

Synergy in Knowledge



Knowledge First



ANNUAL REPORT 2012-2013

Synergy in Knowledge

When you combine knowledge it doesn't add; it multiplies. At Motilal Oswal Financial Services Ltd. (MOFSL) we integrate a wealth of knowledge across our different businesses to provide seamless wealth creation solutions for you. That's because at Motilal Oswal Tower, all our knowledge in Broking & Distribution, Institutional Equities, Private Equity, Private Wealth Management, Asset Management and Investment Banking sits together under one roof. Learnings get shared, views get exchanged, ideas get cross pollinated and you profit ...from synergy in knowledge.



Message from Chairman	3
Performance at a Glance	4
Five Year Performance Highlights	6
Business Snapshot	7
Key People	8
Directors Report	11
Management Discussion and Analysis	21
Corporate Governance	37
Accounts	54



Board of Directors

Mr. Motilal Oswal
Chairman, Managing Director
& Chief Executive Officer

Mr. Raamdeo Agarwal
Joint Managing Director

Mr. Navin Agarwal
Director

Mr. Balkumar Agarwal
Independent Director

Mr. Vivek Paranjpe
Independent Director

Mr. Praveen Tripathi
Independent Director

Chief Financial Officer
Mr. Sameer Kamath

Company Secretary and Compliance Officer
Mr. Samrat Sanyal

Bankers

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

Auditors

M/s Haribhakti & Co., Chartered Accountants

Registrars and Share Transfer Agent

Link Intime India Private Limited
C- 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai – 400 078.
E-mail: rnt.helpdesk@linkintime.co.in

Registered Office

Palm Spring Centre, 2nd Floor,
Palm Court Complex, New Link Road,
Malad (West), Mumbai- 400 064.
E-mail: shareholders@motilaloswal.com





Dear Shareholders,

The year gone by was indeed a tough one for the capital markets. Domestic and global economic headwinds which impacted the economy in FY2012, continued in FY2013 as well. These impacted investor sentiment and activity levels in the markets, making it challenging for capital market focused companies. Domestic retail investors continued to shy away from equities as an asset class. While FII inflows have been robust since the second quarter onwards, domestic institutions have largely been sellers in Indian equities. Secondary market volumes continued to reach highs, but largely owing to the low-yield option segment. Cash equities volumes, especially high-yield delivery, continued to remain depressed. Primary market activity was also sluggish as a number of corporates delayed their fund raising plans. Overall, the year ended with mixed sentiments, with muted reactions to the Budget and political uncertainty on one hand, and moderation in WPI inflation and rate cut expectations on the other.

Our consolidated revenues were up a marginal 0.4% to ₹ 4,729 mn in FY13 and reported PAT increased by 5.0% to ₹ 1,091 mn. The drop in cash equities volumes in the market, especially in the delivery segment, continued to put broking revenues under pressure. Our broking-related revenues fell 8% to ₹ 2,980 mn in line with the 6.7% decline in cash market volumes. With an increase in the loan book, fund based income grew 21.2% to ₹ 997 mn. Asset management fees increased 17.4% to ₹ 591 mn on the back of traction in our private equity business. Delays in closure of few deals which are in advanced stages and overall primary market conditions impacted our investment banking business. Investment banking fees saw a 10.9% decline to ₹ 78 mn. However, strong focus on efficiencies and costs helped maintain our EBITDA and Net Profit

margins in line with long term trends.

Despite this difficult operational environment, we have continued to build our franchise steadily:-

- Our private wealth management business launched the new and improved advisory proposition with the motto 'Responsible Advisory' under the brand Motilal Oswal Private Wealth Management. This value proposition is based on comprehensive risk profiling leading to portfolio advice which can be objectively tracked for value addition by the advisor.
- We continued to develop our technology platforms across the entire trade-cycle process to give an enhanced experience to our clients.
- We started currency trading on MOSL's trading platform in various currencies like USD, GBP, EUR and JPY; with a dedicated currency research desk.
- During a very challenging year, both our private equity and our real estate funds partially exited few of their investments at healthy multiples. This has helped us build our track record in this business; and our new private equity fund, which is undergoing fund raising, continued to see favourable investor response.

In recognition of our value-driven services and customer-centric approach, we won several industry accolades this year as well. Each of these is a testimonial to the hard work put in by our employees. We were adjudged amongst the Top 20 innovators in the BFSI space for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012. We also won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013, 'Depository Participant of the Year' award at the Money Today FPCIL Awards 2012 and 'Best Employer Brand' Award at the IPE Banking, Financial Services & Insurance Awards 2012. We were also ranked amongst Top 3 in 4 categories in the AsiaMoney Brokers Poll 2012.

Despite the near-term headwinds, there is a clear long-term opportunity for financial intermediation as the growth in Indian GDP and savings pans out. We remain focused on building a strong foundation in our businesses to scale up and grab a meaningful share of these opportunities. We remain focused on building a customer focused organization with low financial leverage, which has helped us deliver reasonable performance across market cycles. I would like to express my gratitude to our Board of Directors for their support and guidance. I am also grateful to all our stakeholders who have reposed their trust in us and given us constant support.

With best wishes,

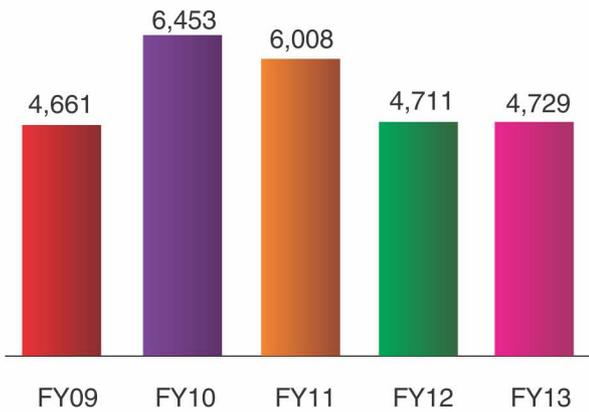
Sincerely,

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

Motilal Oswal
Chairman, Managing Director & Chief Executive Officer
Mumbai, 20 June, 2013

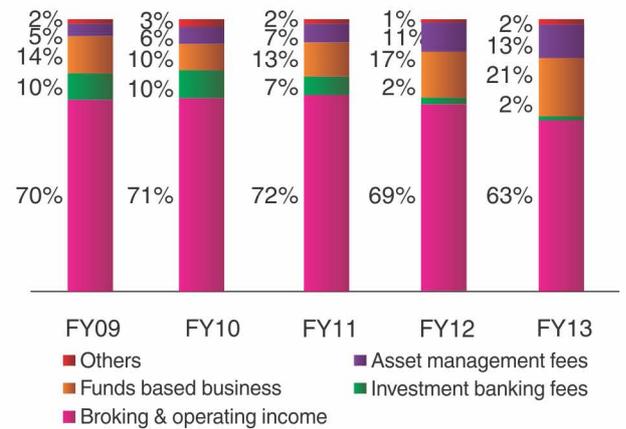
Performance at a Glance

Consolidated Revenues (₹ Mn)



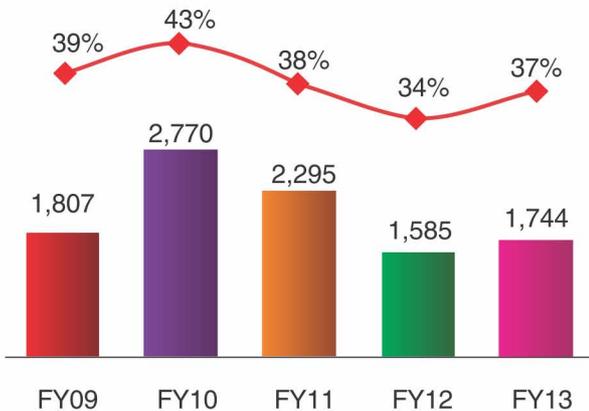
**Prior figures have been regrouped wherever necessary*

Revenue Composition %



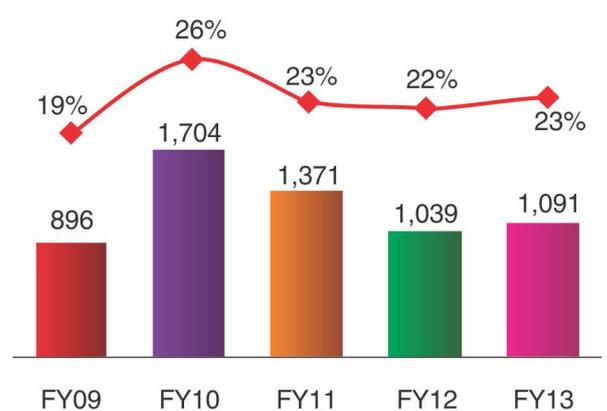
**Prior figures have been regrouped wherever necessary
Figures may not always sum to 100% due to rounding

EBITDA (₹ Mn); EBITDA Margin %

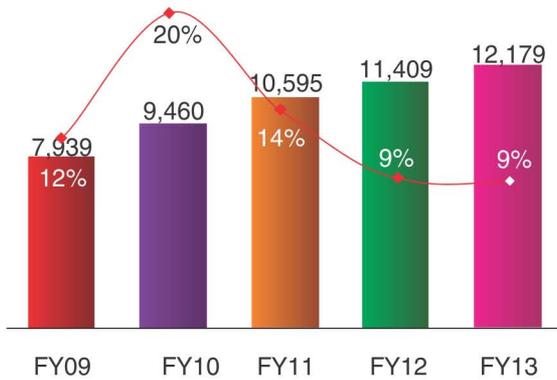


**Prior figures have been regrouped wherever necessary*

Profit After Tax (₹ Mn); PAT Margin %



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



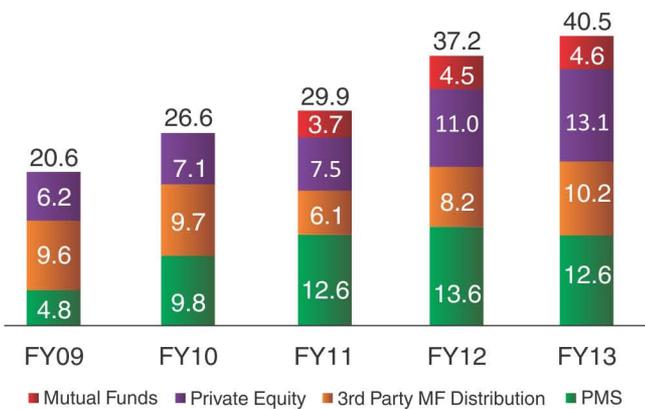
Consistently Increasing Dividends



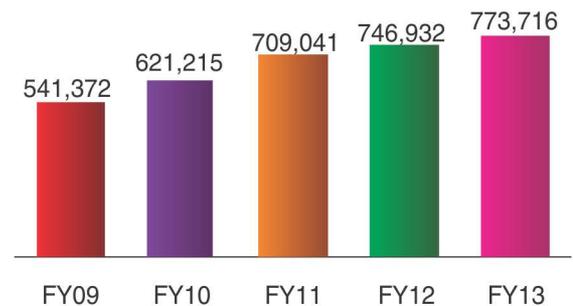
For FY13; ₹ 1 is paid as interim dividend + ₹ 1 is proposed dividend; Buyback has been proposed

* Payout is calculated on Adjusted PAT for the respective years

Assets under Management/
Advice/Distribution (₹ Bn)



Total number of Registered Clients



Five Year Performance Highlights

Standalone Financial Performance of Motilal Oswal Financial Services Limited

(₹ in millions)

Year Ended March 31	2013	2012	2011	2010	2009
Total Income	949.04	819.48	643.41	642.59	722.36
Total Expenditure	331.23	134.14	78.03	69.49	112.21
Profit before Exceptional items and tax	617.81	685.34	565.38	573.10	610.15
Exceptional Items	163.80	23.14	—	—	—
Profit Before Tax	454.01	662.20	565.38	573.10	610.15
Tax Expenses	66.53	99.24	138.79	149.14	157.03
Net Profit	387.48	562.96	426.60	423.96	453.12
Paid up Equity Capital	145.24	145.12	144.42	143.17	142.02
Net Worth	5,681.34	5,584.44	5,125.75	4,734.85	4,333.90
Book Value per share	39.12	38.45	35.29	32.60	29.84
Basic EPS	2.67	3.89	2.96	2.97	3.19
Diluted EPS	2.67	3.89	2.96	2.97	3.19

Consolidated Financial Performance of Motilal Oswal Financial Services Limited and its subsidiaries

(₹ in millions)

Year Ended March 31	2013	2012	2011	2010	2009
Total Income	4,728.77	4,711.37	6,007.57	6,453.25	4,661.23
Total Expenditure	3,291.36	3,291.93	3,900.51	3,921.53	3,235.43
Profit before Exceptional items and tax	1,437.41	1,419.44	2,107.06	2,531.72	1,425.80
Exceptional Items [Income/(Expenses)]	180.77	106.73	—	0.57	(30.00)
Profit Before Tax	1,618.18	1,526.17	2,107.06	2,532.28	1,395.80
Tax Expenses	518.37	484.44	712.01	788.07	461.49
Profit after Tax before Minority Interest	1,099.81	1,041.72	1,395.05	1,744.21	934.31
Minority interests Profit	8.95	2.86	24.44	39.74	38.34
Profit after Tax & Minority Interest	1,090.86	1,038.86	1,370.60	1,704.47	895.96
Paid up Equity Capital	145.24	145.12	144.42	143.17	142.02
Net Worth	12,178.62	11,409.31	10,595.08	9,459.75	7,938.95
Book value per share	83.85	78.62	73.36	66.07	55.90
Basic Eps	7.57	7.17	9.52	11.90	6.31
Diluted Eps	7.57	7.17	9.52	11.90	6.31

Business Snapshot



BROKING & DISTRIBUTION

- Distribution reach at 1,484 business locations across 527 cities
 - More than 773,000 total registered customers
 - Depository assets at ₹109.8 bn
 - More than 250 training and investor education seminars conducted in FY13
-



INSTITUTIONAL EQUITIES

- Over 520 institutional clients
 - Research covering almost 200 companies in over 20 sectors and 27 commodities
 - Research products coverings an entire spectrum across India Strategy, Thematic (Eco Scope, Expert Speak, Policy Maker); Sector (mPower, Auto Dashboard, Tele Talk Time, Industry Updates) and Company (ICR, Company Updates, InSites) research
-



INVESTMENT BANKING

- Over 100 deals in 7 years across the product and sector spectrum
 - Cumulative revenues since inception of over ₹ 2.6 bn
-



ASSET MANAGEMENT

- PMS AUM of ₹ 12.6 bn
 - Mutual Funds AUM of ₹ 4.6 bn across 5 products
 - Organized the 2nd edition of the Motilal Oswal MOST Shares ETF Conclave in June 2012
 - Hosted the 2nd edition of the Motilal Oswal Value Investing Forum in October 2012
-



PRIVATE EQUITY

- India Business Excellence Fund has funds under management of US\$ 125 million (₹ 5.5 bn), which is fully committed across 13 companies. The fund partially exited two holding companies via secondary sales and has returned ~38% of capital to investors so far
 - India Realty Excellence Fund has funds under management/advice of ₹ 2 bn, and has made investments across 7 deals, committing about 92% of its funds under management. Following partial exits from three projects, the fund has returned ~19% of capital to investors so far
 - The 2nd growth capital PE fund - India Business Excellence Fund-II - achieved its third closing this year, with commitments of ₹ 5.6 bn from both domestic and foreign investors
-



WEALTH MANAGEMENT

- AUM of ₹ 20.2 bn
 - Presence in Mumbai, Delhi, Kolkata, Pune, Ahmedabad, Bangalore and Hyderabad
 - Private wealth management business launched the new and improved advisory proposition with the motto 'Responsible Advisory' under the brand 'Motilal Oswal Private Wealth Management (MOPWM)'. The value proposition is based on comprehensive risk profiling leading to portfolio advice which can be objectively tracked for value addition by the advisor
 - MOPWM launched India's first Advisory Index and several other indices which will help clients track the value addition by an advisor objectively - an Industry First
-

All data as of March 31, 2013

Key People



Motilal Oswal
Chairman, Managing Director &
Chief Executive Officer, MOFSL



Raamdeo Agarawal
Joint Managing Director, MOFSL



Navin Agarwal
CEO, Institutional Equities Business
& Director, MOFSL



Rajat Rajgarhia
Head, Research



Ashutosh Maheshvari
CEO, Investment Banking Business



Vishal Tulsyan
CEO, Private Equity Business



Vijay Kumar Goel
CEO, Broking & Distribution Business



A V Srikanth
CEO, Private Wealth Management Business



Aashish Somaiyaa
CEO, Asset Management Business



Ajay Kumar Menon
Chief Operating Officer &
Whole Time Director, MOSL



Srikanth Iyengar
CEO, Principal Strategies Group



Harsh Joshi
Head – Corporate Affairs &
Whole Time Director, MOSL



Sameer Kamath
Chief Financial Officer



Ramnik Chhabra
Head, Marketing



Sudhir Dhar
Head, HR & Administration

Financial Statements

To the Members

Your Directors have pleasure in presenting their 8th Report together with the audited Accounts of your Company for the year ended 31st March, 2013.

Financial Highlights

Summary of Financial results for the year is as under:

Motilal Oswal Financial Services Limited (Standalone)

	₹ in millions	
	Year ended 31st March, 2013	Year ended 31st March, 2012
Revenue	949.04	819.48
Profit before Finance cost, Taxation and exceptional items	752.31	694.31
Finance cost	(134.50)	(8.97)
Profit before Taxation and exceptional items	617.81	685.34
Add / (Less): Exceptional Items	(163.80)	(23.14)
Profit before taxation	454.01	662.20
Add / (Less): Provision for Taxation		
Current Tax	(64.77)	(88.85)
Deferred Tax	(1.75)	(11.72)
Tax for earlier year(s)	–	1.33
Profit after Taxation, before extraordinary items for the year	387.48	562.96
Balance brought forward from previous year	623.36	414.85
Profit Available for appropriation	1,010.84	977.81
Less: Appropriations		
Transfer to Statutory Reserve	(77.50)	(112.59)
Proposed dividend / Interim Dividend	(290.48)	(217.68)
Dividend Distribution Tax	(11.84)	20.86
Transfer to General Reserve	(31.00)	(45.04)
Balance of Profit carried forward	600.02	623.36

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

	₹ in millions	
	31st March, 2013	31st March, 2012
Revenue	4,728.77	4,711.37
Profit before Finance cost, Taxation and exceptional items	1,485.44	1,455.64
Finance cost	(48.03)	(36.20)
Profit before Taxation and exceptional items	1,437.41	1,419.44
Add / (Less): Exceptional Items	180.77	106.73
Profit before taxation	1,618.18	1,526.17
Add / (Less): Provision for Taxation		
Current Tax	(390.29)	(442.26)
Deferred Tax	(132.41)	(45.16)
Minimum Alternate Tax	8.30	–
Tax for earlier year(s)	(3.97)	2.98
Profit after Taxation, before minority Interest	1,099.81	1,041.72
Minority interest in profits	(8.95)	(2.86)
Profit after Taxation and minority Interest	1,090.86	1,038.86

Directors' Report

	31st March, 2013	31st March, 2012
Balance brought forward from previous year	5,597.06	5,029.57
Profit Available for appropriation	6,687.92	6,068.43
Less: Appropriations:		
Transfer to Statutory Reserve	(77.50)	(112.59)
Proposed dividend / Interim Dividend	(290.53)	(217.77)
Dividend Distribution Tax	(43.16)	(14.45)
Transfer to General Reserve	(113.08)	(126.56)
Balance of Profit carried forward	6,163.65	5,597.06

Dividend

The Company at the Meeting of its Board of Directors held on 18th October, 2012, had declared an interim dividend of ₹ 1.00 per Equity Share, out of the profits of the Company for the six months ended 30th September, 2012 on 145,235,776 Equity Shares of ₹ 1.00 each aggregating to ₹ 145,235,776/- .

