,409.52	
Previous Year	13,207.64	1,169.12	960.59	13,416.17	4,479.81	2,027.12	500.27	6,006.65	7,409.52		
Capital - WIP									14,732.43	36.79	

Schedules to Consolidated Balance Sheet as at 31st March, 2010

	Face Value	Quantity	Consolidated As at 31-Mar-10 Amount (Rs. in Lakhs)	Quantity	Consolidated As at 31-Mar-09 Amount (Rs. in Lakhs)
Schedule G : Investments					
Investments - Long Term (At Cost)					
I. Investment in Equity Shares					
A. Quoted Investments					
DS Kulkarni Developers Limited	10	–	–	175,647	219.57
Hindalco Industries Limited	1	–	–	1,557	1.63
IDFC Limited	10	–	–	136,649	63.12
JK Tyre & Industries Limited	10	500,000	797.82	1,000,000	1,595.65
MRF Limited	10	–	–	11,000	385.14
Sanghvi Movers Limited	2	–	–	414,215	98.90
B. Unquoted Investments					
BSE Limited	1	45,591	0.04	45,591	0.04
Central Depository Services India Limited		100	0.00	100	0.00
II. Other Investments					
India Business Excellence Fund			3,375.00		2,250.00
India Realty Excellence Fund			625.00		250.00
Reliance Alternative Investments Fund - Private Equity Scheme I			22.50		–
Aditya Birla Private Equity - Fund I			30.00		–
Share application money (Motilal Oswal Insurance Brokers Pvt. Ltd.)			–		60.00
Investment properties			290.54		300.17
		545,691	5,140.90	1,784,759.00	5,224.22
Less : Diminution in value of quoted long term investments		–	–		(300.00)
TOTAL		545,691	5,140.90	1,784,759.00	4,924.22

Note : Market Value of quoted Investment as on 31-03-2010 is Rs. 974.50 lakhs (Previous Year as on 31-03-2009: Rs. 954.16 lakhs)

	Consolidated As at 31-Mar-10 (Rs. in Lakhs)	Consolidated As at 31-Mar-09 (Rs. in Lakhs)
Schedule H : Sundry Debtors		
(Unsecured partly, Considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months	401.26	1,103.56
Less provision for doubtful debts	65.14	–
Other debts	30,254.85	22,008.69
TOTAL	30,590.97	23,112.25

Schedule J : Cash & Bank Balances

	Consolidated As at 31-Mar-10 (Rs. in Lakhs)	Consolidated As at 31-Mar-09 (Rs. in Lakhs)
Cash:		
Cash balance on Hand	18.56	14.00
Cheques on Hand	–	18.29
Bank :		
Scheduled Banks		
– In Current Accounts	12,464.49	31,856.76
– In Fixed Deposits	30,850.48	22,391.57
[*Under Lien with Banks Rs. 23,402.90 lakhs (Previous year Rs. 21,178.29 lakhs) & with Exchanges Rs. 3,340.49 lakhs (Previous Rs. 74.32 lakhs)]		
– In Unpaid Dividend Account	1.31	–
TOTAL	43,334.84	54,280.62