Keeping in view the overall performance during the year, your Directors are pleased to recommend a final dividend of ₹ 1 per Equity Share on 145,235,776 Equity Shares of ₹ 1.00 each aggregating to ₹ 145,235,776/-, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The dividend distribution tax will absorb a sum of ₹ 23,560,874/-.

Results: MOFSL Standalone

During the year under review, the standalone revenues for the year were ₹ 949.04 million, a growth of 15.81% as compared to ₹ 819.48 million last year. Interest income went up by 35.34% to ₹ 612.56 million, on account of an increase in the average loan book size. Other operating income was ₹ 89.48 million, which includes profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Other income, which includes dividend from subsidiaries, was ₹ 248.99 million as compared to ₹ 355.18 million in the last year.

Due to slightly lower operating expenses, the total expenses (before depreciation, interest and exceptional items) registered a 2.42% decline to ₹ 113.11 million this year. Profit before depreciation, interest, exceptional items, and taxation (EBITDA) increased by 18.81% this year, from ₹ 703.58 million to ₹ 835.93 million. Interest and finance charges increased from ₹ 8.97 million to ₹ 134.50 million. Exceptional item of ₹ 163.80 million represents provision for doubtful advances / write offs. The Company's net profit decreased by 31.17% to ₹ 387.48 million.

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

Consolidated Results:

The Consolidated Revenues of the Company for the year were ₹ 4,728.77 million for the year under review, a marginal increase of 0.37% as compared to the previous year.

- Broking and related revenues declined by 8.00% to ₹ 2,980.43 million this year. Daily volumes in the equity markets reached a high of ₹ 1.68 trillion in FY2013, up 17% from last year. Options continue to comprise an increasing share of market volumes, from 68% in FY2012 to 76% in FY2013. Cash volumes in the market declined by 7% YoY to ₹ 130.28 billion. Within cash, the delivery volumes were down 1% YoY and delivery's proportion within market volumes dipped from 2.7% to 2.3%. However, there was a spurt in delivery volumes during the months of September, October, December and January coinciding with the trends in FII inflows. Our overall equity market share declined from 1.9% to 1.5% on a YoY basis. As on 31st March, 2013, total client base has increased to 773,716 while Pan-India distribution reach stood at 1,484 business locations across 527 cities. Despite challenging market conditions, we remain committed to building a strong broking franchise and our efforts were recognized at several industry platforms where we were ranked the best equity broker.
- Investment banking fees fell by 10.87% to ₹ 78.01 million this year. Fee income was impacted due to delays in closure of few deals which are in advanced stages. Subdued equity markets impacted equity raising activities like IPO and FPOs in the market. Deal making was impacted across the industry given regulatory uncertainty, slow policy making and high borrowing costs which led to delays in transaction closures. In this environment, companies continued to remain cautious. Very few projects were announced resulting in low requirement by companies to raise capital. However, the business is well aligned to arising market opportunities.

- Fund-based income for the year was ₹ 996.63 million, a growth of 21.21%. This is attributable to growth in interest income due to higher average loan book this year. This also includes profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments.
- Asset management fees increased by 17.41% to ₹ 591.21 million. The total assets under management / advice across mutual funds, PMS and private equity businesses were ₹ 30.29 billion of which mutual funds AUM was ₹ 4.64 billion, private equity AUA was ₹ 13.05 billion and PMS AUM was ₹ 12.60 billion. During the current year, the private equity business announced the third closing of its new PE fund - India Business Excellence Fund II raising ₹ 5.55 billion through a combination of domestic and offshore investors.
- Other income increased by 40.75% to ₹ 82.49 million as compared to last year

Total expenses (before interest, depreciation and exceptional items) for the year at ₹ 2,984.78 million registered a 4.52% decline over last year. The decline in brokerage commission earned reduced the brokerage shared with intermediaries. Operating expenses declined by 7.91% to ₹ 1,106.06 million. People costs at ₹ 1,079.63 million declined by 5.98% compared to last year. Other operating costs which include facilities, marketing, communication, travel and other costs was ₹ 799.09 million, an increase of 2.89% over last year. The profit before depreciation, interest, exceptional items and taxation (EBITDA) increased by 10.01% to ₹ 1,743.99 million. EBITDA margin increased from 33.65% to 36.88%.

Exceptional item of ₹ 180.77 million represents profit from sale of fixed assets, provision for doubtful advances / write offs and settlement payment. Reported net profit for the year after minority interest stood at ₹ 1,090.86 million, an increase of 5.01%.

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

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

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

Buyback of Equity Shares

The Board of Directors at its meeting held on 27th April, 2013 approved the following matters:-

- Amendment to the Existing Articles of Association of the Company by insertion of Article 12A for empowering the Company to Buyback its own shares, subject to the approval of the Members.
- Buyback of Equity Shares subject to the provisions of Section 77A, 77AA, 77B and other applicable provisions, if any, of the Companies Act, 1956, provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, including any amendments, statutory modification(s) or re-enactment(s) thereof (hereinafter referred to as 'Buy Back Regulations') and approval of the Members of the Company.

The Company would Buyback fully paid-up equity shares of ₹1/- each from open market through the Stock Exchange mechanism, for an amount not exceeding ₹ 65 Crores (Rupees Sixty Five Crores only) in cash from the BSE Limited and the National Stock Exchange of India Limited, subject to a price not exceeding ₹ 90/- per equity share and subject to a maximum of 7.5 million fully paid-up Equity Shares of ₹1 each (equivalent to 5.16% of Equity shares of ₹1 each outstanding as on 31st March, 2013) and minimum of 1.875 million fully paid-up Equity Shares of ₹ 1 each (equivalent to 1.29% of Equity shares of ₹ 1 each outstanding as on 31st March, 2013).

Future Outlook

Indian Stock Markets had a mixed year in 2012-13. Multiple headwinds like inflation, volatile commodity prices, slowdown in the investment cycle, policy slowdown, depreciating Rupee impacted corporate performance and earnings visibility. However, newsflow in the second half of the year like moderation in Wholesale Price Index due to easing in commodity prices and some action on reforms created positive triggers. As inflation stability sustains and liquidity improves, it can lead to further monetary

Directors' Report

easing which should eventually help to lower the cost of borrowing and revive the investment cycle. At our end, we are building-up all our businesses relentlessly, in such a way that we are ready to en-cash on any up-turn in the market.

Credit Rating

During the year, CRISIL Limited reaffirmed the Credit Rating of "CRISIL A1+" to the Short Term Debt Program of ₹ 1500 million of the Company. ICRA Limited assigned the credit rating of "PP-MLD[ICRA] AA-" Rating with a stable outlook to the Long Term Debt Program of ₹ 250 million of the company. CRISIL Limited also reaffirmed the Credit Rating of "CRISIL A1+" to the Short Term Debt Program of ₹ 1000 million of Motilal Oswal Securities Limited, a subsidiary of the Company. The ratings indicate a very strong degree of safety regarding timely servicing of financial obligations.

Finance

Issue and Allotment of 2500 Principal Protected Secured Redeemable Non-Convertible Debentures

The Company has issued and allotted 2500 Principal Protected Secured Redeemable Non-Convertible Debentures of face value of ₹ 1,00,000 (Rupees One lakh) each aggregating to ₹ 25,00,00,000/- (Rupees Twenty Five crores) by way of a Private Placement, which is listed at BSE Limited.

The issue proceeds will be utilized for general business purposes including capital expenditure, working capital, loan against shares and securities, repayment / prepayment of existing borrowings, etc., acquisition or purchase of land, investment in capital markets and real estate purposes.

The terms of issue are as follows:-

- The date of Allotment was 11th December, 2012.
- The tenor is 3 years, 3 months and 20 days from the Date of Allotment
- The Coupon Rate is reference Index linked return over the tenure of debenture.
 - o Reference Index Linked Return=Debenture Face Value* Reference Index Return Factor
 - o Coupon rate shall be payable on Redemption / Maturity Date
- Repayment of 100% of the Principal Amount applies to this Debenture issue.

Also during the year under review, to meet the working capital requirements, the Company has issued Commercial Papers.

Employees' Stock Option Schemes (ESOS)

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

Directors

Mr. Vivek Paranjpe and Mr. Praveen Tripathi retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The details of the Directors to be reappointed is set out in the Report on Corporate Governance annexed to this Report.

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, 2013 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.

Corporate Social Responsibility (CSR) Initiatives by the Group

The Motilal Oswal Group strongly believes in giving back to the Society. The Group makes contributions to various causes through the various Group Companies and through the Motilal Oswal Foundation.

In line with the Group's motto of "Knowledge First", the Group has contributed largely to the education & learning front. The Motilal Oswal Foundation has recently set up a hostel at Lallubhai Park, Andheri (West) called "Agrawal Oswal Chhatrawas" in collaboration with the Rajasthan Vidyarthi Griha. The Agrawal Oswal Chhatrawas is a state of the art hostel for students from Rajasthan & other parts of the country who aspire for the professional course of Chartered Accountancy. It's a 5-storey building with total capacity of approx. 210 students on triple sharing basis with attached toilet & bath.

The Group sponsors "mid-day meals" to school children through the Radhakrishna Trust and thus feeding 300 children every day, throughout the year.

The Group has also contributed in cash and kind to various NGOs like Goonj, through the Joy of Giving Week. We have collected items throughout India with different drives like collection of toys, stationery, toiletries and clothes every year for distribution towards the underprivileged.

The Group has sponsored education for 3 underprivileged children for consecutive two academic years.

The Group has also tied up with Light of Life Trust so as to provide books, study material, school kits etc to the kids.

The Group's employees contribute by celebrating the festivities with the underprivileged and also volunteering by giving lectures, arranging workshops etc. and thereby developing the underprivileged.

Audit Committee

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

Remuneration / Compensation Committee

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

Shareholders / Investors' Grievance Committee

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

Debenture Committee

The Debenture Committee of the Board of Directors presently comprises of Mr. Motilal Oswal, Mr. Raamdeo Agarawal, Mr. Navin Agarwal and Mr. Balkumar Agarwal.

Nomination Committee

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

Risk Management Committee

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

Asset Liability Management Committee (ALCO)

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

ESOP Committee

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

Corporate Governance

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

Auditors

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

Subsidiaries

The Company has the following subsidiary companies:

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

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

Fixed Deposits And Loans / Advances

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

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

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

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

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

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

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

Acknowledgments

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

For and on behalf of the Board

Motilal Oswal

Chairman & Managing Director

Mumbai, 27th April, 2013

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

Particulars	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company	Name of the Subsidiary Company
	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	Motilal Oswal Wealth Management Private Limited	Motilal Oswal Asset Management Company Ltd.	Motilal Oswal Trustee Company Ltd.	Motilal Oswal Securities International Pvt Ltd.	Motilal Oswal Capital Markets (Singapore) Pte. Limited.	Motilal Oswal Capital Markets (Hongkong) Pvt. Limited.	Total
The Financial year of the Subsidiary ended on	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013	
Number of Shares in the Subsidiary Company held by Motilal Oswal Financial Services Limited at the above date													
Equity (Nos.)	400,000	50,000	1,000,000	990,000	350,000	80,000	30,000,000	100,000	4,569,200	250,000	6,000,000		
Extent of holding (%)	97.55%	85.00%	100.00%	99.00%	99.95%	99.95%	99.95%	99.95%	99.95%	99.95%	99.95%		
The net aggregate of profits/(losses) of the Subsidiary Company for its financial period so far as they concern the member Of Motilal Oswal Financial Services Limited													
(a) Dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2013 (₹ in millions)	145.07	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	145.07
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2013 (₹ in millions)	675.36	68.25	45.42	(51.95)	(6.26)	0.71	1.76	52.81	0.13	(3.55)	(1.54)	(2.06)	779.04
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, 2013 (₹ in millions)	72.50	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	72.50
(b) Not dealt with in the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2013 (₹ in millions)	6,028.23	101.54	82.09	126.65	(5.78)	2.02	12.93	(161.20)	(0.13)	(5.17)	(1.24)	(5.92)	6,174.01

For and on behalf of board of
Motilal Oswal Financial Services LimitedPlace : Mumbai
Dated : 27th April, 2013Samrat Sanyal
Company SecretaryMotilal Oswal
Chairman and Managing DirectorRaamdeo Agarawal
Joint Managing Director

Annexure to the Directors ' Report

Loan and advances in the nature of loans to subsidiaries disclosed pursuant to Clause 32 of the Listing Agreement

(₹ in Millions)

Name of the Company	Balance as on 31st March, 2013	Maximum Outstanding during the year
Motilal Oswal Commodities Broker Pvt Ltd.	48.97	835.00
Motilal Oswal Asset Management Company Ltd.	–	13.60
Motilal Oswal Capital Markets Pvt. Ltd.	–	0.02
Motilal Oswal Investment Advisors Pvt. Ltd.	80.03	80.03
Motilal Oswal Private Equity Advisors Pvt. Ltd.	–	10.50
Motilal Oswal Insurance Brokers Pvt. Ltd.	3.32	3.32
Motilal Oswal Wealth Management Pvt. Ltd.	–	23.48

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, 2013:-

Sr. No.	Particulars	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 2) - III' (ESOS - III)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 5) - IV' (ESOS - IV)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 1) - V' (ESOS - V)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 1) - VI' (ESOS - VI)
a)	Options granted	12,61,500	2,00,000	58,17,500	50,84,000
b)	The pricing formula	Price at which shares are issued to Private Equity Investor i.e. at the rate of ₹ 518.90 per share.	Price arrived at with reference to the expected Issue Price i.e. at ₹ 775 per share.	The closing price of the Company's Equity Shares quoted on the BSE Limited immediately preceding the date of Grant of the Stock Options, which for this purpose shall be the date on which the Committee grant the Stock Options, discounted by such percentage as may be determined by the Committee in the best interest of the various stakeholders in the prevailing market conditions.	The closing price of the Company's Equity Shares, prior to the date of grant of the Options, on the Stock Exchanges where the highest trading volume is recorded, discounted /increased by such percentage as may be determined by the Committee.
c)	Options vested	10,15,975	10,000	10,56,500	12,96,050
d)	Options exercised	6,43,175	5,000	54,500	40,750
e)	The total number of shares arising as a result of exercise of option	12,86,350	25,000	54,500	40,750
f)	Options lapsed (as at 31.03.13)	6,09,075	1.95,000	43,54,500	16,04,250
g)	Variation of terms of options	N. A.	N. A.	N. A.	N. A.
h)	Money realised by exercise of options	₹ 13,34,97,403	₹ 38,75,000	₹ 90,82,238	₹ 67,43,375
i)	Total number of options in force (as at 31.03.13)	9,250	Nil	14,08,500	34,39,000
j)	Employee-wise details of options granted to:				
	(i) Senior managerial personnel	N. A.	N. A.	Nil	Nil
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	N. A.	N. A.	N. A.	N. A.
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	N. A.	N. A.	N. A.	N. A.

Annexure to the Directors' Report

Sr. No.	Particulars	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 2) - III' (ESOS - III)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 5) - IV' (ESOS - IV)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 1) - V' (ESOS - V)	'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme (₹ 1) - VI' (ESOS - VI)
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'	₹ 2.67	₹ 2.67	₹ 2.67	₹ 2.67
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 ₹ 54,593,208 /- Profit after tax lower by ₹ 54,593,208 /- and the basic earnings per share would have been lower by Re. 0.38.	
m)	Weighted-average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	N. A.	N. A.	N. A.	N. A.
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:-				
	(i) risk-free interest rate,	N. A.	N. A.	N. A.	N. A.
	(ii) expected life,	N. A.	N. A.	N. A.	N. A.
	(iii) expected volatility,	N. A.	N. A.	N. A.	N. A.
	(iv) expected dividends, and	N. A.	N. A.	N. A.	N. A.
	(v) the price of the underlying share in market at the time of option grant.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price at which Shares were issued to Private Equity Investor i.e. ₹ 518.90 per share.	The Company was an unlisted company at the time of grant. However, the Options were granted at the price which was determined with reference to the expected Issue Price.	N. A.	N. A.

Headwinds continued to stress the economy, though few positive triggers brought in bursts of optimism

The domestic and global headwinds which impacted the economy in FY2012 continued to pose a downside risk to growth in FY2013. GDP growth rate fell below ~6.5% in FY2012 and is ~5% in FY2013 - the lowest in the decade. S&P and Fitch lowered their credit rating outlook for India given the slowdown in GDP growth and industrial output, widening current account deficit, inflation and fiscal pressures, policy slowdown etc. However, certain positive news-flow, especially in the second half of the year, triggered short bursts of optimism as well. These included easing in manufacturing inflation, some action on the reforms / policy front, as well as regulatory changes to increase savings flows.

Given the overall inflation scenario, Reserve Bank of India (RBI) kept the policy rates largely unchanged for most part of FY2013. The moderation in WPI since Jan 2013 possibly instilled the confidence in RBI to lower the policy rates in Jan, Mar and May 2013 although its transmission to corporate sector is yet to be seen. As inflation stability sustains and liquidity improves, it can lead to further monetary easing which should eventually help to lower the cost of borrowing and revive the investment cycle.

With exports impacted by slow down in global economy, and the import bill impacted by price / demand trends in oil, gold, coal, and INR depreciation, the current account deficit (CAD) increased from a historic average of ~1-2% to over 4%. From a historical average of ~₹ 45 during the last decade, the INR / US\$ rate breached ₹ 50 in FY2012 and ₹ 55 in FY2013. The government is working on regulations to curb gold imports and address domestic oil & gas issues. India is also becoming a global production hub for automobiles, consumer non-durables etc. The country also needs to improve the relative competitiveness of exports, expand into new export geographies, attempt import substitution and increase FDI.

The government announced in its recent Budget to rein in fiscal deficit to ~sub-5% in the coming year. In terms of recent reforms action, the cap on LPG subsidies and the deregulation of diesel prices should ease the subsidy burden to some extent. As the GDP picks up, the net tax-GDP ratio should typically move upwards towards historical averages. Further, disinvestment programme, sale of spectrum and other resources, as well as possible dividends from the cash-rich government companies would aid this objective. FDI norms announced this year in retail, aviation and broadcasting, as well as Cabinet approval to raise FDI in insurance and pension should bring in further long-term capital.

India has traditionally been a savings-oriented country. However, gross domestic savings as a percent of GDP has declined from the last five-year historical average of ~33-34% to ~31% as of FY2012. Within households, the share of financial savings has declined in recent years while that of physical savings has risen, coinciding with the increased demand for gold and real estate. Bank deposits always comprised the lion's share of household financial savings. Given the interest rate climate in the last couple of years, its proportion within household financial savings has risen to over 50% as of FY2012. Conversely, the proportion of savings in equity shares declined, mirroring sentiments. In order to spur retail inflows into financial savings, the government has initiated several measures like RGESS, direct mutual fund plans, incentives to revive distributor interest and also expand into small towns, flexibility in fund charges, etc.