Schedules

Schedules to Consolidated Balance Sheet as at 31st March, 2010

	Consolidated As at 31-Mar-10 (Rs. in Lakhs)		Consolidated As at 31-Mar-09 (Rs. in Lakhs)	
Schedule K : Loans & Advances				
(Unsecured considered good unless otherwise stated)				
Loans, Advances & Deposits Recoverable in Cash or in kind or for Value to be received				
Standard Assets				
Unsecured Loans (includes interest accrued on loans)	1,031.69		3,147.79	
Secured Loans (includes interest accrued on loans)	15,074.73	16,106.42	11,493.06	14,640.86
Sub-Standard Assets				
Non Performing Assets (Debts outstanding for a period exceeding Six months)	139.20		139.20	
Less: Provision for bad & doubtful debts	(41.76)	97.44	(41.76)	97.44
Advances Recoverable in Cash or In Kind or for Value to be received		866.41		897.03
Loan to staff		106.24		85.28
Deposits		1,179.00		4,443.74
NSE Membership Deposit		50.00		50.00
Deposit for Arbitrage		6,601.35		1,425.14
Mark to Market Margin - Equity Index/Stock Futures	223.76		-	
Less : Provision for loss	209.05	14.71	-	-
Equity Index/Stock Option Premium	2,806.37		2,229.73	2,229.73
Less : Provision for loss	12.53	2,793.84	-	
Advance Tax & Tax Deducted at Source		21,517.20		17,371.66
TOTAL		49,332.61		41,240.88
Schedule L : Other Current Assets				
Accrued interest on Fixed Deposits		535.68		466.15
Stock of Stamps		7.45		1.00
Sign on bonus pending amortisation		6.03		107.92
TOTAL		549.16		575.07
Schedule M : Current Liabilities				
Sundry Creditors (Including Trade Payables) :				
Due to Micro, Small & Medium Enterprises		4.58		1.73
Due to Others		38,769.01		32,548.50
Book borrowing from Banks		839.61		92.49
Other Liabilities		9,315.48		5,060.33
Margin Money Deposits		4,825.06		4,423.44
Sign On Insurance Commission		69.03		140.35
Unpaid Dividend		1.31		1.18
Mark to Market Margin - Equity Index/Stock Futures	(3.97)		191.32	
Add : Provision for loss	140.51	136.54	93.12	284.44
TOTAL		53,960.62		42,552.47
Schedule N : Provisions				
Provision for Taxation (Including Wealth Tax)		20,982.92		16,746.46
Provision for Fringe Benefit Tax		316.25		316.04
Provision For Gratuity		345.49		272.21
Proposed Dividend		2,027.44		1,414.91
Provision for Proposed Dividend Distribution Tax		336.73		240.46
TOTAL		24,008.83		18,990.08

Schedules to Consolidated Profit and Loss Account for the year ended 31st March, 2010

	Consolidated For the Year Ended 31-Mar-10 (Rs. in Lakhs)	Consolidated For the Year Ended 31-Mar-09 (Rs. in Lakhs)
Schedule O : Income from Operations		
Brokerage and related activities	45,512.99	32,683.83
Investment Banking fees	6,494.48	4,523.24
Fund based income	6,487.90	6,582.67
Asset Management & Advisory Fees	4,005.68	2,137.82
TOTAL	62,501.05	45,927.56
Schedule P : Other Income		
Dividend Income - Long Term Investments	45.04	56.44
Dividend Income - Stock-in-trade	860.78	874.67
Profit/ (Loss) on sale of Investments	1,122.65	(95.16)
Profit/(loss) on sale of fixed assets	(28.91)	(200.02)
Miscellaneous Income	31.87	48.78
TOTAL	2,031.43	684.71
GROSS REVENUE	64,532.48	46,612.27
Schedule Q : Operating Expenses		
Brokerage sharing with Intermediaries	15,604.99	9,230.73
Depository Charges	309.71	272.47
Other Operating expenses	381.77	201.56
TOTAL	16,296.47	9,704.76
Schedule R : Personnel Expenses		
Salary, Bonus and Allowances	11,049.76	10,257.12
Directors' Remuneration	1,760.25	765.64
Directors' Sitting Fees	21.30	4.10
Data Processing Charges	524.51	703.90
Gratuity	94.97	64.37
Contribution to provident & other Funds	103.54	104.53
Staff Welfare Expenses	111.42	131.60
TOTAL	13,665.75	12,031.26
Schedule S : Administrative & Other Expenses		
Rent, Rates & Taxes	811.30	1,126.87
Insurance	80.14	48.76
Repairs - Building	0.21	2.21
Repairs & Maintenances - Others	273.94	258.14
Legal & Professional Charges	573.54	488.72
Remuneration to Auditors	18.37	11.70
Membership & Subscription	32.16	78.66
Marketing & Brand Promotion Expenses	1,519.31	742.03
Printing & Stationery	382.57	282.41
Electricity Expenses	425.16	488.42
Communication Expenses	746.54	940.46
Travelling & Conveyance Expenses	782.23	820.85
Donations	41.37	47.01
Bad Debts Written Off / Trading Loss	400.26	677.36
Provision for Bad and Doubtful Debts	65.14	41.76
Courier Expenses	189.02	292.72
Office Expenses	134.87	169.88
Entertainment Expenses	195.36	211.20
Miscellaneous Expenses	200.34	78.02
TOTAL	6,871.83	6,807.18
Schedule T : Interest & Finance Charges		
Bank Guarantee Commission and Other charges	479.59	541.74
Interest on Non Convertible Debentures	98.44	168.45
Interest on Bank Overdrafts	137.00	63.67
Discount on Commercial Paper	186.01	926.47
Interest Others	61.33	83.65
TOTAL	962.37	1,783.98