In conclusion, the recent reforms action, regulatory initiatives and stabilization in WPI have helped provide short bursts of optimism. However, it is also imperative to address regulatory delays, infrastructure bottlenecks, inflation, sustenance of reforms and creation of more skilled jobs. As stability in inflation sustains, liquidity improves and fiscal deficit remains contained, it would lead to further interest rate softening. Monetary easing should eventually help lower the cost of borrowing, and revive the business investment cycle.

Business Streams and Outlook:

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

- (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.

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

Management Discussion and Analysis

During the year, Crisil Limited reaffirmed the Credit Rating of “CRISIL A1+” to the Short Term Debt Programme of ₹ 1,500 mn of the Company. ICRA Limited assigned the credit rating of “PP-MLD[ICRA] AA-” Rating with a stable outlook to the Long Term Debt Programme of ₹ 250 mn of the company. Crisil Limited also reaffirmed the Credit Rating of “CRISIL A1+” to the Short Term Debt Programme of ₹ 1,000 mn of Motilal Oswal Securities Limited, a subsidiary of the Company. The ratings indicate a very strong degree of safety regarding timely servicing of financial obligations.

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

	Name of the Company	Business	MOFSL's Shareholding
1	Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail)	99.95%
2	Motilal Oswal Investment Advisors Private Limited (MOIA)	Investment Banking	100.00%
3	Motilal Oswal Asset Management Company (MOAMC)	Mutual Funds, PMS, Offshore Funds	99.95%*
4	Motilal Oswal Private Equity Advisors Private Limited (MOPE)	Private Equity Management and Advisory	85.00%
5	Motilal Oswal Commodities Broker Private Limited (MOCB)	Commodities Broking	97.55%
6	Motilal Oswal Capital Markets Private Limited (a subsidiary of MOSL)	Stock Broking (membership of NSE)	99.95%*
7	Motilal Oswal Insurance Brokers Private Limited (MOIB)	Insurance Brokers (has applied to IRDA for Insurance Broker License)	99.00%
8	Motilal Oswal Wealth Management Pvt. Ltd (a subsidiary of MOSL)	Wealth Management	99.95%*
9	Motilal Oswal Trustee Company Limited (MOTC) (subsidiary of MOSL)	Trustee to Mutual Fund	99.95%*
10	Motilal Oswal Securities International Pvt. Ltd.	US broker-dealer license from FINRA	99.95%*
11	Motilal Oswal Capital Markets (Hong Kong) Private Limited	Applied for Type 1 / 4 license in Hong Kong**	99.95%*
12	Motilal Oswal Capital Markets (Singapore) Pte Limited	Exempt Financial Advisor Status in Singapore	99.95%*

* through MOSL; ** Application made to respective regulators

Business streams

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

Business Stream	Primary products and services
Private Equity	<ul style="list-style-type: none"> Private equity investment management and advisory Real estate investment management and advisory
Asset Management	<ul style="list-style-type: none"> Portfolio Management Services Mutual Funds Offshore Funds
Wealth Management	<ul style="list-style-type: none"> Professional Money Managers Trading Alternate Assets Credit Solutions Wealth Transmission Specialized and Ancillary Advisory Services

Broking Business

The Markets in FY2013

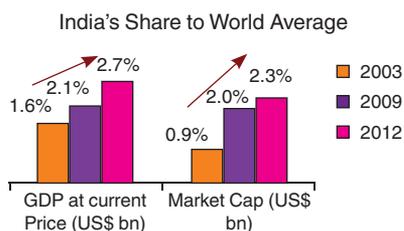
The BSE Sensex was up 8% for the fiscal FY2013, after declining 10% in FY2012. It saw positive returns in each of the first three quarters of FY2013. But a decline of 3% in Q4 FY2013 lowered Sensex returns for the full year. On a relative basis, the Sensex performed better than the benchmarks of emerging market peers like China, Brazil, but underperformed developed markets like USA, UK, Germany and Australia. In terms of the broader market, the BSE Midcap Index was down 4% for the fiscal year. With macro headwinds and policy uncertainties impacting sentiments, domestic retail and institutional investors shied away from Indian equities. However following deferment of GAAR proposals, FII's pumped in net inflows each month this fiscal since Jul 2012. FIIs are now the second biggest holders of Indian equities after promoters. Inflation, interest rates and currency had an impact on profit margins of companies. As mean reversal occurs in the economic variables, it should help corporates by fuelling operating cash flows, improving margins, reducing debt, and eventually lead to an uptick in market performance.

BSE market capitalization stood at ₹ 65.32 tn in March 2013, up 5% for the year. With the depreciation in the average INR / US\$ exchange rate this year, the market capitalization was down 2% YoY to US\$1.21 tn in US dollar terms.

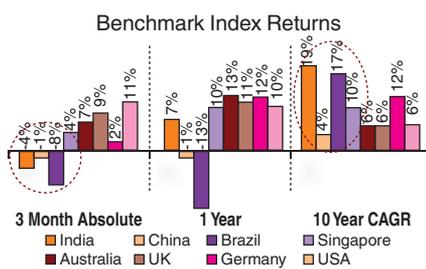
With the growth in the economy, India's share within the global market cap pool is higher than its share within global GDP. BSE market cap's share went up from 0.9% to 2.3% between 2003 and 2012. In the same period, its GDP share was up from 1.6% to 2.7%.

Benchmark indices of emerging markets have underperformed those of developed markets over the last fiscal year. Nevertheless, they have still outperformed over the long-term period

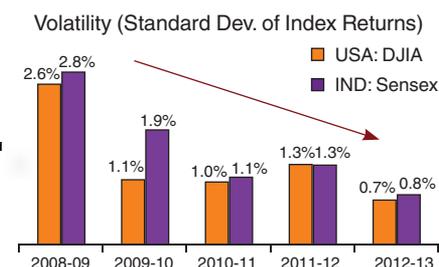
Market volatility has been on a declining trend in India since the last five years, which should bode well for investor confidence. As the Indian markets develop further, this gap should typically reduce.



Source: IMF, WFE data



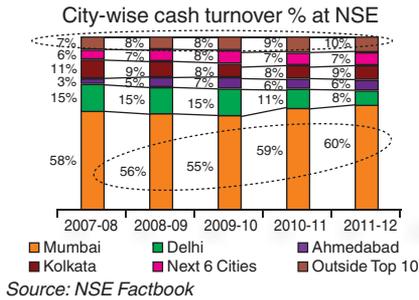
Source: Yahoo finance indices data



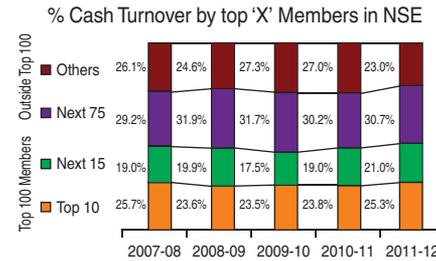
Source: Yahoo finance indices data

Management Discussion and Analysis

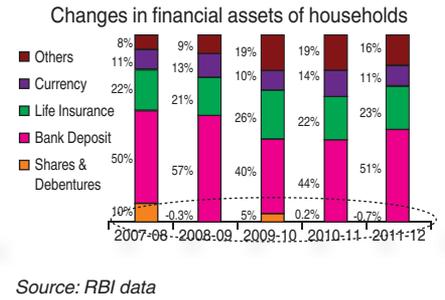
The share of Mumbai within cash turnover has increased since the last three years. The share of Delhi declined while that of Ahmedabad & Kolkata held flat. The main increase in the last five years has been in the towns outside the Top 10, many of which are seeing growing pools of income.



Consolidation is visible amongst the Top 100 members. The Top 100 control an increasing proportion of NSE cash volumes - 77% in 2011-12. However, the share of the Top 10 members declined from 2007-08 to 2010-11. The main increase in the last five years has been in the segment between Top 11 to 100.

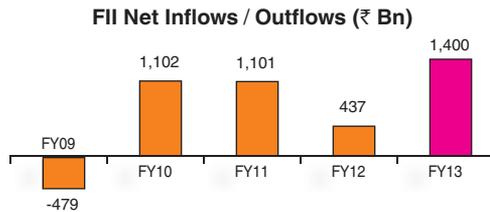


Changes in financial assets and liabilities of households shows bank deposits were relatively attractive in 2011-12. Shares were out of favour. Considering this had been ~5-10% during the boom years, it reaffirms that the proportion in shares will pick up once the market uptick sustains.



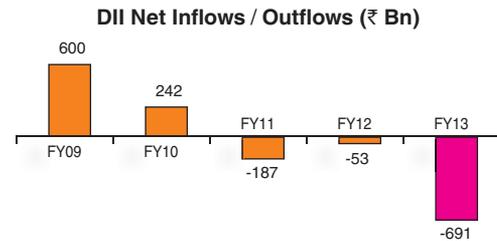
Strong inflows from FIIs continue

A major catalyst to participation was FIIs, especially from Q2 FY2013 after the GAAR proposals were deferred. FII net inflows were ₹ 1.40 tn in FY2013, about 3x that of FY2012 and also above the ~₹ 1.10 tn seen in FY2010 and FY2011 each. Net inflows were highest in the months of Sep, Oct, Dec, Jan and Feb.



DII remain net sellers since last three years

DII activity was in sharp contrast. Mutual funds saw redemptions as equity investors pulled out of the markets and instead went for fixed deposits etc. Equity funds lost sizable investor folios this year. Thus, DIIs were net sellers for the third successive year and saw net outflows in each of the three quarters since Q2 FY2013.



Equity market volumes continue to be boosted by options, however cash volumes may be showing signs of bottoming out

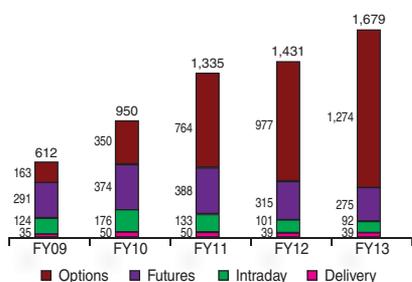
Equity market average daily volume (ADTO) touched a high of ₹ 1,679.24 bn in FY2013, up 17% from last year. This was led by a 30% YoY growth in the option segment. Options have continued their dominance and comprised 76% overall market volumes in FY2013, as compared to 68% in FY2012 and 27% back in FY2009. Given the relative growth in options, the proportion of F&O to total volumes increased further to 92% in FY2013, as compared to 90% in FY2012.

The cash equities ADTO at ₹ 130.28 bn in FY2013 showed de-growth of 7% YoY. This was lesser than the 24% and 19% de-growth seen in the previous two years respectively, indicating that cash volumes may be bottoming out. The proportion of high-yield cash delivery to overall market volumes declined marginally from 2.7% to 2.3% on a YoY basis. Nevertheless, the encouraging feature is that delivery's proportion was on an average, much higher in the second half of the year as compared to the first half, coinciding with the short bursts of market uptick seen during the months of October, December and January. This proves the old adage that delivery volumes normally see a disproportionate rise during periods of market uptick.

Within cash volume participants, the proportion of retail to cash volumes continued to fall as retail cash ADTO declined by 10% YoY. It was 49% in FY2013, as compared to 51% in FY2012. FII cash ADTO held flat on a YoY basis, thus its proportion to

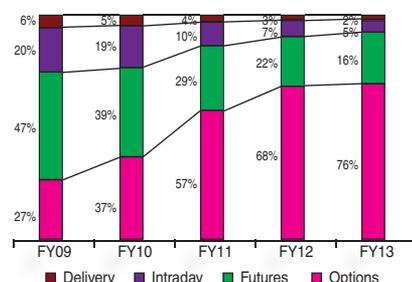
cash volumes picked up from 18% to 19% YoY. Slowdown in the growth of demat accounts continued as primary market activity remained sluggish. The incremental number of demat accounts created has been ~1 mn per annum since the last two years, the lowest in the last five years.

Average Daily Market Volume (ADTO) in ₹ Bn



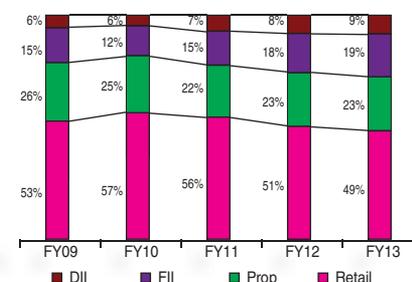
Source: BSE, NSE

Segment-wise Overall ADTO Proportions



Source: BSE, NSE

Participant-wise Cash ADTO Proportions



Source: BSE, NSE

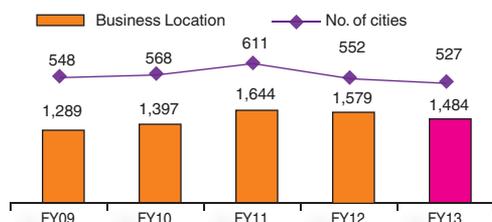
Our Broking Business

Research and advisory form the foundation of the company's broking services. Brokerage serves participants across FIIs, domestic institutions, HNIs and retail. This business comprises of two distinct units - Retail Broking & Distribution and Institutional Equities.

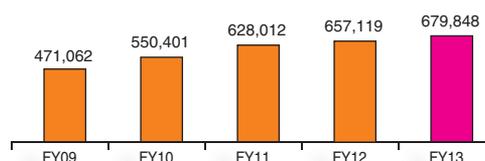
Retail Segment:

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

Number of business locations and cities



Retail broking and distribution clients



As of 31st March 2013, MOFSL had over 773,000 total registered customers, which included almost 680,000 retail broking and distribution clients with over 600,000 having depository accounts. The company's distribution network of 1,484 locations across 527 cities, including 21 branches, is one of the largest in India in this industry. It remains focused on building a Pan-India distribution reach with good quality locations.

In line with its Knowledge First mantra, the company continued to conduct investor seminars for its clients and business partners, apart from prospect client seminars. Continuing its efforts in delivering an enhanced client experience, it introduced 'm.motilaloswal.com' - the company's website on the mobile which includes research reports, advisory calls, news and statistics. The company is also introducing the 'Motilal Oswal Top Charts' tool in its trading platform, a unique charting tool that lets users take control of complex technical charts. The newly developed trading platform - LITE, is now available in multiple versions across web, desktop and mobile. The new Portfolio Review service enables customers to review investments and take steps to realign them to the financial goals. As part of its commodity and currency broking operations, the company started currency trading on its trading platform this year in USD, GBP, EUR and JPY. This is supported by a dedicated currency research desk.

The company's quality of broking and advisory services was recognized at various public forums. It was adjudged amongst the Top 20 innovators in BFSI space for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012. It also won the 'Depository Participant of the Year' award at the Money Today FPCIL Awards 2012 and 'Best Customer Service Result' at the National Quality Excellence Awards 2013. Lastly, it was awarded as one of BSE's Top Performers in the Mutual Funds segment in Nov, 2012.

Management Discussion and Analysis

Institutional Broking:

The company offers Institutional Broking services in cash and derivatives segment to a large institutional clientele in India and abroad. As on March 2013, we were empanelled with over 520 institutional clients. The Institutional Team comprises Sales and Dealing, Research and Corporate Access. The research team consisting of 27 analysts covers almost 200 companies across 20 sectors and 27 commodities and provides a complete bouquet covering Thematic, Sectoral and Company updates.



The company was ranked among Top 3 in 4 different categories in the AsiaMoney Brokers Poll 2012. It was ranked No. 2 in Best Local Brokerage, Best Overall Sales Service, Best for Events and / or Conferences, and No. 3 in Best for Most Independent Research Brokerage. It also conducted the 8th Annual Motilal Oswal Global Investor Conference in Mumbai in Aug, 2012. Over 100 leading companies and experts interacted with over 180 institutional funds. MOSL's strong global clientele base and its constant endeavor to provide best in-class research, advice, corporate access and execution support are expected to help it gain a higher market share across the institutional client segments.

Motilal Oswal Securities International Pvt. Ltd, a subsidiary of MOSL, received its US broker-dealer license from FINRA. MOSL's Singapore subsidiary, Motilal Oswal Capital Markets (Singapore) Pte Limited, also obtained its Exempt Financial Advisor status from Monetary Authority of Singapore (MAS).

Investment Banking

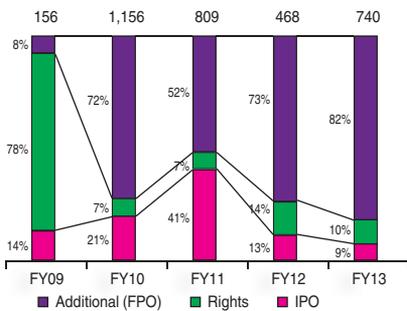
Industry Facts

Investment banking activities remained sluggish this year across the industry. IPO and Rights issuances declined and retail investors largely shied away from equity markets. Comparatively, QIP emerged as the favoured route for fund-raising as it was slightly easier to raise funds from institutional investors. The first 11 months of FY2013 saw QIPs of ~₹ 150 bn, as compared to ~₹ 22 bn in FY2012. Shares held by FIIs in some of the QIP issuers saw an increase. There were few IPOs in end-2012. The ₹ 45 bn Bharti Infratel IPO was the largest IPO since Coal India. Care Ratings and PC Jewelers saw encouraging response. SEBI's rule for listed companies for minimum 25% public shareholding resulted in Offer for Sale and Institutional Placement Programme issues. This increased the proportion of the additional / follow-on issuance segment within equity raising volumes. Focus has been to enhance bankers' accountability in the IPO process by disclosing performance track record and monitoring the end-use of IPO proceeds.

Since the last couple of years, the lull in the primary stock markets led to companies resorting to Debt to meet capex and refinancing needs. ECBs and foreign debt have largely been in vogue. FCCBs have not been popular as they are linked to equity markets. The bond market is largely restricted to the larger, investment-grade companies. Raising bonds has been a challenge for the smaller companies with borrowing cost has been capped at minimum ~500 bps over Libor. Hence, the loan market has been better alternative for them. Private placement of debt to institutional investors saw popularity due to increased limits in bonds for FIIs and weak Rupee.

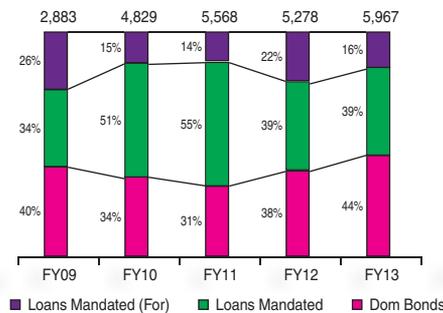
M&A deal values were stressed due to challenges of the economic slowdown and high interest rates. Inbound transactions saw a sharp uptick this year as a number of global companies took advantage of the current conditions to tap inorganic growth opportunities in India. The ~US\$ 1.9 bn Mylan-Agila-Strides Arcolab inbound deal in the fourth quarter of FY2013 was one of the largest M&A deals involving an Indian firm, till date. Going ahead, inward transactions may continue to see more volumes as compared to outward deals. Sectors like chemicals, pharmaceuticals, healthcare etc may possibly evince more interest.