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010

I Significant Accounting Policies:

I.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.

I.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.

I.3 Fixed Assets & Depreciation:

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

- a) Assets costing 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.
- c) Expenditure which are attributable to Construction of a project are included as part of the cost of the construction project during construction period and included under capital work-in-progress which is allocated to the respective fixed assets on the completion of the construction period.

I.4 Borrowing Cost:

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

I.5 Intangible Assets and Amortization:

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

I.6 Investments:

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

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

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

I.7 Stock in Trade:

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

I.8 Revenue Recognition:

- a) Brokerage income is recognized on trade date basis and is exclusive of service tax and Securities Transaction Tax (STT) wherever applicable.
- b) Insurance agency income on first year premium of insurance policies is recognised, when an insurance policy sold by the Company is accepted by the principal insurance company. Renewal commission on policies is accounted for on receipt on renewal premium by the principle insurance company. Sign-on Bonus received is accounted on pro-rata basis in the proportion of business generated to the Minimum Business Guarantee as per the contracted terms.
- c) Research, Advisory and Transactional processing fee income is accounted for on an accrual basis in accordance with the terms & contracts entered into between the Company and the counter party.

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

- d) Portfolio management fees are billed as per the terms of the respective schemes/agreement entered with the clients:
- i. In case of management fees (including custodian charges wherever applicable), as a percentage of the asset under management on quarterly/ monthly basis.
 - ii. In case of performance based fees, as a percentage of returns on an annual basis.
- e) Management Fees other than Portfolio management fees is accounted on accrual basis net of service tax.
- f) Interest Income is recognized on the time proportionate basis starting from the date of disbursement of loan. 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 comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments.
- i. Profit/loss on sale of securities is determined based on the weighted average cost of the securities sold.
 - ii. Profit/loss on equity derivative transactions is accounted for as explained below :-
 1. Initial and additional margin paid over and above initial margin, for entering into contracts for Equity Index / Stock Futures and or equity Index / stock options which are released on final settlement / squaring-up of underlying contracts are disclosed under Current Assets, Loans and advances. "Mark-to-market margin- Equity Index / Stock Futures" representing the amounts paid in respect of mark to market margin is disclosed under Loans and Advances.
 2. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
 3. On final settlement or squaring up of contracts for equity index / stock futures, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Profit and Loss Account . On settlement or squaring up of equity index / stock options before expiry, the premium prevailing in "Equity Index / Stock Option Premium Account" on that date is recognized in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index/ stock futures or equity index/ stock options contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.
 4. As at the balance sheet date, the mark to market/ Unrealised Profit / (Loss) on all outstanding hedged transactions comprising of Securities and Equity Derivatives positions is determined on a Portfolio basis with net unrealized losses being recognized in the Profit and Loss Account. Unrealized gains (on overall portfolio basis) are not recognized in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard - I, Disclosure of Accounting Policies. In respect of other transactions, the unrealized losses on equity derivatives determined on scrip-basis are recognized in Profit and Loss account and unrealized gains are ignored; and in case of securities (shares, etc.) the net unrealized losses are recognized in Profit & Loss account and net unrealized gains are ignored.
 - i) In respect of other heads of income, income from depository operations etc., the Company accounts the same on accrual basis.

1.9 Commercial Paper:

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

1.10 Foreign Currency Transactions:

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

1.11 Employee Benefits:**Provident Fund:**

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

Gratuity:

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

Compensated Absences:

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

Schedules

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

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.

1.12 Taxation:

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

Current Tax:

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

Deferred Tax:

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of 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 realized.

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.

1.13 Sign on Bonus:

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

1.14 Preliminary Expenses:

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

1.15 Operating Leases:

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

1.16 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.

1.17 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.

1.18 Prudential Norms of Reserve Bank of India

The Company follows the NBFC Prudential Norms (Reserve Bank) Directions, 1998 issued by the Reserve Bank of India Act, 1934 in respect of income recognition and provisioning for non-performing assets.

2 Notes to Accounts:

2.1 Principles and assumptions used for consolidated financial statements and pro forma 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.

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

Motilal Oswal Financial Services Limited ('the Company' or 'the holding company') shareholding in the following companies ('resultant subsidiaries - All are in India) as on March 31, 2010 and March 31, 2009 is as under:

Name of the Subsidiary Companies	31st March, 2010			31st March, 2009		
	No. of Shares	% of Holding	Date of Acquisition	No. of Shares	% of Holding	Date of Acquisition
Motilal Oswal Securities Limited	1,318,218	99.95	18.01.2006	1,318,218	99.95	18.01.2006
Motilal Oswal Commodities Broker Pvt. Limited	400,000	97.55	06.04.2006	400,000	97.55	06.04.2006
Motilal Oswal Investment Advisors Pvt. Limited	812,500	81.25	16.06.2006, 13.08.2009	750,000	75	16.06.2006
Motilal Oswal Private Equity Advisors Private Limited	50,000	85	18.05.2006	50,000	85	18.05.2006
Motilal Oswal Capital Markets Private Limited	1,250,000	99.95	18.12.2007	1,250,000	99.95	18.12.2007
Antop Traders Pvt. Limited	3	99.95	29.09.2008	3	99.95	29.09.2008
Motilal Oswal Insurance Brokers Pvt. Limited*	1,000,000	99	09.04.2009	-	-	-
Motilal Oswal Asset Management Company Limited*	20,000,000	99.95	26.11.2009	-	-	-
Motilal Oswal Trustee Company Limited*	100,000	99.95	20.01.2010	-	-	-

*During the year Motilal Insurance Brokers Pvt. Ltd. became the Subsidiary of Motilal Oswal Financial Services Limited by virtue of acquiring of 99% stake & Motilal Oswal Asset Management Company Limited & Motilal Oswal Trustee Company Limited became the subsidiary of Motilal Oswal Securities Limited (Subsidiary of Motilal Oswal Financial Services Limited) by virtue of acquiring of 100% stake. .

2.2 Principles used in preparing Consolidated Financial Statements:

- 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.
- 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:
- Intra-group transactions are eliminated in preparation of consolidated financial statements
- 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.
- 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.
- Minority interests in the net income of consolidated subsidiaries for the reporting period is identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and Minority interests in the net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the net assets consist of:
 - the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - 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. 849.22 lakhs (Previous Year Rs. 217.54 lakhs).

2.4 Contingent liabilities not provided for:

- The Company has provided bank guarantees aggregating to Rs. 37,780 lakhs (Previous Year : Rs. 40,080 lakhs) as on 31 March, 2010 for the following purposes to:
 - The National Stock Exchange of India Limited - Rs. 31,300 lakhs (Previous Year : Rs. 33,800 lakhs) for meeting margin requirements
 - Bombay Stock Exchange Limited - Rs. 5,560 lakhs (Previous Year: Rs. 5,560 lakhs) for meeting margin requirements.
 - The Multi Commodity Exchange of India Limited - Rs. 550 lakhs (Previous Year : Rs. 350 lakhs) for meeting margin requirements
 - National Commodity & Derivatives Exchange Limited - Rs. 370 lakhs (Previous Year: Rs. 370 lakhs) for meeting margin requirements.

Schedules

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

The Company has pledged fixed deposits with banks aggregating of Rs. 18,277.90 lakhs (Previous Year Rs. 18,167.98 lakhs) and shares (Investments) of Rs. NIL (Previous Year: Rs. 292.85 lakhs) (market value) for obtaining the above bank guarantees.