Fund Raising - Equity Markets (₹ Bn)



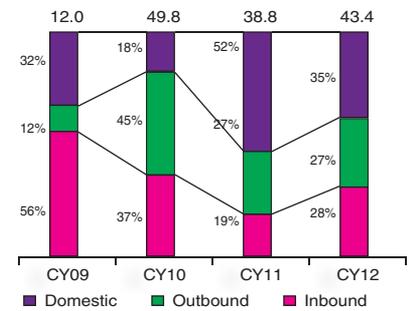
Source: Bloomberg League Tables

Fund Raising - Debt Markets (₹ Bn)



Source: Bloomberg League Tables

Mergers and Acquisitions (US\$ Bn)



Source: CY11 and CY12 from news article on Thomson Reuters report; CY09 and CY10 from Grant Thornton report

Our Investment Banking Business

The team at Motilal Oswal Investment Advisors (MOIAPL) comprises multi-disciplinary professionals with substantial experience in investment banking, corporate banking and advisory. Fee income earned during the year was impacted due to delays in closure of few deals which are in advanced stages. Also, subdued equity markets impacted equity raising activities like IPO and FPOs in the market. Deal making remained subdued across the industry given regulatory uncertainty, slow policy making and high borrowing costs which led to delays in transaction closures. In this environment, companies continued to remain cautious. Very few projects were announced resulting in low requirement by companies to raise capital. The company continues to focus on building its capabilities in identified sectors and product areas like PE syndication and debt refinancing businesses.

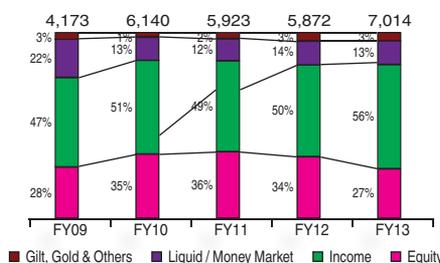
Asset Management

Industry Facts

It was a year of challenges and regulatory changes for the asset management industry. The volatility in the equity markets and poor fund performance kept investors away from equity mutual funds. While the industry lost ~3.2 mn folios in the first 10 months of FY2013, equity funds themselves lost ~4 mn. Average inflows into equity schemes have been lower this year. The scope of the Rajiv Gandhi Equity Savings Scheme was expanded to include mutual funds and ETFs for new investors. Distributor disinterest, in terms of new distributor registrations and renewals, continued to impact inflows. Hence, AMFI waived registration fees for first-time distributors, reduced renewal fee and opened up new distributor channels to revive distributor interest and enlarge the distribution network.

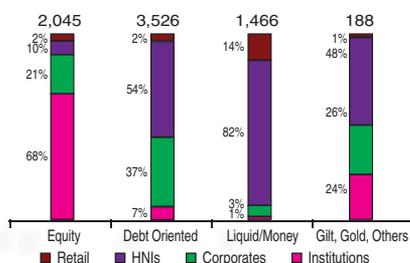
A direct plan of mutual fund schemes is also being offered which excludes distributor commissions. SEBI has allowed fungibility in expense ratios and capping of charges by mutual funds paid to brokers at 12 bps. AMFI allowed charging of extra expense ratio for assets brought in from smaller towns. Exit load will now be credited back to schemes. Institutionalization of domestic retail savings has been a key mobilizer to capital markets in the developed markets. In this context, the recent changes in India given the industry challenges may give a fill-up to the asset management players. However, the ability to bring in sustained inflows would also depend on the sustenance of overall market performance, especially into the higher-yield equity mutual funds.

Mutual Fund AUM by Asset Class (₹ Bn)



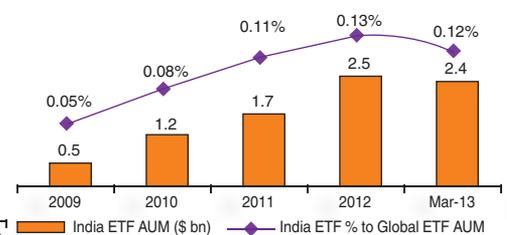
Source: AMFI

Mutual Fund AUM by Participants (₹ Bn)



Source: AMFI

Share of ETF assets in the AMC industry



Source: Bloomberg, AMFI, RBI

Management Discussion and Analysis

Mutual funds AUM rose 19% YoY to ₹ 7,014.43 bn as on March 2013. It touched its highest levels during H2 FY2013. While liquid and gold fund assets continued to increase, income funds picked up the most given the interest rates. Equity funds dipped given the volatile markets and investor pull-out.

In terms of participants, institutions showed the strongest growth in H1 FY2013. This was in the liquid, gilt, gold & ETF segments. HNIs, institutions and corporates' assets in income funds also grew strongly in the same period. Growth of retail assets into non-equity fund segments was higher than in equity funds.

ETFs continued to grow in popularity in CY2012, as Indian ETF AUM reached \$2.52 bn vs. \$1.67 bn in CY2011. Gold ETFs saw the main increase on a YoY basis, rather than equity ETFs. The decline in the Jan-Mar 2013 period has been in line with overall market movements.

Our Asset Management Business



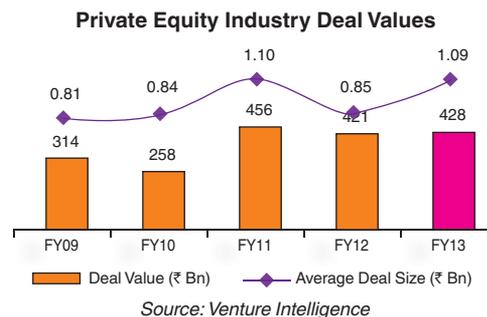
Motilal Oswal Asset Management (MOAMC) operates PMS and mutual funds. The mutual fund offerings are based on innovative investment strategies to enable a product differentiation in the market. Mutual funds AUM across all the funds was up 3% YoY to ₹ 4.64 bn as of March 2013. On a YoY basis, Gold ETF AUM doubled to ₹ 651.12 mn, while Midcap 100 ETF and Nasdaq 100 ETF AUMs were up 22% and 8% to ₹ 927.27 mn and ₹ 625.82 mn respectively. The PMS business managed assets of ₹ 12.60 bn as of March 2013, as compared to ₹ 13.57 bn in March 2012. The PMS product is empanelled as an approved product across several platforms like banks, national distributors, third party distributors and niche wealth platforms, thus widening our customer reach.

The AMC business has been strengthened with the appointment of Aashish Somaiyaa as CEO. He was earlier heading the retail business at a leading AMC where he played a significant role in growing the sales and distribution of its offerings through retail, banking and wealth channels. MOAMC hosted the 2nd edition of Value Investing Forum in October 2012 on the topic 'Sources of Margin of Safety & its Importance in Value Investing'. MOAMC also organized the 2nd edition of MOST Shares ETF Conclave in June 2012. The keynote speaker was Mr. James Norris - MD, Vanguard International. The objective was to demystify ETFs for investors by discussing the advantages of ETFs and passive investing, building portfolios with ETFs and Vanguard's success in this space.

Private Equity

Industry Facts

Economic uncertainties and macro headwinds limited the number of good-quality deployment opportunities in the private equity industry in India, leading to 'too much capital chasing too few good deals'. Along with the market volatility, all these impacted valuation perceptions, closing of fresh investments as well as profitable exit opportunities. Investors who had invested in the 2007-08 boom years at relatively higher valuations faced exit challenges especially, as these investments are now nearing the end of their average holding periods. Exits via IPOs largely dried up, while exits via secondary transactions largely saw action. Inability to successfully exit existing investments, coupled with overall sentiments, impacted fresh fund raising from investors.

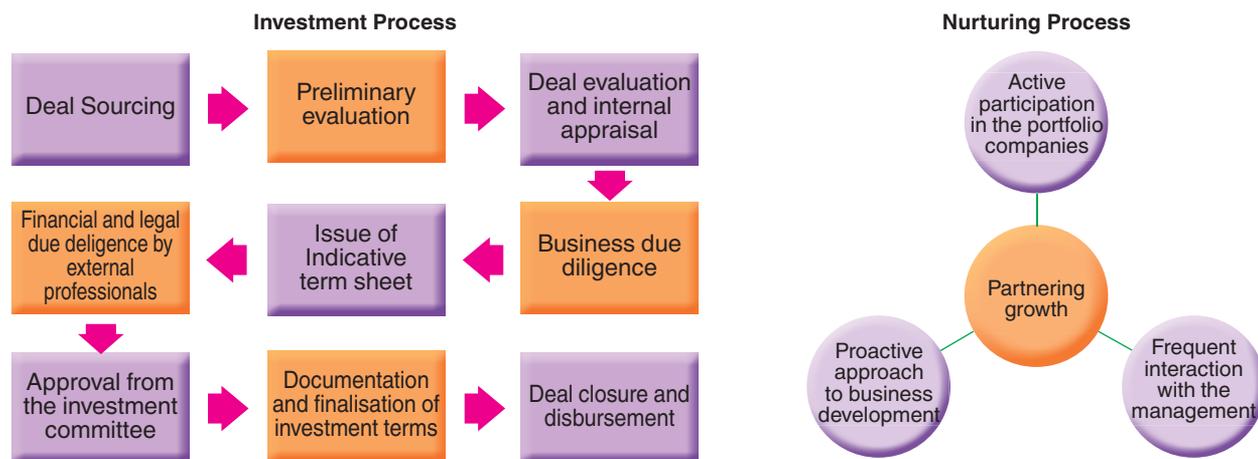


While the policy inertia, macro headwinds and global slowdown may have impacted the financial performance of some portfolio companies of the private equity players, it was also a year that actually tested the investments made. It brought to the fore the best investments that have been done, since those were still able to garner healthy exit opportunities.

Private equity deal value was largely flat this year on a YoY basis. Average deal size showed an uptick largely due to the US\$1 bn Bain Capital-Genpact deal. IT / ITES, BFSI, healthcare contributed the most to deal activity. Infrastructure and engineering suffered due to the lack of a clear policy regime. SEBI announced the AIF Guidelines this year which would require all alternate investments funds to register with it. Also, SEBI announced that PE investors would now be identified as promoters not only when they have a majority stake but also when their holdings are actually higher than that of the original promoters.

Our Private Equity Business

Motilal Oswal Private Equity Advisors (MOPE) currently manages and advises funds in the growth capital and the real estate space.



MOPE is an investment manager to India Business Excellence Fund (IBEF), aimed at providing growth capital to Indian SMEs. It has assets under management of US\$ 125.00 mn raised from investors in India and overseas. This fund has been fully committed across 13 companies. During a very challenging year, the fund partially exited two holding companies via secondary sales at extremely healthy multiples. The fund has returned approximately 38% of capital to its investors so far.

MOPE was appointed as investment manager to India Realty Excellence Fund (IREF), a domestic real estate fund, in FY2009. IREF had its final closing in December 2009 with total assets under management / advice at ₹ 2.00 bn. IREF has made investments across 7 deals, committing about 92% of its funds under management, as of March 2013. Following partial exits from three projects, the fund has returned approximately 19% of capital to its investors so far.

The track record established through the successful advisory mandates of these two funds has given the company the confidence to grow the private equity business to a much bigger scale. Fund raising is underway for the 2nd growth capital PE fund, India Business Excellence Fund-II (IBEF II). The fund achieved its third closing in the fourth quarter of this year, with commitments of ₹ 5.55 bn from investors in India and overseas. It is currently evaluating several investment opportunities and has made two investments so far.

Motilal Oswal Private Equity won the 'Best Growth Capital Investor-2012' award at the Awards for Private Equity Excellence 2013 for its continued and consistent performance as a growth capital PE fund. In May 2012, the IBEF Investor Meet 2012 was held to connect investors with the promoters of the holding companies etc, and the IREF Investor Meet 2012 was held to connect investors with developer partners and real estate industry experts.

Wealth Management

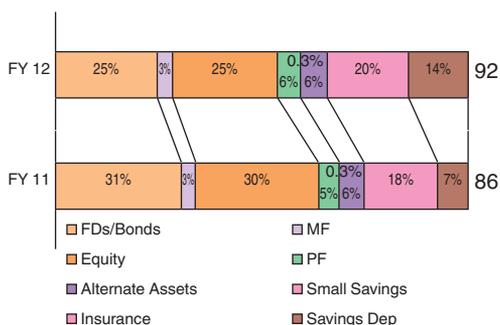
Industry Facts

With the growth in India's income levels, India's HNI wealth grew at a CAGR of 5-6% between 2006 and 2011. The wealth management industry has become a hot-bed of activity. Players from the organized sector like independent firms, banks, brokers are battling players from the unorganized sector like private advisors, accountants etc. A growth market also has its challenges - (a) volatile equity markets since 2011 impacting asset values, (b) households still preferring physical assets over financial assets, (c) maintaining profitability by selling higher-margin products or controlling cost, (d) client expectations of higher service levels at competitive prices, (e) capital conservation and discipline in focus.

Management Discussion and Analysis

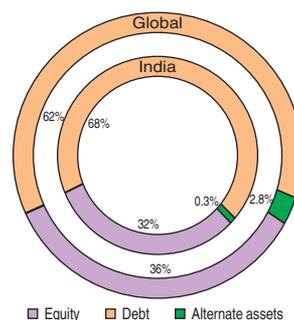
Wealth management as a segment is still largely unregulated in India, in terms of both distribution and advisory. The Investment Advisor norms were an attempt on this front. SEBI recently announced these guidelines and it is expected to be applicable by mid-2013. The Investment Advisor norms will make it mandatory for investment advisers to register with SEBI and disclose (a) issues that could lead to conflict of interests, (b) risks associated with product, (c) fee received for their advice, (d) records like KYC, risk profiling, record of advice and time of advice etc. It will help to segregate investment advisory services from other activities of the entity (including distribution). Also, disallowing transactions on own account contrary to the advice given (for upto 15 days from date of advice) will ensure further transparency and accountability.

Individual wealth in India is estimated at ₹ 92.3 tn in FY2012, led by the fixed deposit / bonds, equity and insurance sectors



Source: Karvy Wealth report

Asset-wise wealth classification(as of 2011) shows Equity comprises a much lesser proportion in India



Source: Karvy Wealth report

Our Wealth Management Business

During the year, our private wealth management business launched the new and improved advisory proposition with the motto 'Responsible Advisory' under the brand 'Motilal Oswal Private Wealth Management (MOPWM)'. The value proposition is based on comprehensive risk profiling leading to portfolio advice which can be objectively tracked for value addition by the advisor. Clients will have access to a multi asset class open architecture platform which is delivered through a very robust technology framework across various channels: web, mobile and voice. MOPWM launched India's first Advisory Index and several other indices which will help clients track the value addition by an advisor objectively. This is an industry first. Assets under management were ~₹ 20.18 bn as of March 2013. The company believes that its holistic advisory driven wealth management offering will enable it to build a scalable and profitable business.

The wealth management business has been strengthened with the joining of A.V. Srikanth as CEO. Prior to this, he was with an Indian wealth management firm where he played a significant role in growing its product and advisory delivery platform. He also developed India's first Multi-Manager platform in partnership with external service providers.

Our Offerings: A comprehensive menu of Multi Asset Class Advisory Solutions

Professional Money Managers	Trading	Alternative Assets	Credit Solutions
<ul style="list-style-type: none"> Mutual Funds Portfolio Management Services Alternative Investment Funds 	<ul style="list-style-type: none"> Equity Fixed Income Commodity Currency 	<ul style="list-style-type: none"> Private Equity Real Estate Structured Product (Equity / Gold linked notes) 	<ul style="list-style-type: none"> IPO Financing, ESOP Funding LAS / Mutual Funds Loan Against Property Institutional Credit Solutions
Wealth Transmission	Specialized Services	Ancillary Services	
<ul style="list-style-type: none"> Estate Planning Trust Services Wills 	<ul style="list-style-type: none"> Investment Banking Services Offshore Advisory & Solutions Hedging & Insurance Advisory 	<ul style="list-style-type: none"> Tax Advisory Legal Advisory 	

Opportunities and Threats

Opportunities

- Long-term economic outlook positive, will lead to opportunity for capital market services
- Growing Financial Services industry's share of wallet for disposable income.
- 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
- Short term economic slowdown impacting investor sentiments and business activities
- Slowdown in global liquidity flows
- Increased intensity of competition from local and global players
- Market trends making other assets relatively attractive as investment avenues

Strengths

Strong Brand name

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

Experienced top management

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

Integrated financial services provider

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

Independent and insightful research

MOFSL believes that its understanding of equity as an asset class and business fundamentals drives the quality of its research and differentiates it from its competitors. The research team is focused on equities, derivatives and commodities. MOSL was ranked among Top 3 in 4 different categories in the AsiaMoney Brokers Poll 2012. It was ranked No. 2 in Best Local Brokerage, Best Overall Sales Service, Best for Events and / or Conferences, and No. 3 in Best for Most Independent Research Brokerage.

One of largest distribution network - 1,484 outlets across 527 cities

MOFSL's financial products and services are distributed through a pan-India network. The business has grown from a single location to a nationwide network spread across 1,484 business locations operated by business associates or directly through own branches in 527 cities. This extensive network provides opportunities to cross sell products and services, particularly as the company diversifies into new business streams. In addition to the geographical spread, MOFSL also offers an online channel to service customers.

Established leadership in Franchisee business

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

Management Discussion and Analysis

Strong risk management

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

State of art infrastructure

MOFSL has consolidated its businesses under one Corporate Office - Motilal Oswal Towers spread across approx 270,000 square feet. The integration of multiple MOFSL businesses provides a great opportunity to present a holistic solution to client needs and facilitates the "One Firm" philosophy. The infrastructure has been extensively leveraged upon for building deeper connect with our customers, business partners and corporates.

Financial prudence

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

The company has a low gearing ratio as at 31 March 2013 which augers well to manage market volatilities. During the year, Crisil Limited reaffirmed the Credit Rating of "CRISIL A1+" to the Short Term Debt Programme of ₹ 1,500 mn of the Company. ICRA Limited assigned the credit rating of "PP-MLD[ICRA] AA-" Rating with a stable outlook to the Long Term Debt Programme of ₹ 250 mn of the company. Crisil Limited also reaffirmed the Credit Rating of "CRISIL A1+" to the Short Term Debt Programme of ₹ 1,000 mn of Motilal Oswal Securities Limited, a subsidiary of the Company. The ratings indicate a very strong degree of safety regarding timely servicing of financial obligations.

Risks and concerns

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

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

Internal control systems and their adequacy

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

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

Financial and operational performance

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

Standalone Financials

Table 1: Abridged Statement of profit and loss (₹ in Millions) - Standalone

Particulars	2012-2013	% to Total Revenue	2011-2012	% to Total Revenue
Revenue				
Revenue from operations	700.06	73.76	464.30	56.66
Other income	248.99	26.24	355.18	43.34
TOTAL	949.04	100.00	819.48	100.00
Expenditure				
Finance Cost	134.50	14.17	8.97	1.09
Employee Cost	63.08	6.65	64.73	7.90

Management Discussion and Analysis

Particulars	2012-2013	% to Total Revenue	2011-2012	% to Total Revenue
Depreciation	83.62	8.81	9.27	1.13
Other Expenses	50.03	5.27	51.18	6.25
TOTAL	331.23	34.90	134.14	16.37
Profit Before Tax and Exceptional item	617.81	65.10	685.34	83.63
Exceptional item	163.80	17.26	23.14	2.82
Profit Before Tax After Exceptional Item	454.01	47.84	662.20	80.81
Tax	66.53	7.01	99.24	12.11
PAT	387.48	40.83	562.96	68.70
Earnings per share (Basic) ₹	2.67		3.89	
Earnings per share (Diluted) ₹	2.67		3.89	

During the year under review, the standalone revenues for the year were ₹ 949.04 mn, a growth of 15.81% as compared to ₹ 819.48 mn last year. Within fund based income, the interest income went up by 35.34% to ₹ 612.56 mn, on account of an increase in the average loan book size. Other operating income was ₹ 89.48 mn, which includes profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Other income, which includes dividend from subsidiaries, was ₹ 248.99 mn as compared to ₹ 355.18 mn in the last year.