- b) The Company has given corporate guarantees of Rs. 3,920.06 lakhs (Previous Year: 470 lakhs) to various banks.
- c) Demand in respect of Income Tax matters for which appeal is pending Rs. 1014.38 lakhs (Previous Year Rs. 327.65 lakhs). This is disputed by the Company and hence not provided for. The Company has paid demand of Rs. 611.06 lakhs (Previous Year Rs 327.65 lakhs).
- d) Claims against the Company, to the extent quantifiable, in respect of legal matters filed against the Company -

Pending against forum	No. of Cases	Rs. in lakhs
Civil / Consumer Court Cases	89	542.03
Arbitration Cases	2	85.37
Total	91	627.40

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

2.5 Employees' Stock Options Scheme (ESOS) :

During the year the Company has granted 1,747,500 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, 2010 over the balance vesting period is Rs. 4.93 lakhs (Previous Year - Rs. 7.72 lakhs).

- 2.6 In the opinion of the Board of Directors, all current assets, loans and advances would be realizable at least of an amount equal to the amount at which they are stated in the Balance Sheet.
- 2.7 Balance of Sundry debtors and Sundry creditors are subject to confirmation.
- 2.8 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.
- 2.9 **Managerial Remuneration:**

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

(Rs. in lakhs)

Particulars		2009-10	2008-09
Salary	(i)	341.23	258.67
Commission	(ii)	1,490	506.97
Perquisites	(iii)	4.24	
Included in Profit and Loss account	A=(i) + (ii)+(iii)	1,835.47	765.64
Contribution to P. F.	B	0.09	0.09
Total	A+B	1,835.56	765.74

2.10 Auditors' Remuneration:

(Rs. in lakhs)

Particulars	Year ended 31.03.10	Year ended 31.03.09
As Auditors:		
Audit Fees	13.96	7.64
Tax Audit Fees	2.10	1.90
Out of pocket expenses	0.16	0.24
In other capacity	.99	1.67
Service Tax	1.77	1.04
Total	18.98	12.49

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

2.11 Lease:

Operating Lease

Lease rentals in respect of assets taken on operating lease during the year ended 31st March, 2010 amounts to Rs. 18.87 lakhs (Previous Year : Rs. 61.83 lakhs).

- a) Future obligations towards lease rentals under the lease agreements as on 31st March, 2010 amounts to Rs. 5.03 lakhs (Previous Year : Rs. 24.20 lakhs)
Details of lease rentals payable within one year and thereafter are as under:-

(Rs. in lakhs)

Particulars	2009-10	2008-09
Within one year	5.03	19.55
Later than one year and not later than five year	NIL	4.65
Later than five years	NIL	NIL

Future obligations are before recovery of expenses.

- 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.

2.12 Basic & Diluted Earnings per share:

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Net Profit attributable to equity shareholders after minority interests [A] (Rs. in lakhs)	17,044.66	8,959.63
Weighted Number of equity shares for Basic EPS Face value Re. 1 each [B]	14,31,00,882	142,020,000
Weighted Number of equity shares outstanding for Diluted EPS Face Value Re. 1 each [C]	14,32,49,755	142,020,000
Basic Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/B]	11.91	6.31
Diluted Earnings per share (EPS) before extraordinary items & after minority interests (Rs.) [A/C]	11.90	6.31

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

(Rs. in lakhs)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Deferred Tax Liability		
Difference in Closing Net Block of fixed Assets	(197.93)	(91.27)
Sign-on Bonus	(2.00)	(36.68)
Set off of brought forward Income tax Loss	-	(13.68)
Deferred Tax Assets		
Gratuity Provision	114.26	92.39
Preliminary Expenses	3.53	1.56
Provision for doubtful debts	21.64	
Profit / (Loss) on sale of Investments	16.49	17.81
Disallowance under Section 43 B of the Income tax Act, 1961	144.10	147.15
Loss to be Carried forward under Income Tax	214.40	0.75
Deferred Tax Assets/(Liability)	314.69	118.03

2.14 Related Party Disclosure:

Related Parties (as certified by management):-

Enterprises in which Key Managerial Personnel exercise Significant Influence:

1. Passionate Investment Management Private Limited.
2. Nagori Agro & Cattle Feeds Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited

Schedules

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

Key Management Personnel:-

Mr. Motilal Oswal	– Chairman & Managing Director
Mr. Raamdeo Agrawal	– Joint Managing Director
Mr. Ajay Menon	– Whole-time Director
Mr. Nitin Rakesh	– Managing Director

Transactions with related parties for the year ended 31.03.10:

Transaction	Name of the related Party	Enterprises in which Key Managerial Personnel exercise Significant Influence		Key Managerial Personnel / Relative of Key Managerial Personnel		Total	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Managerial Remuneration	Motilal Oswal			841.00	359.47	841.00	359.47
	Raamdeo Agrawal			845.00	370.00	845.00	370.00
	Ajay Menon			74.25	36.27	74.25	36.27
	Nitin Rakesh			75.22		75.22	
Employee Stock Option (in Nos.)	Ajay Menon			50000		50000	
Corporate Guarantees	Passionate Investment Management Private Limited	(43,660)	(16,883.33)			(43,660)	(16,883.33)
Rent	Nagori Agro & Cattle Feeds Private Limited	34.32	23.05			34.32	23.05
	Rishabh Securities Private Limited	9.18	9.18			9.18	9.18
	Windwell Securities Private Limited	3.06	3.06			3.06	3.06
	Motilal Oswal Asset Management Company Limited		(21.04)			–	(21.04)
	Textile Exports Private Limited	15.90	15.90			15.90	15.90
Brokerage	Passionate Investment Management Private Limited	(10.51)	(10.64)			(10.51)	(10.64)
	Agarwal Portfolios			40.17	19.89	40.17	19.89
	Motilal Oswal			(10.10)		(10.10)	–
	Raamdeo Agrawal			(0.84)		(0.84)	–
Subscription / Purchase to Equity Shares	Motilal Oswal Trustee Company Limited	10.00	–			10.00	–
	Motilal Oswal Asset Management Company Limited	600.00				600.00	–
Share application money	Motilal Oswal Insurance Brokers Private Limited		60.00			–	60.00
Dividend	Motilal Oswal			197.46	197.46	197.46	197.46
	Raamdeo Agrawal			187.42	187.42	187.42	187.42
	Raamdeo Agrawal (HUF)			5.20	5.20	5.20	5.20
	Suneeta Agrawal			2.56	2.56	2.56	2.56
	Vimla Oswal			1.01	1.01	1.01	1.01
	Passionate Investment Management Private Limited	400.00	400.00			400.00	400.00
Personal Guarantees	Motilal Oswal			(2,000.00)	(9,613.33)	(2,000.00)	(9,613.33)
	Raamdeo Agrawal			(2,000.00)	(9,613.33)	(2,000.00)	(9,613.33)
Collaterals (Market Value)	Passionate Investment Management Private Limited	(31,437.34)	(17,836.33)			(31,437.34)	(17,836.33)
	Motilal Oswal	–		(12,446.25)	(6,940.94)	(12,446.25)	(6,940.94)
	Raamdeo Agrawal			(1,659.5)	(6,494.00)	(1,659.50)	(6,494.00)
Outstanding Balances:		–				–	–
Creditors	Motilal Oswal	(2.23)				(2.23)	–
Security Deposit	Passionate Investment Management Private Limited	200.00	200.00			200.00	200.00