Due to slightly lower operating expenses, the total expenses (before depreciation, interest and exceptional item) registered a 2.42% decline to ₹ 113.11 mn this year.

Profit before depreciation, interest, exceptional item and taxation (EBITDA) increased by 18.81% this year, from ₹ 703.58 mn to ₹ 835.93 mn. Interest and finance charges increased from ₹ 8.97 mn to ₹ 134.50 mn. Exceptional item of ₹ 163.80 mn represents provision for doubtful advances / write offs. The Company's net profit decreased by 31.17% to ₹ 387.48 mn.

As of March 31, 2013, the long-term investments increased to ₹ 1,196.89 mn, from ₹ 987.02 mn last year. Current assets mainly comprise of stock in trade, cash and bank balances, and other current assets. As of March 31, 2013, these current assets increased to ₹ 4,782.18 mn, up from ₹ 3,519.81 mn last year. The cash and bank balances were ₹ 112.18 mn, out of which ₹ 10.00 mn were in bank deposits.

Total loans and advances increased to ₹ 4,244.84 mn as of March 31, 2013, from ₹ 3,592.78 mn a year back. Current liabilities principally consist of liabilities in respect of provision for expenses and tax deduction at source. It increased from ₹ 656.83 mn to ₹ 1,560.84 mn as of March 31, 2013, on account of short term borrowings.

Consolidated Financials

Table 2: Abridged Statement of profit and loss (₹ in Millions) - Consolidated

Particulars	2012-2013	% to Total Revenue	2011-2012	% to Total Revenue
Revenue				
Revenue from operations	4,646.29	98.26	4,652.76	98.76
Other income	82.49	1.74	58.61	1.24
TOTAL	4,728.77	100.00	4,711.37	100.00
Expenditure				
Finance Cost	48.03	1.02	36.20	0.77
Employee Cost	1,079.63	22.83	1,148.32	24.37
Depreciation	258.55	5.47	129.70	2.75
Administrative & other Expenses	1,905.15	40.29	1,977.71	41.98
TOTAL	3,291.36	69.60	3,291.93	69.87

Management Discussion and Analysis

Particulars	2012-2013	% to Total Revenue	2011-2012	% to Total Revenue
Profit Before Tax and Exceptional Items	1,437.41	30.40	1,419.44	30.13
Exceptional Items -Income / (Exp)	180.77	3.82	106.73	2.27
Profit Before Tax	1,618.18	34.22	1,526.17	32.40
Current Tax	381.99	8.08	442.26	9.39
Deferred Tax (Income) / Exp	132.41	2.80	45.16	0.96
Tax-Earlier years	3.97	0.08	(2.98)	(0.06)
Profit after Tax (PAT)	1,099.81	23.26	1,041.72	22.11
Earnings per share (Basic) ₹	7.57		7.17	
Earnings per share (Diluted) ₹	7.57		7.17	

Due to challenging market conditions, the consolidated revenues of the Company were ₹ 4,728.77 mn for the year under review, a marginal increase of 0.37% as compared to the previous year. Broking revenues saw a 8.00% decline due to subdued secondary market activity during the current year. Further, investment banking had a muted year with a 10.87% decline over previous year due to delays in closure of some deals in advance stages. Fund based income and asset management fees saw traction in the current year registering a growth of 21.21% and 17.41% respectively, over previous year.

Total expenses (before interest, depreciation and exceptional items) for the year at ₹ 2,984.78 mn registered a 4.52% decline over last year. The decline in brokerage commission earned reduced the brokerage shared with intermediaries. Operating expenses declined by 7.91% to ₹ 1,106.06 mn. People costs at ₹ 1,079.63 mn declined by 5.98% compared to last year. Other operating costs which include facilities, marketing, communication, travel and other costs was ₹ 799.09 mn, an increase of 2.89% over last year. The profit before depreciation, interest, exceptional items and taxation (EBITDA) increased by 10.01% to ₹ 1,743.99 mn. EBITDA margin increased from 33.65% to 36.88%.

Exceptional items of ₹ 180.77 mn represents profit from sale of fixed assets, provision for doubtful advances / write offs and settlement payment. Reported net profit for the year after minority interest stood at ₹ 1,090.86 mn, an increase of 5.01%.

As of March 31, 2013, the long-term investments increased from ₹ 941.48 mn to ₹ 1,225.46 mn on a year on year basis. Current assets mainly comprise of sundry debtors, stock in trade, cash and bank balances, and other current assets. As of March 31, 2013, the cash and bank balances were ₹ 2,143.77 mn. Total loans and advances increased to ₹ 5,155.90 mn as of March 31, 2013, from ₹ 4,735.63 mn a year back.

Current liabilities mainly consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf we undertake trades as well as amounts payable to exchanges. It increased from ₹ 3,897.80 mn to ₹ 5,292.13 mn as of March 31, 2013. Total provisions, which mainly include provisions for taxation and for proposed dividend, increased from ₹ 403.96 mn to ₹ 490.45 mn as of March 31, 2013.

Table 3: Performance of Subsidiaries (₹ in Millions)

Motilal Oswal Securities Limited (MOSL)

Particulars	FY 2012-13	FY 2011-12	Growth% (YoY)
Total Revenues	3,368.84	3631.98	(7.24)
EBIDTA	1,420.24	1311.64	8.28
PBT	1,231.14	1161.10	6.03
PAT	820.77	815.21	0.68

Motilal Oswal Private Equity Advisors Pvt. Ltd (MOPEAPL)

Particulars	FY 2012-13	FY 2011-12	Growth% (YoY)
Total Revenues	274.38	193.64	41.69
EBIDTA	81.95	31.28	161.97
PBT	77.99	29.61	163.42
PAT	53.43	20.33	162.86

Management Discussion and Analysis

Motilal Oswal Investment Advisors Pvt. Ltd (MOIAPL)

Particulars	FY 2012-13	FY 2011-12	Growth% (YoY)
Total Revenues	79.76	117.09	(31.88)
EBIDTA	(59.90)	(45.49)	(31.69)
PBT	(68.34)	(46.95)	(45.57)
PAT	(51.95)	(31.07)	(67.21)

Motilal Oswal Commodities Broker Pvt. Ltd (MOCBPL)

Particulars	FY 2012-13	FY 2011-12	Growth% (YoY)
Total Revenues	246.00	213.42	15.27
EBIDTA	168.47	102.42	64.49
PBT	104.13	84.94	22.59
PAT	69.96	57.75	21.16

Motilal Oswal Asset Management Company Limited (MOAMC)

Particulars	FY 2012-13	FY 2011-12	Growth% (YoY)
Total Revenues	348.08	318.11	9.42
EBIDTA	57.63	(9.14)	730.21
PBT	52.84	(11.32)	566.59
PAT	52.84	(30.94)	270.76

Segment wise Performance (₹ in millions)

Particulars	31.03.2013	31.03.2012
1. Segment Revenue		
(a) Equity Broking & Other related activities	3,838.29	3,874.70
(b) Financing & Other activities	731.54	473.19
(c) Asset Management and Advisory	666.49	509.85
(d) Investment Banking	78.03	114.66
(e) Unallocated	193.55	112.76
TOTAL	5,507.90	5,085.17
Less: Inter Segment Revenue	389.71	243.90
Income From operations, Other Operating income & Other Income	5,118.18	4,841.27
2. Segment Results Profit / (Loss) before tax and interest from each segment		
(a) Equity Broking & Other related activities	1,232.19	1,239.63
(b) Financing & Other activities	236.50	315.60
(c) Asset Management and Advisory	119.62	15.00
(d) Investment Banking	(66.04)	(49.17)
(e) Unallocated	193.55	58.70
TOTAL	1,715.82	1,579.76
Less: Interest	97.64	53.60
Profit / (Loss) before Tax	1,618.18	1,526.17

Management Discussion and Analysis

Particulars	31.03.2013	31.03.2012
3. Capital Employed (Segment Assets - Segment Liabilities)		
(a) Equity Broking & Other related activities	4,821.21	5,615.30
(b) Financing & Other activities	5,885.18	5,731.26
(c) Asset Management and Advisory	79.07	21.90
(d) Investment Banking	74.65	35.39
(e) Unallocated	1,541.30	5.46
TOTAL	12,401.41	11,409.31

Human Resources

MOFSL, with its employee-centric culture, believes in maximizing welfare initiatives year on year. We look at creating value for our employees through learning, ownership and overall work satisfaction. In the last year, on the Talent Acquisition front, we have streamlined the smallest of processes. The hiring pattern has remained same as the last year with slight changes due to business requirements. For effective Talent Management, we have identified potential leaders and have developed and implemented a fast track career program for them - 'Udaan'. Udaan is a leadership development program which aims at development of individual capability & creating leaders having entrepreneurial qualities to lead the various verticals of the business. The members will undergo a Mentor-Mentee program which shall serve as the path for their career development. We also launched during mid-year, the "Heritage Club" to recognize the contribution and commitment of an employee to the company by a long-service. Heritage club members include associates who have completed five or more years with us. They will be given one time benefits and recurring benefits along with various perks displaying gratitude for their dedicated services.

Recreational activities and events are in the forefront during the festive season. We celebrated our Foundation Day in the most glorious way this year as we completed 25 successful years. Industry experts graced the occasion by their presence as chief-guests for the function. In our endeavor to recognize and reward exceptional employee performance, the Annual Associate Awards were presented across various categories at the function. It was followed by an entertainment program to make it a fun evening for all. Other events included Independence Day celebrations and Colleagues Day. Various festivals were celebrated by employee-oriented activities. The MOFSL Dandiya Night, the Rangoli, Diya & MasterChef competitions for Diwali and Christmas Celebrations by decorating the department created synergy across departments. On the sports front, our associates have participated in intra as well as inter corporate tennis tournaments. We are happy to inform that MOFSL has reached semi final of T20 Corporate Cricket Tournament by defeating Eclerx and DNA in December. We also participated in other inter-corporate events like the Brand Equity Quiz by TOI.

To involve our associates in the ideation and execution for enhancement of the existing services, we have introduced clubs for events, health & wellness and cafeteria. These clubs have committees which meet regularly to ideate on how those services can be enhanced.

Employee health is a major focus area for us. We have provided all facilities to promote a healthy lifestyle. We have initiated Yoga & Meditation sessions at our premises from the month of July for physical as well as mental well-being. We had a Dietician Camp in the first week of October which enabled associates to get personalized diet schedules depending on their age, nature of work, etc. We also had an Osteoporosis camp in July. Other camps during this quarter included the Aadhar Camp, Car Service Camp, and Business Magazine Subscription Camp and so on.

We believe in organizational learning at all levels. We have various internal and external workshops and trainings to a large extent. Significant ones this quarter include two technical trainings for the Advisory team and series of trainings for career development of their team for the senior management. We also have self-learning modules for individual development.

We route all our CSR activities through the Motilal Oswal Foundation Trust. In line with our motto of "Knowledge first", we are looking at contributing largely to the education & learning front. We have recently initiated a project with "Janata Shikshan Sanstha High School". It is a Marathi medium private aided school with classes from pre-primary to higher secondary. The students in this school come from low income groups with parents who are unable to support their education.

With the advent in technology and customer shift towards digital media as the new communication platform, it is of utmost importance for us to be a 'Digitally Active' organization. And social media serves as the ideal medium for us to achieve this goal. While MOFSL's presence on social media networks like LinkedIn has grown to achieve new heights, we envision Facebook as the next social network which will help us engage with audiences better.

Corporate Governance Philosophy

The Company has set itself the objective of achieving excellence in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance. The Company emphasises the need for full transparency and accountability and conducting its business in a highly professional and ethical manner, thereby enhancing trust and confidence of all its stakeholders. The Company continuously monitors its governance practices and benchmarks itself to the best governed companies across the industry. The Company believes in pursuing holistic growth and realises its responsibility towards its stakeholders and environment.

Board of Directors

As on 31st March 2013, the Board consists of six members, out of which two members hold Executive positions and four Members hold Non- Executive positions. Out of the four Non-Executive Directors, three are Independent Directors. The Company has an Executive Chairman, and thus, 50% of the total number of Directors are Independent. The management of the Company is headed by the Chairman & Managing Director who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholder's values are met.

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

Mr. Motilal Oswal, Chairman and Managing Director and Mr. Raamdeo Agarawal, Joint Managing Director draws remuneration from the Company. Mr. Navin Agarwal, the Non-Executive Director of your Company is in the whole time employment of Motilal Oswal Securities Limited (hereinafter referred to as MOSL), a material unlisted subsidiary of the Company, and draws remuneration from MOSL. Apart from the reimbursements of expenses incurred in discharge of their duties and the remuneration that the Independent Directors would be entitled to receive under the Companies Act, 1956, none of the Independent Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Management, its subsidiary or its holding company and its Associates which in their judgment would affect their independence. Also the Independent Directors were not executives of the Company in the three immediately preceding financial years. 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 meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. During the financial year 2012-13, the Board of Directors met four times i.e., on 25th April, 2012, 28th July, 2012, 18th October, 2012 and 19th January, 2013. The maximum gap between any two meetings was not more than four months. All Meetings were well attended.

Directors' Attendance Record and Directorships Held

All the Directors have made necessary disclosures about the directorships and committee positions they occupy in other companies. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all companies in which they are Directors. The particulars of Directors, who are proposed to be appointed / re-appointed at the ensuing Annual General Meeting (AGM), are given in this report.

Details of composition, category of Directors, their attendance at the Board Meetings held during the year & AGM held on 28th July, 2012, Directorships and Committee Memberships are given 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		Directorship \$	Committee Membership \$\$	Committee Chairmanship \$\$
Mr. Motilal Oswal	Chairman & Managing Director (Promoter)	4	4	Yes	6	1	–
Mr. Raamdeo Agarawal	Joint Managing Director (Promoter)	4	4	Yes	6	2	–
Mr. Navin Agarwal	Non-independent Non-executive	4	4	Yes	3	–	–
Mr. Balkumar Agarwal	Independent	4	4	Yes	5	–	2
Mr. Vivek Paranjpe	Independent	4	4	Yes	1	1	–
Mr. Praveen Tripathi	Independent	4	4	Yes	1	1	–

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

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

Information supplied to the Board

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

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

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

Remuneration Policy

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

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

Remuneration paid to Non-executive Directors

The Non-executive Directors are paid a sitting fee of ₹ 20,000 for every meeting of the Board and ₹ 10,000 for every meeting of the Committees of the Board attended by them as approved by the Board at its meeting dated 17th February, 2007. No sitting fee is paid to Mr. Navin Agarwal, the Non-Independent Non-executive Director of the Company. The Independent Directors are also paid commission of ₹ 4,00,000 each which is within the limit as specified by the Members at the Annual General Meeting dated 28th July, 2012.

During 2012-2013, the Company did not advance any loans to any of its Directors.

Details of the sitting fees & Commission paid to the Non-executive Directors during the year ended 31st March 2013:-

Name of the Directors	Category	Sitting Fees (₹)	Commission(₹)
Mr. Navin Agarwal	Non-independent Non-executive	Nil	Nil
Mr. Balkumar Agarwal	Independent	1,30,000	4,00,000
Mr. Vivek Paranjpe	Independent	1,30,000	4,00,000
Mr. Praveen Tripathi	Independent	1,20,000	4,00,000

No Stock Option was granted to any Director during the year ended 31st March, 2013.

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

Mr. Motilal Oswal, Chairman & Managing Director received a Salary of ₹ 2,40,00,000 and Perquisites of ₹ 1,71,950 from the Company during the financial year 31st March, 2013.

The tenure of office of Mr. Motilal Oswal as the Chairman & Managing Director is from 18th January, 2011 to 17th January, 2016 with no notice period or severance fees. No Stock Option was granted to Mr. Motilal Oswal during the year ended 31st March, 2013.

Mr. Raamdeo Agarawal - Joint Managing Director received a Salary of ₹ 2,40,00,000 and Perquisites of ₹ 21,600 from the Company during the financial year 31st March, 2013.

The tenure of office of Mr. Raamdeo Agarawal as Joint Managing Director is from 14th October, 2009 to 13th October, 2014 with no notice period or severance fees. No Stock Option was granted to Mr. Raamdeo Agarawal during the year ended 31st March, 2013.

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, 2013.

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

Code of Conduct

The Board has laid down the Code of Conduct for Prevention of Insider-Trading Practices for its Board of Directors and Designated Senior Management Personnel of the Company in compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 (SEBI Regulations). The Code has been posted on the Company's website www.motilaloswal.com. The Code lays down guidelines, which advises the Board of Directors and the Designated Senior Management Personnel of the Company 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. All Board members and Designated Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer, Chairman & Managing Director to this effect is enclosed at the end of this report.

CEO / CFO Certification

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, Mr. Motilal Oswal, Chief Executive Officer and Mr. Sameer Kamath, Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the financial year ended 31st March, 2013. A Certificate signed by the Chief Executive Officer and Chief Financial Officer is enclosed at the end of this report.

Risk Management

The Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in 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 eight major Board level Committees -

- i) Audit Committee;
- ii) Remuneration / Compensation Committee;
- iii) Shareholders' / Investors' Grievance Committee;
- iv) Nomination Committee;
- v) Risk Management Committee;
- vi) Asset Liability Management Committee
- vii) ESOP Committee
- viii) Debenture 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, 2013, the Audit Committee comprised of one Executive Director and three Non-executive Directors, of which all three are Independent. The Committee comprises of:-

- i) Mr. Balkumar Agarwal, Independent Director (Chairman)
- ii) Mr. Vivek Paranjpe, Independent Director
- iii) Mr. Praveen Tripathi, Independent Director and
- iv) Mr. Raamdeo Agarawal, 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 49IIC of the Listing Agreement. Mr. Balkumar Agarwal, the Chairman of the Committee was present at the previous Annual General Meeting of the Company.

The Audit Committee met four times during the year on 25th April, 2012, 28th July, 2012, 18th October, 2012 and 19th January, 2013. The time gap between any two meetings was less than four months. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors there at is given herein below:-

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Balkumar Agarwal	Independent	Chairman	4	4
Mr. Raamdeo Agarawal	Executive	Member	4	4
Mr. Vivek Paranjpe	Independent	Member	4	4
Mr. Praveen Tripathi	Independent	Member	4	4

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

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

ii. Remuneration / Compensation Committee

As of 31st March, 2013, the Remuneration/ Compensation Committee comprised of 3 members. The Committee comprises of:-

- i) Mr. Vivek Paranjpe, 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.

The Committee met once during the year under review on 18th October, 2012. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors thereat is given herein below:-

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Vivek Paranjpe	Independent	Chairman	1	1
Mr. Balkumar Agarwal	Independent	Member	1	1
Mr. Motilal Oswal	Chairman & Managing Director	Member	1	1

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 Agarawal, Joint Managing Director.

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

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

Details of queries and grievances received and attended by the Company during the financial year 2012-2013 are given herein below: -

Sr. No.	Nature of Complaint	Pending as on 1st April, 2012	Received during the year	Disposed off during the year	Pending as on 31st March, 2013
i.	SEBI / Stock Exchange Complaints	1	5	6	–
ii.	Non-receipt of Dividend warrant	–	5	5	–
iii.	Non-receipt of Share Certificate	–	–	–	–
iv.	Non-receipt of Annual Report	–	1	1	–
v.	Others	–	–	–	–
	Total	1	11	12	–

iv. Nomination Committee

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

vi. Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) comprises of 4 members - Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agarwal, Joint Managing Director, Mr. Navin Agarwal, Non Independent Non-executive Director and Mr. Ajay Menon, Chairman and Wholetime Director of Motilal Oswal Securities Limited.