Note: Income / receipts are shown in brackets

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

2.15 Segment Information:

(Rs. in lakhs)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
1. Segment Revenue		
(a) Equity Broking & Other related activities	50,129.89	35,174.28
(b) Financing and Other activities	5,589.61	6,087.37
(c) Investment Banking	6,502.77	4,523.24
(d) Unallocated	3,797.48	2,133.65
Total	66,018.75	47,918.56
Less: Inter Segment Revenue	1,487.28	1,306.28
Income From Operations, Other Operating Income and Other Income	64,531.48	46,612.27
2. Segment Results Profit / (Loss) before tax and interest from each segment)		
(a) Equity Broking & Other related activities	16,450.29	7,463.18
(b) Financing and Other activities	4,894.95	4,965.25
(c) Investment Banking	3,216.77	2,043.91
(d) Unallocated	1,472.21	880.94
Total	26,034.02	15,353.28
Less: (i) Interest	717.00	1,095.11
Profit/Loss from Ordinary Activities before Tax	25,317.02	14,258.18
3. Capital Employed (Segment assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	47,878.62	31,611.79
(b) Financing and Other activities	49,416.70	44,651.73
(c) Investment Banking	799.20	2,277.19
(d) Unallocated	(3,086.20)	1,250.76
Total	95,007.90	79,791.47

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 other related activities, financing and other activities 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 other related activities, financing & other activities investment banking as reportable segments. The balance is shown as unallocated Items.

2.16 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.

(Rs. in lakhs)

Method: Unit Credit Method

Assumptions	Details
Discount Rate	8% P.A.
Expected Return On Plan Assets	N/A
Mortality L.I.C 1994-96	ULTIMATE
Future Salary Increases	15% p.a.
Disability	nil
Attrition	20% p.a.
Retirement	55yrs
Changes in the Present Value of the Obligation and in the Fair Value of the Assets	
Present Value Of obligation at the beginning of period	272.50
Interest Cost	20.92
Current Service Cost	120.57
Past Service Cost	0.00
Benefits Paid	-21.98
Actuarial (gain) loss on Obligation	-46.53

Schedules

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

(Rs. in lakhs)

Assumptions	Details
Present Value Of obligation at the end of period	345.49
Fair value of plan Assets at the beginning of the period	0.00
Expected Return On plan assets	0.00
Contributions	21.98
Benefits Paid	-21.98
Actuarial gain (Loss) Plan Assets	0.00
Fair value of plan Assets at the end of the period	0.00
Total Actuarial gain (loss) to be recognised	46.53
Balance Sheet Recognition	
Present Value Of Obligation	345.49
Fair Value Of Plan Assets	0.00
Liability (assets)	345.49
Unrecognised Past Service Cost	0.00
Liability (asset) recognised in the Balance Sheet	345.49
Profit & Loss - Expenses	
Current Service Cost	120.57
Interest Cost	20.92
Expected Return On plan assets	0.00
Net Actuarial gain (loss) recognised in the year	-46.53
Past Service Cost	0.00
Expenses Recognised in the statement of Profit & Loss	94.97
Movement in the net Liability recognised in the Balance Sheet	
Opening net Liability	272.50
Expenses	94.97
Contribution	-21.98
Closing Net Liability	345.49

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

2.18 Initial margin in respect of outstanding Equity Derivative Instruments contracts at year end is Rs. 4938.75 lakhs which comprises of bank & fixed deposits, bank guarantee & collaterals.

2.19 Arbitrage transactions

The arbitrage transactions of the company, encompass of purchase / sale of equity shares/securities and equity derivatives which comprise a portfolio. In view of this, during the year the company has accounted the arbitrage transactions on portfolio basis instead of scrip basis and is marked to market. The transactions of cash segment are valued on weighted average basis as done for Derivatives segment as against first-in-first-out followed earlier year. Accordingly, if the net difference is loss (being an unrealized loss), provision is made in the profit & loss account and if the net difference is a gain (being an unrealized gain), credit is not taken for the same on the principle of prudence. Pursuant to above change, profit for the year ended 31st March 2010 is increased by Rs. 267.56 lakhs.

2.20 During the year, CRISIL Limited assigned the Credit Rating of 'P1 +1' (pronounced 'P One Plus') to the following Debt programmes / Bank loan facilities of the company :-

- Short Term Debt Programme of Rs. 80,000 lakhs.
- Bank guarantee facilities of Rs. 46,800 lakhs
- Short Term Loan facility of Rs. 20,800 lakhs

Schedule U : Significant Accounting Policies & Notes to Accounts for the year ended March 31, 2010 (contd..)