The ALCO is required to determine the maturity profile of assets and liabilities, mix of incremental assets and liabilities, pricing of deposits and advances, determining the type of funding, monitoring risk levels of the Company etc.

The ALCO is a decision making unit responsible for balance sheet planning from risk return perspective including the strategic management of interest rate and liquidity risks. The business and risk management strategy of the Company will ensure that the Company operates within the limits / parameters set by the Board.

vii. ESOP Committee

The ESOP Committee consists of 2 Members - Mr. Motilal Oswal, Chairman and Managing Director and Mr. Raamdeo Agarwal, Joint Managing Director.

The ESOP Committee is required to determine the terms of employee stock options which includes number of options to be granted to any employee in the aggregate, terms on which the options would vest, conditions under which options vested in employees may lapse, exercise period within which an employee should exercise the option and lapsing of such option on failure of exercise, right of an employee to exercise all the options vested at one time or at various points of time within the exercise period and other related and incidental matters.

viii. Debenture Committee

The Debenture Committee comprises of 4 members - Motilal Oswal, Chairman & Managing Director, Mr. Raamdeo Agarwal, Joint Managing Director, Mr. Navin Agarwal, Non Independent Non-executive Director and Mr. Balkumar Agarwal, Independent Director.

The Debenture Committee was constituted to determine and approve the terms and conditions and number of the Debentures to be issued, the timing, nature, type, pricing and such other terms and conditions of the Issue including coupon rate etc., to approve the Information Memorandum and to issue and allot the Debentures and to approve all other matters relating to the Issue and do all acts, deeds, matters and things including execution of all deeds, documents, instruments, applications and writings as it may be necessary for the issue and seeking approvals, consents, waiver from any party and to create mortgages, charges, hypothecation or encumbrances on all or any part of the immovable or movable properties, current or fixed assets, tangible or intangible assets, book debts and / or claims of the Company.

Subsidiary Companies

Clause 49 defines a "Material Non-listed Indian Subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, the Company has one 'Material Non-listed Indian Subsidiary' i.e. Motilal Oswal Securities Limited (MOSL). As on 31st March, 2013, Mr. Balkumar Agarwal, an Independent Director on the Board of the Company is also a Director on the Board of MOSL.

Management

Management Discussion and Analysis

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

Disclosures:

- i) There have been no materially significant transactions, pecuniary transactions or relationships between the Company and Directors, Management, Subsidiaries or Related Parties except those disclosed in the financial statements for the year ended 31st March, 2013. Further the details of the Related Party Transactions are presented in the Notes to Accounts.
- ii) The Company has complied with all the requirements of regulatory authorities. No penalties / strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.
- iii) The Company has complied with the mandatory requirements of Clause 49.
- iv) The Company has complied with the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement: -
 - a) The Company has set up a Remuneration / Compensation Committee long before it got listed. Please see the section on Remuneration / Compensation Committee for details.
 - b) The financial statements of the Company are unqualified.

Disclosure of Accounting Treatment in Preparation of Financial Statements

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

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. Vivek Paranjpe and Mr. Praveen Tripathi retire by rotation and being eligible, have offered themselves for re-appointment at the forthcoming Annual General Meeting. The details of Directors seeking re-appointment at the forthcoming Annual General Meeting is as under: -

Details of Directors seeking re-appointment to the Board

Name of Director	Mr. Vivek Paranjpe
Date of Birth	8th September, 1952
Date of Appointment on the Board	28th January, 2011
Expertise in specific functional area	Expertise in Human Resource and Strategic Management
Qualifications	B.Sc. (Hons.) from Ferguson College, Pune and Postgraduate Honors Diploma in Industrial relations and welfare from XLRI, Jamshedpur
Directorships in Public Limited Companies	Motilal Oswal Financial Services Limited.
Shareholding of Director in the Company	Nil

Membership of Committees in Public Limited Companies

Remuneration / Compensation Committee	Motilal Oswal Financial Services Limited (Chairman)
Audit Committee	Motilal Oswal Financial Services Limited (Member)

Mr. Vivek Paranjpe has done B.Sc. (Hons.) from Ferguson College, Pune with distinction in Botany and Postgraduate Honors Diploma in Industrial relations and welfare from XLRI, Jamshedpur, India. He has held a post of honorary CEO, National HRD Network of India from 2004 to 2005. Mr. Vivek Paranjpe was a member of National Wages Council from 2000 to 2001, Tripartite Committee on Executive Unions and Domestic services study group. He has held the position of Vice President in Delhi Management Association and Vice Chairman in ISTD, New Delhi. He is also an author of two books viz. HR Management in India - A Legal Perspective and Strategic HR Planning. Currently, he is a HR Head in Reliance Group.

Details of Directors seeking re-appointment to the Board

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

Membership of Committees in Public Limited Companies

Audit Committee	Motilal Oswal Financial Services Limited (Member)
-----------------	---

Mr. Praveen Tripathi has done Post Graduate Diploma in Management (PGDM) from Indian Institute of Management, Ahmedabad and B. Tech (Electrical Engineering) from Indian Institute of Technology, Kanpur. He has held the position of President-Marketing and Sales services in Pidilite Industries Limited from August 2009 to August 2010. He has held the post of Strategic Planning Director, P&G, Greater China from September 2002 to September 2003 and was member of Publicis Groups P&G Global Media Team. He worked in MARG Marketing and Research Group Private Limited from April 1986 to September, 1996. He is also the visiting faculty at Indian Institute of Management, Ahmedabad and Mudra Institute of Communication, Ahmedabad. He is currently holding the post of Chief Executive Officer in Magic9 Media and Consumer Knowledge Private Limited.

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 email id, i.e. shareholders@motilaloswal.com for the purpose of registering complaints by investors. This email id is displayed on the Company's website.

General Body Meetings

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

- The Fifth Annual General Meeting of the Company was held on Saturday, 24th July, 2010 at 10.00 a.m. at Y. B. Chavan Centre, General Jagannathrao Bhosale Marg, Nariman Point, Mumbai - 400 021.
- The Sixth Annual General Meeting of the Company was held on Thursday, 21st July, 2011 at 4.00 p.m. at “Rama Watumull Auditorium K. C. Law College”, 124 Dinshaw Wachha Road, Churchgate, Mumbai - 400 020.
- The Seventh Annual General Meeting of the Company was held on Saturday, 28th July, 2012 at 1.30 p.m. at Motilal Oswal Tower, Junction Of Gokhale Road & Sayani Road, Behind Parel St Bus Depot, Elphinstone Road (West), Prabhadevi, Mumbai - 400 025.

Year	Date	Time	Special Resolutions passed
2010	24th July, 2010	10.00 a.m.	Issue of 9,84,463 Equity shares of ₹ 1 each at a premium of ₹ 166.93 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity shares of Motilal Oswal Investment Advisors Pvt. Ltd.
2011	21st July, 2011	4.00 p.m.	Issue of 7,00,240 Equity shares of ₹ 1 each at a premium of ₹ 130.37 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity shares of Motilal Oswal Investment Advisors Pvt. Ltd.
2012	28th July, 2012	1.30 p.m.	i) Issue of 112,907 Equity shares of ₹ 1 each at a premium of ₹ 102.48 per share on preferential basis as a purchase consideration for acquisition of 62,500 Equity shares of Motilal Oswal Investment Advisors Pvt. Ltd. ii) Payment of Commission to Directors upto one per cent of the net profits of the Company.

Postal Ballot Resolutions

The Board of Directors at its Meeting held on 27th April, 2013 approved the following resolutions to be passed through Postal Ballot pursuant to section 192A(2) of the Companies Act, 1956 (“the Act”) read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 by way of Special Resolutions:-

1. Alteration of existing Articles of Association of the Company for adding clause 12A empowering Company to Buyback its shares and other specified securities; and
2. Buyback of Equity Shares of the Company

General Shareholder Information

(i) Details of the 8th Annual General Meeting of the Company:-

Date : Saturday, 27th July, 2013

Time : 2.30 p.m.

Venue : Motilal Oswal Tower, Junction of Gokhale and Sayani Road, Prabhadevi, Mumbai-400 025

(ii) Financial year of the Company

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

Tentative Calendar for the financial year ending 31st March, 2014:-

Financial reporting for the	Tentative dates of the Board Meeting
First quarter ending 30th June, 2013	Second fortnight of July, 2013
Half year ending 30th September, 2013	Second fortnight of October, 2013
Third quarter ending 31st December, 2013	Second fortnight of January, 2014.
Year ending 31st March, 2014	Second fortnight of April, 2014.

- Annual General Meeting for the year 2014 is likely to be held in the second fortnight of July, 2014.

Corporate Governance

(iii) Date of Book Closure

From 22nd July, 2013 to 27th July, 2013, inclusive of both days.

(iv) Final Dividend Payment Date

The Company vide the approval of the Board of Directors has already declared and paid an Interim Dividend of ₹ 1.00 per equity share during the year 31st March, 2013.

Subject to the approval of the members, a final dividend of ₹ 1.00 per share recommended by the Board will be paid on or before 20th August, 2013.

(v) Listing on Stock Exchanges

The Company's Shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees for 2013-2014 have been paid in full to BSE and NSE.

(vi) Stock Code / ISIN No.

BSE : 532892

NSE : MOTILALOFS

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

(vii) Market Price Data

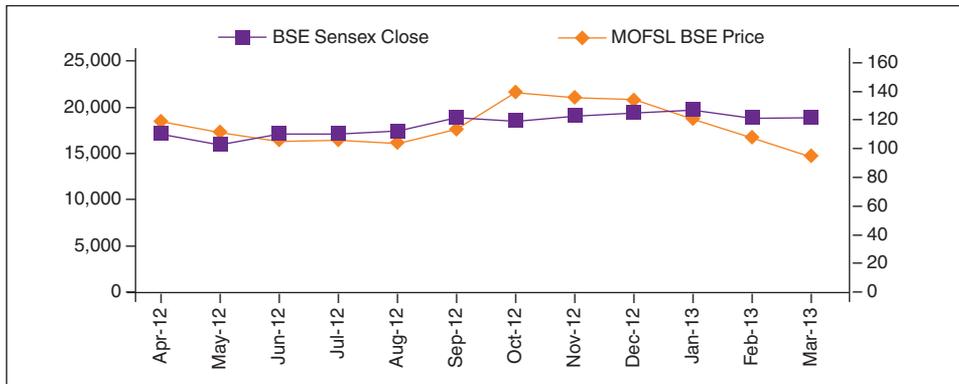
High, low during each month in the last financial year at BSE and NSE:-

Month	BSE ₹		NSE ₹	
	High	Low	High	Low
Apr 12	119.00	98.05	119.00	99.15
May 12	111.85	85.00	111.90	85.50
Jun 12	107.00	90.00	107.40	88.50
Jul 12	107.45	90.00	106.00	89.15
Aug 12	103.50	90.30	103.00	91.00
Sep 12	116.00	87.10	114.00	89.00
Oct 12	137.80	106.10	137.95	105.65
Nov 12	135.00	115.30	133.60	111.40
Dec 12	132.40	118.00	137.20	117.45
Jan 13	123.00	101.00	124.00	103.45
Feb 13	110.70	82.00	108.50	81.35
Mar 13	94.80	73.50	95.50	73.10

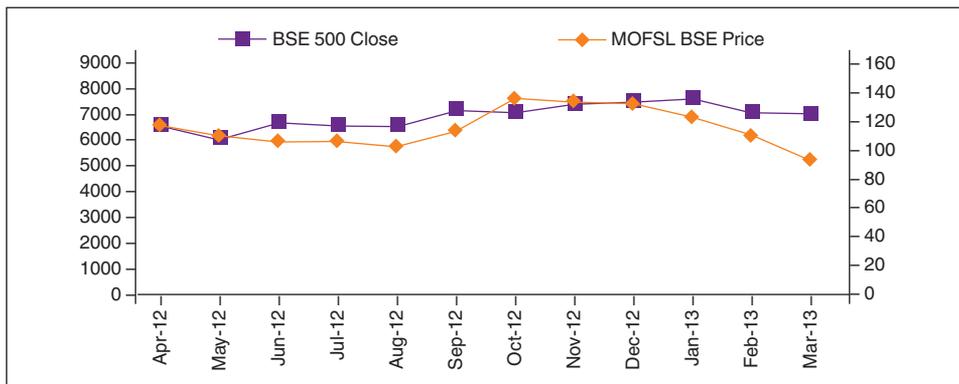
Performance in comparison to broad-based indices such as BSE Sensex, S&P CNX Nifty etc.:

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

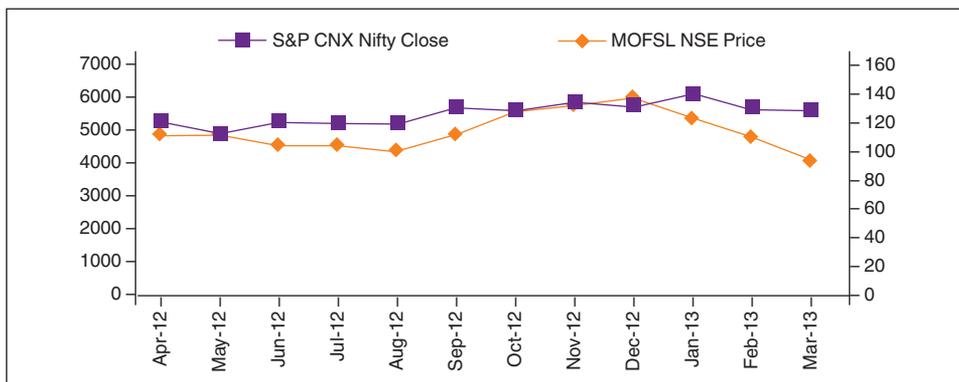
MOFSL Share performance versus BSE Sensex



MOFSL Share performance versus BSE - 500



MOFSL Share performance versus S&P CNX Nifty



(viii) Registrar and Transfer Agent

Link Intime India Pvt. Limited
Unit: Motilal Oswal Financial Services Limited
C- 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai - 400 078.

Tel: +91 22 2594 6970

Fax: +91 22 2594 69 69

Email: rnt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in

(ix) Share Transfer System

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

(x) Distribution of Shareholding

Distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2013.

Shareholding pattern by size as on 31st March, 2013: -

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 - 500	12094	1078597	0.74
501 - 1000	328	251112	0.17
1001 - 2000	182	259560	0.18
2001 - 3000	89	227089	0.16
3001 - 4000	37	133887	0.09
4001 - 5000	34	161188	0.11
5001 - 10000	57	452212	0.31
10001 & Above	145	142672131	98.24
TOTAL	12966	145235776	100

Shareholding pattern by ownership class as on 31st March, 2013: -

Sr. No.	Description	Number of Shares (as at 31st March, 2013)	% to capital
(i)	Promoters & promoter group	102091848	70.29
(ii)	Mutual Funds / Financial Institutions / Banks / Foreign Institutional Investors	16191617	11.15
(iii)	NRIs / OCBs	7220738	4.97
(iv)	Bodies Corporate	2474668	1.70
(v)	Public	9375747	6.46
(vi)	Directors	7804010	5.37
(vii)	Others	77148	0.06
	TOTAL	145235776	100.00

(xi) Dematerialisation of Shares

As on 31st March, 2013, 99.24% of the total equity share capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share as the trading in equity shares of the Company is permitted only in dematerialised form. Other than the capital, which is, locked for the specified periods, the stock is liquid.

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

As on 31st March, 2013, the Company did not have any outstanding GDRs / ADRs / Warrants or any Convertible instruments (excluding ESOPs).

(xiii) Plant Locations:

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

(xiv) Address for Correspondence

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

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

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

Tel.: +91-22-3080 1000 Fax: . +91-22-2844 9002

e-mail: shareholders@motilaloswal.com

The Company can also be visited at its website [http:// www.motilaloswal.com](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, Chairman & Managing Director and Chief Executive Officer of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct.

For **Motilal Oswal Financial Services Limited**

Motilal Oswal

*Chairman & Managing Director
Chief Executive Officer*

Mumbai, 27th April, 2013

Certificate from Chief Executive Officer and Chief Financial Officer

The Board of Directors
Motilal Oswal Financial Services Ltd.

Dear Sirs,

We have reviewed the financial statements and the cash flow statement of Motilal Oswal Financial Services Ltd. along with its subsidiaries for the year ended 31st March, 2013 and that to the best of our knowledge and belief:

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

Thanking you,

Yours faithfully,

For **Motilal Oswal Financial Services Limited**

Motilal Oswal

Chairman & Managing Director
Chief Executive Officer

Sameer Kamath

Chief Financial Officer

27th April, 2013

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 2013, 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 **Haribhakti & Co.**
Chartered Accountants
Firm Registration No.103523W

Rakesh Rathi
Partner
Membership No.: 045228

Place: Mumbai
Date: 13th June 2013

Unclaimed Equity Shares in the Suspense Account

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

	Number of Shareholders	Number of Equity shares
Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on 1st April, 2012	6	615
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	0	0
Number of Shareholders to whom shares were transferred from the suspense account during the year	0	0
Aggregate Number of Shareholders and the outstanding shares in the suspense account lying as on 31st March, 2013	6	615

Independent Auditors' Report

To

The Members of MOTILAL OSWAL FINANCIAL SERVICES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Motilal Oswal Financial Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 purpose 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 examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

Independent Auditors' Report

- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: 27th April, 2013

Annexure to Independent Auditors' Report

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Motilal Oswal Financial Services Limited on the financial statements for the year ended 31st March 2013]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) As informed to us, the inventories (securities) which are held in dematerialized form have been verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of verification of inventories (securities) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory (securities). We are informed that no material discrepancies were noticed on physical verification between the dematerialised stocks and the book records.
- (iii) (a) The Company has granted unsecured loan to seven subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 965.96 millions and the year- end balance of loans granted to such parties was ₹132.33 millions.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (c) The loans are repayable on demand and whenever the loans are called for the Company has received the principal amount and interest accordingly.
- (d) Since there is no stipulation as regards repayment schedule, clause 4(iii)(d) is not applicable.
- (e) The Company had taken unsecured loan from its one of the subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 2,688.20 millions and the year-end balance of loans taken from such party was ₹1,253 millions.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (g) The loans are repayable on demand and whenever the loans are called for, the Company has paid the principal amount and interest accordingly.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory (securities) and fixed assets and for the sale of service. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In 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 prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products of the company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Annexure to Independent Auditors' Report

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

Name of the statute	Nature of dues	Amount (₹ in millions)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2.27	A.Y. 2007-08	ITAT
Income Tax Act, 1961	Income Tax	1.55	A.Y. 2008-09	ITAT
Income Tax Act, 1961	Income Tax	6.48	A.Y. 2010-11	CIT (Appeal)

- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) We are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 as amended are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company for one of its subsidiary Companies for obtaining loan from banks during the year, are not prejudicial to the interest of the Company.
- (xvi) The Company has not obtained any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 2,500 debentures of ₹ 1,00,000 each. The Company has created security or charge in respect of debentures issued.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

Place: Mumbai
Date: 27th April, 2013

Rakesh Rathi
Partner
Membership No. 45228

Balance Sheet

Balance Sheet

	Note	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
I EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	145.24	145.12
Reserves and Surplus	2	5,536.10	5,439.32
Non-Current Liabilities			
Long-term Borrowings	3	250.00	–
Deferred Tax Liabilities (Net)	4	36.52	34.76
Long-term Provisions	5	1.89	1.92
Current Liabilities			
Short-term Borrowings	6	1,253.00	–
Other Current Liabilities	7	50.53	510.09
Short-term Provisions	8	257.31	146.74
TOTAL		7,530.59	6,277.95
II ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	1,522.60	1,633.07
Non Current Investments	10	1,196.89	987.02
Long-term Loans and Advances	11	28.92	138.05
Current Assets			
Cash and bank balances	12	112.18	11.60
Short-term Loans & Advances	13	4,215.92	3,454.73
Other Current Assets	14	454.08	53.48
TOTAL		7,530.59	6,277.95

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

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

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

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2013

Statement of Profit And Loss

Statement of Profit and Loss

	Note	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
REVENUE			
Revenue from operations	15	700.06	464.30
Other Income	16	248.99	355.18
Total Revenue (A)		949.04	819.48
EXPENSES			
Employee benefit Expenses	17	63.08	64.73
Finance Cost	17	134.50	8.97
Depreciation	9	83.62	9.27
Other Expenses	17	50.03	51.18
Total Expenses (B)		331.23	134.14
Profit before Exceptional Item and tax {C=(A-B)}		617.81	685.34
Exceptional Item (Refer note no. 26) (D)		163.80	23.14
Profit after Exceptional Item and before tax (E=C-D)		454.01	662.20
Tax Expenses			
Current Tax		64.77	88.85
Deffered Tax		1.75	11.72
Excess provision for earlier year (s)		–	(1.33)
Total Tax Expenses (F)		66.53	99.24
Profit after Exceptional Item and after tax {G=(E-F)}		387.48	562.96
Earnings per share (₹)			
Equity share of par value ₹1 each			
Basic		2.67	3.89
Diluted		2.67	3.89

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

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

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

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2013

Cash Flow Statement

Cash Flow Statement

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	454.01	662.20
Adjustment for		
Employee stock option compensation cost	0.05	0.20
Depreciation	83.62	9.27
Dividend Income	(220.74)	(354.85)
Bad debts written off	113.54	0.02
Write off / Provision on standard & Doubtful Assets	53.37	24.01
Rent Income	(27.98)	–
Operating cashflow before working capital adjustments	455.86	340.84
Adjustment for working capital changes		
Increase/(Decrease) in other long term provision	(0.04)	0.79
Proceeds from Long-term Borrowings	250.00	–
Proceeds from Short-term Borrowings	20,629.30	–
Repayment of Short-term Borrowings	(19,376.30)	–
Increase/(Decrease) in Other Current Liabilities	(459.69)	425.52
Increase/(Decrease) in Short-term Provisions	0.48	24.84
(Increase)/Decrease in Stock-in-trade	–	2.88
(Increase)/Decrease in Long term Loans & Advances	109.32	(11.28)
(Increase)/Decrease in Short-term Loans & Advances	(873.44)	(320.00)
Contribution to Investment in PE funds	(41.99)	(62.40)
(Increase)/Decrease in Other Current Assets	(400.60)	(53.27)
CASH GENERATED FROM OPERATIONS	292.90	347.93
Taxes Paid (Net of Refunds)	(93.98)	(90.88)
NET CASH GENERATED FROM OPERATING ACTIVITIES	198.92	257.04
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Fixed Deposits / Other non cash & cash equivalents	(5.13)	(0.13)
Purchase of tangible assets (including CWIP)	(129.35)	(269.38)
Rent Income from Investment property	27.98	–
Dividend Income	220.74	354.85
NET CASH GENERATED FROM INVESTING ACTIVITIES	114.24	85.34

Cash Flow Statement (*Contd..*)

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share capital	–	0.00
Receipt of Securities Premium Account on issue of share capital	–	0.35
Dividend paid (including DDT)	(217.71)	(347.34)
NET CASH GENERATED/(USED) FOR FINANCING ACTIVITIES	(217.71)	(346.98)
NET CASH FLOW FOR THE YEAR [A+B+C]	95.46	(4.60)
Cash & Cash Equivalents comprise of		
Scheduled Bank - In Current Account	1.20	5.82
Fixed Deposit with Banks (lien with stock exchange)	5.00	5.00
Total Cash & Cash Equivalents as at beginning of year	6.20	10.82
Cash & Cash Equivalents as at end of year :		
Cheque on Hand	100.53	–
Scheduled Bank - In Current Account	1.12	1.20
Fixed Deposit with Banks (lien with stock exchange)	–	5.00
Total Cash & Cash Equivalents as at end of year	101.65	6.20

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

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

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 27th April, 2013

Notes To Financial Statement

Note 1 : Share Capital

	As at 31-Mar-13		As at 31-Mar-12	
	Numbers	₹ In Millions	Numbers	₹ In Millions
AUTHORISED				
Equity Shares of ₹ 1/- par value	870,000,000	870.00	870,000,000	870.00
Preference Shares of ₹ 100/- par value	5,000,000	500.00	5,000,000	500.00
TOTAL	875,000,000	1,370.00	875,000,000	1,370.00
ISSUED, SUBSCRIBED & PAID UP				
Equity Shares of ₹ 1 /- each fully paid up	145,235,776	145.24	145,122,869	145.12
Of the above, 2,786,676 (Previous Year 2,673,769) equity shares, Fully paid up have been issued for consideration other than cash				
TOTAL	145,235,776	145.24	145,122,869	145.12

1.1 Equity Shares :

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

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

During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.50. The dividend for the year ended March 31, 2013 includes ₹ 1/- per share for final dividend & ₹ 1/- per share for interim dividend. The total dividend appropriated amounts to ₹ 290.48 millions (Previous Year: ₹ 217.68 millions) and corporate dividend tax of ₹ 11.84 millions (Previous year: ₹ 20.86 millions).

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

Preference Shares :

The Company has one class of preference shares having a par value of ₹ 100/- and there are no preference shares issued & subscribed as on 31.03.2013 and 31.03.2012.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-13		As at 31-Mar-12	
	In Numbers	₹ In Millions	In Numbers	₹ In Millions
Number of share at beginning of the year	145,122,869	145.12	144,419,229	144.42
Add: Share issued on exercise of employee stock options	–	–	3,400	0.00
Add: Share issued on preferential basis	112,907	0.11	700,240	0.70
Number of Share at the end of the year	145,235,776	145.24	145,122,869	145.12

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

Share Holder	As at 31-Mar-13		As at 31-Mar-12	
	No of Shares	% of Holding	No of Shares	% of Holding
Passionate Investment Management Private Limited	76,453,550	52.64%	52,957,650	36.49%
Mr. Motilal Oswal	12,110,476	8.34%	23,710,476	16.34%
Mr. Raamdeo Agarawal	11,828,100	8.14%	23,428,100	16.14%
HDFC Trustee Company Limited - HDFC Mutual Fund	10,145,380	6.99%	11,368,380	7.83%
Mr. Navin Agarwal	7,804,010	5.37%	7,804,010	5.38%
New Vernon Private Equity Limited	6,660,217	4.59%	8,630,296	5.95%

1.4 Shares reserved for issue under options

The company has four Stock option Schemes

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

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

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

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

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

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

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

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

The activity in the (ESOS-III), (ESOS-IV), (ESOS-V) and (ESOS-VI) during the year ended March 2013 and March 2012 is set below:

	As at 31-Mar-13 In Numbers	As at 31-Mar-12 In Numbers
The (ESOS-III) : (Face value of ₹ 2/- each)		
Options outstanding at the beginning of the year	10,950	26,850
Less: Exercised	-	1,700
Less: Lapsed	1,700	14,200
Options outstanding at the end of the year	9,250	10,950
The (ESOS-IV) : (Face value of ₹ 5/- each)		
Options outstanding at the beginning of the year	5,000	5,000
Less: Lapsed	5,000	-
Options outstanding at the end of the year	-	5,000
The (ESOS-V) : (Face value of ₹ 1/- each)		
Options outstanding at the beginning of the year	2,047,750	2,410,500
Less: Lapsed	639,250	362,750
Options outstanding at the end of the year	1,408,500	2,047,750
The (ESOS-VI) : (Face value of ₹ 1/- each)		
Options outstanding at the beginning of the year	4,100,000	4,454,750
Less: Lapsed	661,000	354,750
Options outstanding at the end of the year	3,439,000	4,100,000

Notes To Financial Statement (Contd..)

Employees' Stock Options Scheme (ESOS):

During the year no Employee Stock Options have been granted to the employees of the company and its subsidiary Companies (Previous Year ₹ Nil).

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, 2013 over the balance vesting period is ₹ 0.13 millions (Previous year- ₹ 0.20 millions)

Share allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2013).

2,786,676 (989,066 in August 2009, 984,463 in August 2010, 700,240 in August 2011 and in 112,907 in August 2012) equity Shares of ₹ 1 each issued under swap arrangement between Company and employees of its Subsidiary Company.

Shares reserved for issue under contracts/commitments

112,907 Equity shares of the company were issued on preferential basis in discharge of the purchase consideration for the acquisition of 62,500 equity shares of ₹ 10 each held by employees of subsidiary company Motilal Oswal Investment Advisors Private Limited. The price and no of shares had been derived from the formula agreed between the Company and counter party. As on 31st March, 2013 no shares are reserved for issue on preferential basis.

Note 2 : Reserves & Surplus

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Capital Redemption Reserve		
Opening balance	0.00	0.00
Balance as at end of the year	0.00	0.00
Securities Premium Reserve		
Opening balance	4,233.49	4,141.85
Add: During the year	11.57	91.64
Balance as at end of the year	4,245.06	4,233.49
ESOS Outstanding		
Opening balance	0.95	0.75
Addition during the year	0.05	0.20
Balance as at end of the year	1.00	0.95
Statutory Reserve (under Sec 45IC of RBI Act, 1934)		
Opening balance	409.81	297.22
Add: Transferred from Profit and Loss account	77.50	112.59
Balance as at end of the year	487.31	409.81
General Reserve		
Opening balance	171.71	126.67
Add: Transferred from Profit and Loss account	31.00	45.04
Balance as at end of the year	202.71	171.71

Notes To Financial Statement (Contd..)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Surplus balance in statement of profit and loss		
Balance b/f	623.36	414.85
Add: Net Profit During the Year	387.48	562.96
Less: Transfer to Statutory Reserve	(77.50)	(112.59)
Less: Transfer to General Reserve	(31.00)	(45.04)
Less: Interim dividend	(145.24)	(145.12)
Less: Proposed Dividend	(145.24)	(72.56)
Add/(less): Dividend Distribution Tax	(11.84)	20.86
Balance as at end of the year	600.02	623.36
TOTAL	5,536.10	5,439.32

Note 3 : Long Term Borrowings

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
2,500 Principal Protected Secured Redeemable Non-Convertible Debentures of ₹ 100,000/- each (Refer Note no.27)	250.00	-
TOTAL	250.00	-

Note 4 : Deffered Tax Liability (Net)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Deferred tax Assets		
Gratuity provision	1.00	0.94
Provision on standard assets	27.50	10.19
Interest from IREF	0.95	4.72
Interest accrued on ORCD's	0.82	-
Total (i)	30.27	15.85
Deffered tax Liability		
Written Down Value of Fixed Assets	66.79	50.61
Total (ii)	66.79	50.61
Net Total (ii - i)	36.52	34.76

Note 5 : Long Term Provisions

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Provision for employee benefits		
Provision for Gratuity (also refer note 36)	1.89	1.66
Others		
Contingent Provisions against Standard Assets	-	0.26
TOTAL	1.89	1.92

Notes To Financial Statement (Contd..)

Note 6 : Short Term Borrowings

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured		
From Subsidiary (Repayable on demand)	1,253.00	–
TOTAL	1,253.00	–

Note 7 : Other Current Liabilities

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unpaid Dividend (Refer Note (a) below)	0.53	0.40
Other liabilities		
For Retention money	4.44	10.95
For capital expenses	3.03	8.62
For other expenses	12.32	4.67
Taxes Payable	2.59	3.46
Income received in advance	0.03	–
Other Payables	14.64	1.66
Book overdraft	12.95	480.33
TOTAL	50.53	510.09

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

Note 8 : Short Term Provisions

Particular	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Provision for Leave Salary	0.47	0.38
Provision for Gratuity (also refer note 36)	1.19	1.23
Others		
Proposed Dividend	145.24	72.56
Provision for		
Ex-Gratia	2.08	1.93
Contingent Provisions against Standard Assets	10.34	8.02
Tax on Dividend	23.56	11.77
Provision for Taxation [Net of Advance Tax CY Nil (PY ₹ 478.07 Millions)]	–	27.73
Provision for Sub standard & doubtful non performing assets	74.42	23.12
TOTAL	257.31	146.74

Notes To Financial Statement (Contd..)

Note 9 : Tangible assets

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	As on 1-Apr-12	Addition	Other Adjustments*	Disposal	As on 31-Mar-13	As on 01-Apr-12	For The Year ended 31-Mar-13	Other Adjustments*/ Deduction	Disposal	As on 31-Mar-13	As on 31-Mar-13	As on 31-Mar-12	
Land	158.30	-	-	-	158.30	-	-	-	-	-	158.30	158.30	
Buildings	1,418.98	116.76	165.12	-	1,370.61	6.01	64.28	0.70	-	69.59	1,301.02	1,412.97	
Computer equipments	0.29	0.14	-	-	0.43	0.19	0.09	-	-	0.28	0.16	0.10	
Plant and Machinery	42.30	9.66	-	-	51.96	0.50	6.58	-	-	7.09	44.87	41.79	
Furniture and Fixtures	13.00	2.79	-	-	15.79	0.20	2.61	-	-	2.81	12.98	12.80	
Vehicles	9.61	-	-	-	9.61	2.49	1.84	-	-	4.33	5.27	7.11	
TOTAL	1642.47	129.35	165.12	-	1606.70	9.39	75.40	0.70	-	84.10	1522.60	1633.07	

* Other Adjustment represents transfer of building as investment property.

Previous Year

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	As on 1-Apr-11	Addition	Other Adjustments*	Disposal	As on 31-Mar-12	As on 01-Apr-11	For the year ended 31-Mar-12	Deduction	As on 31-Mar-12	As on 31-Mar-12	As on 31-Mar-11		
Land	158.33	-	(0.03)	-	158.30	-	-	-	-	158.30	158.33		
Buildings	-	1,326.88	92.10	-	1,418.98	0.00	6.01	-	6.01	1,412.97	0.00		
Computer equipment	0.29	-	-	-	0.29	0.12	0.07	-	0.19	0.10	0.17		
Plant and Machinery	-	42.30	-	-	42.30	0.00	0.50	-	0.50	41.79	0.00		
Furniture and Fixtures	-	13.00	-	-	13.00	0.00	0.20	-	0.20	12.80	0.00		
Vehicles	9.61	-	-	-	9.61	0.01	2.49	-	2.49	7.11	9.60		
TOTAL*	168.23	1,382.17	92.07	-	1,642.47	0.13	9.27	-	9.39	1,633.07	168.10		

* Allocation of cost to subsidiary company.

Note 10 : Non-Current Investments - At cost

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/ Controlled Entity / Others	No. of Shares / Units		Partly Paid up / Fully paid up	Amount (₹) In millions	
			31-Mar-13	31-Mar-12		31-Mar-13	31-Mar-12
(a)	Investment Property					164.42	-
	Less: Depreciation on Investment Property.					(8.22)	-
	Total (a)					156.20	-
(b)	Investment in Equity Instruments:						
	Motilal Oswal Securities Ltd	Subsidiary	1,318,218	1,318,218	Fully paid-up	13.18	13.18
	Motilal Oswal Commodities Brokers Pvt. Ltd.	Subsidiary	400,000	400,000	Fully paid-up	4.00	4.00
	Motilal Oswal Investment Advisors Pvt. Ltd.	Subsidiary	1,000,000	937,500	Fully paid-up	413.72	402.03
	Motilal Oswal Private Equity Advisors Pvt. Ltd.	Subsidiary	50,000	50,000	Fully paid-up	0.50	0.50
	Motilal Oswal Insurance Brokers Pvt. Ltd.	Subsidiary	990,000	990,000	Fully paid-up	9.90	9.90
	Total (b)					441.30	429.62
(c)	Investment in Private Equity Funds:						
	India Business Excellence Fund	Others	450	450	Partly paid-up	352.45	381.40
	India Reality Excellence Fund	Others	340	340	Fully paid-up	136.95	136.00
	India Business Excellence Fund II	Others	550,000	400,000	Partly paid-up	110.00	40.00
	Total (c)					599.39	557.40
	Total (a+b+c)					1,196.89	987.02

Notes To Financial Statement (Contd..)

Aggregate value of quoted investments and market value	Nil
Aggregate value of unquoted investments (b+c)	1,040.69
Aggregate provision for diminution in value of investments	Nil

Note 11 : Long Term Loans And Advances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured, considered good		
Loans to Others		
Standard Assets	–	105.02
Capital Advances	0.25	3.76
Other loans and advances		
Balance with Government Authorities	27.25	27.97
Prepaid Expenses	0.90	1.03
Electricity and other deposits	0.33	0.27
Taxes recoverable [Net of provision Tax CY 214.18 (P.Y ₹ Nil)]	0.19	–
TOTAL	28.92	138.05

Note 12: Cash And Bank Balances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Cash and Cash Equivalents		
Cheque on Hand	100.53	–
Bank Balances		
In Current Account	1.12	1.20
Fixed Deposit with Banks (with maturity less than 3 months)	–	5.00
	101.65	6.20
Other Bank Balances		
Fixed Deposit with Banks (with maturity more than 3 months)*	10.00	5.00
Unpaid Dividend Account	0.53	0.40
	10.53	5.40
TOTAL	112.18	11.60

* Out of total Fixed Deposit of ₹ 1 Crore, the Fixed Deposit of ₹ 50 Lacs has been pledged against overdraft facility and Fixed Deposit of ₹ 50 Lacs has been pledged against letter of credit facility from HDFC Bank Ltd .

Note 13 : Short Term Loans And Advances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured, considered good		
Loans to Subsidiaries	132.33	454.45
Loans to Others		
Standard Assets	415.36	7.49
Doubtful Assets		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	64.90	231.19
Other Loans & Advances		
Prepaid expenses	2.26	1.24
Balance with Government Authorities	3.57	6.59
Loans and Advances to employees	–	0.12
Others	6.23	9.02
Secured, considered good		
Loans to Others		
Standard Assets	3,542.39	2,744.63
Doubtful		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	47.60	–
Taxes recoverable [Net of provision Tax CY 360.18 (P.Y ₹ Nil)]	1.28	–
TOTAL	4,215.92	3,454.73

Note 14 : Other Current Assets

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured, considered good		
Accrued interest	0.18	0.21
Balance in arbitrage account and other balances	453.90	53.27
Total	454.08	53.48

Notes To Financial Statement (Contd..)