- 2.21** Out of the capital commitment of 10% (subject to maximum limit of Rs. 4,500 lakhs) 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. 3,375 lakhs 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. 1,500 lakhs to India Realty Excellence Fund launched by RET. In respect of this, the Company has contributed an amount of Rs. 625 lakhs as per the draw down intimations received from the Fund.
- 2.23** The Company has given a capital commitment of Rs. 150 lakhs to Aditya Birla Private Equity & Rs. 150 lakhs to Reliance Alternative Investment Fund. In respect of this, the Company has contributed an amount of Rs. 30 lakhs in Aditya Birla Private Equity & 22.50 lakhs in Reliance Alternative Investment Fund as per the draw down intimations received from the Fund.

- 2.24** During the year, the Company jointly with holding Company has acquired land & building situated at Prabhadevi, Mumbai. The Company is constructing additional building space (jointly with its holding company) on the existing land/building structure for its Corporate Office.

The Company has, during the year, capitalized interest of Rs. 580.31 lakhs attributed to capital work-in-progress, which is in accordance with Accounting Standard on 'Borrowing Costs' (AS-16) issued by the Institute of Chartered Accountants of India. The said Accounting Standard specifies that interest on funds that are borrowed generally (for working capital) and used for the purpose of obtaining a qualifying asset are costs that are eligible for capitalisation. The amount of borrowing costs (interest) attributable to the qualifying asset is determined by applying the weighted average rate of borrowings outstanding to the asset expenditures ('qualifying assets').

2.25 Exceptional Items:

Exceptional items comprises of reversal of provision for Rs. 5.66 lakhs made in earlier year in respect of diminution in value of long-term investments.

- 2.26** Amount of margin money and shares received from clients and outstanding as on 31st March, 2010 are as follows:

(Rs. in lakhs)

Security Settlement for the	In the form of Securities at market Value*	Bank Guarantees	Received in cheques
Year ended 31.03.2010	27,895.26	75.00	5872.93

*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. 15,463.73 lakhs is pledge with Exchange as on March 31, 2010.

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

Note : The financial information presented above is extracted from the audited financial statements of the company for the year ended March 31, 2010.

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

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agrawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2010

Financial Highlights of Subsidiaries

Financial Highlights of Subsidiaries for the year ended 31st March, 2010

(Rs. in Lakhs)

Name of the Subsidiary Company	Capital (including Preference Share Capital)	Reserve & Surplus	Total Assets	Total Liabilities	Details of Investments (excluding Investments in Subsidiaries)	Gross Turnover	Profit Before Tax	Provision for Tax	Profit After Tax	Proposed Dividend & Tax thereon
Motilal Oswal Securities Ltd.	131.88	46,604.80	117,519.41	117,519.41	797.86	51,589.89	17,230.31	5,316.18	11,914.13	—
Motilal Oswal Commodities Broker Private Ltd.	101.00	209.69	1,657.29	1,657.29	—	643.70	170.95	40.13	130.81	—
Motilal Oswal Investment Advisors Private Ltd.	100.00	1,498.87	7,963.71	7,963.71	52.50	6,552.62	3,264.15	1,098.11	2,166.05	(1,924.04)
Motilal Oswal Private Equity Advisors Private Ltd.	5.88	535.16	1,113.62	1,113.62	250.00	1,544.63	374.65	124.81	249.84	—
Motilal Oswal Capital Markets Private Ltd.	125.00	(24.97)	535.75	535.75	—	—	(32.99)	(10.44)	(22.55)	—
Antop Traders Private Ltd.	1.50	62.14	414.13	414.13	—	64.27	43.75	10.08	33.67	—
Motilal Oswal Insurance Brokers Private Ltd.	100.00	(23.09)	88.08	88.08	—	2.31	(31.82)	(10.03)	(21.79)	—
Motilal Oswal Asset Management Company Ltd.	2,000.00	(448.63)	1,711.65	1,711.65	—	47.20	(589.74)	(179.23)	(410.51)	—
Motilal Oswal Trustee Company Ltd.	10.00	(1.13)	8.92	8.92	—	—	(1.17)	(0.32)	(0.85)	—



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