Note 15 : Revenue from Operations:

	For the year ended 31-Mar-13 ₹ In Millions	For the year ended 31-Mar-12 ₹ In Millions
Interest	612.56	452.60
Income From Other Financial services	–	12.00
Profit/(Loss) from Arbitrage	(1.99)	(0.30)
Other operating revenue	89.48	–
Total	700.06	464.30

Note 16 : Other Income

	For the year ended 31-Mar-13 ₹ In Millions	For the year ended 31-Mar-12 ₹ In Millions
Dividend Income		
On short term investments - Mutual funds, shares etc.	0.73	8.56
On long term investments - Units of Private Equity	2.50	–
On long term investments - Subsidiary Company	217.51	346.29
Other non operating income	28.24	0.30
Foreign Exchange Gain/(Loss)	(0.00)	0.03
TOTAL	248.99	355.18

Note 17 : Expenses

	For the year ended 31-Mar-13 ₹ In Millions	For the year ended 31-Mar-12 ₹ In Millions
Employee Benefits		
Salary, Bonus and Allowances	61.41	61.55
Expenses on Employee Stock Option Scheme	0.05	0.20
Contribution to provident and other funds	0.39	0.37
Staff welfare expenses	1.05	0.65
Gratuity (refer note 26)	0.19	1.96
TOTAL	63.08	64.73
Finance Cost		
Interest Cost	134.50	8.97
TOTAL	134.50	8.97
Other Expenses		
Fees & Other Operating Expenses	–	27.14
Rents	0.46	0.18
Rates and taxes	6.23	0.01
Insurance	0.84	0.27
Legal & Professional Fees	8.74	7.33
Remuneration to auditors (refer note 22)	1.38	0.52
Advertisement Expenses	2.97	2.48
Marketing and Brand Promotion	2.26	3.38
Printing & Stationery	1.13	0.68
Communication expenses	0.93	0.80
Travelling Expenses & Conveyance Expenses	3.25	3.55
Electricity Charges	7.28	0.18
Repairs and maintenance - Building	1.28	–
Bad Debts Written Off	1.04	0.02
Provision on Standard Loan Assets	2.06	0.87
Computer Software charges	1.58	0.20
Donation	1.56	1.84
Miscellaneous Expenses	7.05	1.74
TOTAL	50.03	51.18

Significant Accounting Policies for the year ended March 31, 2013

Note 18 : Nature Of Business:

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

In accordance with the provisions of section 45- IC of the RBI Act, 1934, the Company has created a Reserve Fund & during the year, the Company has transferred an amount of ₹ 77.50 in millions (Previous Year ₹ 112.59 in millions) to Reserve Fund, it being 20% of the Profit After Tax.

Note 19 : Significant Accounting Policies:

19.1 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 as notified under sub section (3C) of section 211 of Companies Act, 1956 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.

19.2 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.

19.3 Fixed Assets & Depreciation

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

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

19.4 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 Statement of Profit & Loss.

The company has issued Principal Protected Secured Redeemable Non-Convertible Debentures, the return of which is linked to performance of specified indices over the period of the debenture. The debentures are fair valued based on corresponding valuation of the underlying specified indices at every valuation date. The resultant increase in liability on the fair valuation, if any, is recognized in the statement of profit and loss.

19.5 Investments:

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

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

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

Units of Mutual Funds (Non - Exchange traded funds) are valued at cost or market value whichever is lower. Net asset value of units declared by mutual funds is considered as market value for non-exchange traded Mutual Funds.

19.6 Investment Property:

Properties given on lease are shown as Investment in property under Non-current Investments and is depreciated as per the rates of the Companies Act under Written Down Value Method.

19.7 Revenue Recognition:

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

1. Profit/loss on sale of securities is determined based on the Weighted Average cost of the securities sold.
2. Profit/loss on equity derivative transactions is accounted for as explained below :-

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

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

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

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

19.8 Stock In Trade:

1. Shares are valued at cost or market value, whichever is lower. The comparison of Cost and Market value is done separately for each category of Shares. Cost is considered on Weighted Average Basis.
2. Units of Mutual Funds (Exchange traded funds) are valued at cost or market value whichever is lower.

19.9 Foreign Currency Transactions:

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognized in the Statement of Profit and Loss. 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 Statement of Profit and Loss and related assets and liabilities are accordingly restated in the balance sheet.

19.10 Employee Benefits:

Provident Fund: Contribution payable to the recognized provident fund, which is a defined contribution scheme, is charged to the Statement of Profit and Loss 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.

19.11 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.

19.12 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.

19.13 Provisioning On Receivables From Financing Business:

- a) Provision for standard assets is made on the basis of prudential norms prescribed for NBFCs by Reserve Bank of India.
- b) Provision for non performing asset is based on the management's assessment of the degree of impairment of the loan asset and the level of provisioning required as per the prudential norms prescribed for NBFCs by Reserve Bank of India.

19.14 Impairment Of Assts:

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 Statement of Profit and Loss. 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 depreciated historical cost.

Note 20 : Imports (Value on the cost, insurance and freight basis)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Capital goods	0.61	22.70
Total	0.61	22.70

Note 21 : Segment Reporting

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

Note 22 : Auditor’s Remuneration (Inclusive of Services Tax)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
As Auditors:		
Audit Fees	0.83	0.40
Tax Audit Fees	0.05	0.03
Out of pocket expenses	0.02	0.02
In any other capacity, in respect of:		
Other Certification	0.40	0.08
Service Tax	0.16	0.05
Total	1.46	0.58

Note 23 : Reconciliation of Basic and Diluted Shares Used In Computing Earning Per Share

	As at 31-Mar-13 In Numbers	As at 31-Mar-12 In Numbers
Number of shares considered as basic weighted average shares outstanding.	145,195,253	144,882,276
Add: Effect of dilutive issues of shares/stock options.	965	–
Number of shares considered as weighted average shares and potential shares outstanding.	145,196,218	144,882,276

Note 24 : Basic & Diluted Earnings/(Loss) per share:

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Net Profit attributable to equity shareholders [A]	387.48	562.96
Weighted Average No. of equity shares issued [B] (face value of ₹ 1 each)	145.20	144.88
Basic Earnings per share [A/B] (₹)	2.67	3.89
Weighted Number of equity shares outstanding for Diluted EPS [C]	145.20	144.88
Diluted Earnings per share [A/C] (₹)	2.67	3.89

Notes To Financial Statement (Contd..)

Note 25 : Provisions made for the year ended 31st March, 2013 comprises of (₹ In Millions)

	Opening balance as on 01-Apr-2012	Provided For The Year FY 12-13	Provision reversed / paid For the FY 12-13	Closing balance as on 31-Mar-13
Ex-gratia	1.92	2.58	2.42	2.08
Gratuity	2.89	0.19	0.00	3.08
Compensated Absences	0.38	0.47	0.38	0.47

NOTE 26 :

The Exceptional items for the year ended 31st March, 2013 represents "Provision for doubtful non performing assets" & "Write off of doubtful non performing asset" of ₹ 51.30 millions (Previous Year : 23.14 millions) & ₹ 112.50 millions respectively.

NOTE 27 :

During the year company has issued 2,500 Principal Protected Secured Redeemable Non-Convertible Debentures by way of private placement, details of the same are as under:

Discription	Issue Date	Maturity Date	Benchmark	Face Value per debenture (In ₹)	Amount
MLD1	11th Dec, 2012	31st March, 2016	CNX Nifty Index	100,000/-	250 Mn

and are secured in favor of debenture trustees against loans receivables of the company. The Investor have the Put Option to Redeem the Debenture in Part/Full on any Business day after 18 Month from the date of allotment."

NOTE 28 :

With effect from October 5th, 2012 the Passionate Investment Management Private Limited, promoter of the company, became the holding company of the company due to inter-se transfer of the shares between the promoter's group.

NOTE 29 :

During the year company has received income distribution of ₹ 81.48 millions from India Business Excellence Fund and the same has been included in the Statement of Profit & Loss of the Company for the year ended 31st March, 2013.

NOTE 30 :

No debenture redemption reserve is being created for issue of 2,500 Principal Protected Secured Redeemable Non-Convertible Debentures of ₹ 100,000/- each. The Ministry of Company Affairs has vide General Circular No. 9/2000 No. 6/3/20001-CL.V dated April, 18th, 2002 clarified that NBFCs need not create a debenture redemption reserve as specified under section 117C of the Companies Act, 1956 in respect of privately placed debentures.

NOTE 31 :

- 1) During the year, Crisil Limited reaffirmed the Credit Rating of "CRISIL A1+" (pronounced 'CRISIL A One Plus') to the Short Term Debt Programme of 1,500 millions of the Company. The rating indicates very strong degree of safety regarding timely servicing of financial obligations.
- 2) During the year, ICRA Limited assigned the credit rating of "PP-MLD[ICRA] AA-" Rating with a stable outlook to the long term debt programme of 250 millions of the company. The rating indicates very strong degree of safety regarding timely servicing of financial obligations.

NOTE 32 :

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

NOTE 33 :

During the current year, Company has made a provision ₹ 2.06 millions (previous year ₹8.28 in millions) being 0.25% of its standard assets as per the Notification No DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.

NOTE 34 :

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

NOTE 35 : Related Party Disclosure :

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

- A) Holding Company:
 - Passionate Investment Management Private Limited (From 5th October,2012)
- B) Enterprises where control exists:
 - Subsidiary companies:
 - Motilal Oswal Securities Limited
 - Motilal Oswal Investment Advisors Private Limited
 - Motilal Oswal Private Equity Advisors Private Limited
 - Motilal Oswal Commodities Broker Private Limited
 - Motilal Oswal Capital Markets Private Limited
 - Motilal Oswal Wealth Management Private Limited
 - Motilal Oswal Insurance Brokers Private Limited
 - Motilal Oswal Asset Management Company Limited
 - Motilal Oswal Trustee Company Limited
 - Motilal Oswal Capital Market (Hongkong) Private Limited
 - Motilal Oswal Capital Markets (Singapore) Pte. Limited
 - Motilal Oswal Securities International Private Limited
- C) Enterprises in which Key Managerial Personnel exercise Significant Influence:
 - Nagori Agro & Cattle Feeds Private Limited
 - Rishabh Securities Private Limited
 - Windwell Securities Private Limited
 - Textile Exports Private Limited
 - Raamdeo Agarawal (HUF)
 - VISU Associates - Partnership firm
 - OSAG Enterprises LLP
 - Motilal Oswal Foundation
- D) Key Management Personnel:
 - Mr. Motilal Oswal - Chairman & Managing Director
 - Mr. Raamdeo Agarawal - Joint Managing Director
- E) Relatives of Key Management Personnel:
 - Mrs. Sunita Agrawal - Spouse of Joint Managing Director
 - Mrs. Vimla Oswal - Spouse of Chairman & Managing Director

Notes To Financial Statement (Contd..)

II. Transactions with related parties: 31-03-2013:

(₹ In Millions)

Transaction	Name of the related Party	Subsidiaries		Holding		Key Managerial Personnel/ Relative of Key Managerial Personnel		Total	
		2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012
Business Support Service	Motilal Oswal Securities Limited	0.60	0.60					0.60	0.60
Business Support Service	Motilal Oswal Securities Limited	(0.90)	(0.90)					(0.90)	(0.90)
Interest	Motilal Oswal Wealth Management Pvt Ltd	(0.54)	-					(0.54)	-
	Motilal Oswal Securities Limited	-	(1.08)					-	(1.08)
	Motilal Oswal Securities Limited	116.15	10.02					116.15	10.02
	Motilal Oswal Commodities Broker Private Limited	(63.16)	(16.76)					(63.16)	(16.76)
	Motilal Oswal Asset Management Co. Ltd.	(0.03)	(0.02)					(0.03)	(0.02)
	Motilal Oswal Insurance Brokers Private Limited	(0.08)	-					(0.08)	-
	Motilal Oswal Capital Markets Pvt. Ltd.	(0.00)	(0.00)					(0.00)	(0.00)
	Motilal Oswal Investment Advisors Private Limited	(4.03)	(0.18)					(4.03)	(0.18)
	Motilal Oswal Private Equity Advisors Private Limited	(0.11)	(0.74)					(0.11)	(0.74)
Managerial Remuneration	Motilal Oswal	-	-			24.00	24.00	24.00	24.00
	Raamdeo Agarwal	-	-	-	-	24.00	24.00	24.00	24.00
Referral Fees	Motilal Oswal Investment Advisors Private Limited	-	27.14					-	27.14
	Motilal Oswal Private Equity Advisors Private Limited	-	(12.00)					-	(12.00)
Rent	Motilal Oswal Securities Limited	0.18	0.18	-	-	-	-	0.18	0.18
	Motilal Oswal Investment Advisors Private Limited	(10.86)	-					(10.86)	-
	Motilal Oswal Private Equity Advisors Private Limited	(6.98)	-					(6.98)	-
	Motilal Oswal Asset Management Co. Ltd.	(9.20)	-					(9.20)	-
Brokerage	Motilal Oswal Securities Limited	0.39	0.03					0.39	0.03
	Motilal Oswal Securities Limited	-	(70.01)			-	-	-	(70.01)
Transfer of Fixed Assets	Motilal Oswal Investment Advisors Private Limited	-	(18.69)					-	(18.69)
	Motilal Oswal Private Equity Advisors Private Limited	-	(12.01)					-	(12.01)
	Motilal Oswal Asset Management Co. Ltd.	-	(15.84)					-	(15.84)
	Motilal Oswal Securities Limited	(217.51)	(254.42)					(217.51)	(254.42)
Dividend	Motilal Oswal Investment Advisors Private Limited	-	(91.88)					-	(91.88)
	Motilal Oswal	-	-			24.22	56.91	23.97	56.91
	Raamdeo Agarwal	-	-			23.66	56.23	23.54	56.23
	Motilal Oswal-HUF	-	-			0.00	0.00	0.00	0.00
	Raamdeo Agarwal (HUF)	-	-			1.30	1.56	0.98	1.56
	Suneeta Agrawal	-	-			0.59	0.71	0.44	0.71
	Vimla Oswal	-	-			0.25	0.30	0.19	0.30
	Passionate Investment Management Private Limited.	-	-	152.66	124.49			102.69	124.49
	Motilal Oswal Securities Limited	(217.51)	(254.42)					(217.51)	(254.42)
Loans (Maximum balance)	Motilal Oswal Securities Limited	(2,688.20)	(1,268.49)					(2,688.20)	(1,268.49)
	Motilal Oswal Securities Limited	-	455.00					-	455.00
	Motilal Oswal Commodities Broker Private Limited	835.00	585.51					835.00	585.51
	Motilal Oswal Asset Management Co. Ltd.	13.60	7.00					13.60	7.00
	Motilal Oswal Insurance Brokers Private Limited	3.32	-					3.32	-
	Motilal Oswal Capital Markets Pvt. Ltd.	0.02	1.00					0.02	1.00
	Motilal Oswal Investment Advisors Private Limited	80.03	105.02					80.03	105.02
	Motilal Oswal Private Equity Advisors Private Limited	10.50	29.04					10.50	29.04
Motilal Oswal Wealth Management Pvt Ltd	23.48	-					23.48	-	
Outstanding Balances:									
Loans & Advances	Motilal Oswal Securities Limited	(1,253.00)	-					(1,253.00)	-
	Motilal Oswal Commodities Broker Private Limited	48.97	454.45					48.97	454.45
	Motilal Oswal Investment Advisors Private Limited	80.03	-					80.03	-
	Motilal Oswal Insurance Brokers Private Limited	3.32	-					3.32	-
Other receivables	Motilal Oswal Investment Advisors Private Limited	1.22	17.78					1.22	17.78
	Motilal Oswal Private Equity Advisors Private Limited	0.82	12.91					0.82	12.91
	Motilal Oswal Asset Management Co. Ltd.	1.18	17.02					1.18	17.02

Note: Income/receipts figures are shown in brackets.

Note 36 :

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.

	31-Mar-13	31-Mar-12
I Assumptions as at		
Mortality		L1C (1994-96) Ult.
Interest / Discount Rate	8.00%	8.00%
Rate of increase in compensation	13.00%	21.00%
Rate of return (expected) on plan assets		
Employee Attrition Rate [Past Service (PS)]	PS: 0 to 37 : 12.04%	PS: 0 to 37 : 18.33%
Expected average remaining service	4.79	
II Changes in present value of obligations		
PVO at beginning of year	2.89	1.10
Interest cost	0.23	0.08
Current Service Cost	0.35	1.70
Past Service Cost- (non vested benefits)	–	–
Past Service Cost -(vested benefits)	–	–
Benefits Paid	–	(0.17)
Actuarial (Gain)/Loss on obligation	(0.39)	0.17
PVO at end of year	3.08	2.89
III Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of year	–	–
Expected Return on Plan Assets	–	–
Contributions	–	0.17
Benefit Paid	–	(0.17)
Actuarial Gain/(Loss) on plan assets	–	–
Fair Value of Plan Assets at end of year	–	–
IV Experience History		
(Gain)/Loss on obligation due to change in Assumption	(0.12)	0.19
Experience (Gain)/ Loss on obligation	(0.27)	(0.01)
Actuarial Gain/(Loss) on plan assets	–	–
V Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the year (Obligation)	0.39	(0.17)
Actuarial Gain/(Loss) for the year (Plan Assets)	0.00	–
Total Gain/(Loss) for the year	0.39	(0.17)
Actuarial Gain/(Loss) recognized for the year	0.39	(0.17)
Unrecognized Actuarial Gain/(Loss) at end of year	–	–

Notes To Financial Statement (Contd..)

		31-Mar-13	31-Mar-12
VI	Past Service Cost Recognised		
	Past Service Cost- (non vested benefits)	–	–
	Past Service Cost -(vested benefits)	–	–
	Average remaining future service till vesting of the benefit	–	–
	Recognised Past service Cost- non vested benefits	–	–
	Recognised Past service Cost- vested benefits	–	–
	Unrecognised Past Service Cost- non vested benefits	–	–
VII	Amounts to be recognized in the balance sheet and Statement of profit & loss account		
	PVO at end of year	3.08	2.89
	Fair Value of Plan Assets at end of year	–	–
	Unrecognized Actuarial Gain/(Loss)	–	–
	Unrecognised Past Service Cost- non vested benefits	–	–
	Net Asset/(Liability) recognized in the balance sheet	(3.08)	(2.89)
VIII	Expense recognized in the statement of Profit and Loss		
	Current Service Cost	0.35	1.70
	Interest cost	0.23	0.08
	Past Service Cost - (non vested benefits)	–	–
	Past Service Cost - (vested benefits)	–	–
	Unrecognised Past Service Cost- non vested benefits	–	–
	Expected Return on Plan Assets	–	–
	Net Actuarial (Gain)/Loss recognized for the year	(0.39)	0.17
	Expense recognized in the statement of Profit and Loss	0.19	1.96
IX	Movements in the Liability recognized in Balance Sheet		
	Opening Net Liability	2.89	1.10
	Expenses as above	0.19	1.96
	Contribution paid	–	(0.17)
	Closing Net Liability	3.08	2.89
X	Revised Schedule VI		
	Current Liability	1.19	1.23
	Non-Current Liability	1.89	1.66

NOTE 37 :

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

a) CRAR

Particulars	2012-2013	2011-2012
CRAR %	72.58	82.97
CRAR - Tier I Capital %	72.45	82.84
CRAR - Tier II Capital %	0.13	0.13

b) 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 ₹15 lakh may be shown separately)	NIL	NIL
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	NIL	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures - a. Residential b. Commercial Real Estate	NIL NIL	NIL NIL
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	NIL	NIL
Note:		
i. The Company has exposure of ₹ 136.95 millions (Previous Year ₹ 136.00 millions) in Realty Excellence Trust.		
ii. The Company has loan exposure of ₹189.17 millions to Mirah group against security of IREF units and Godrej Buildwell units.		
iii. The Company has loan exposure to certain clients of ₹ 65.17 millions (Previous Year ₹ 49.51 millions) which is partly secured by charge against property.		

c) Asset Liability Management

Maturity Pattern of Certain Items of assets and liabilities

(₹ In Millions)

	1 day to 30/31 days (One month)	Over One month to 2 Months	Over 2 month to 3 Months	Over 3 month to 6 Months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings*	-	-	-	-	500.00	1,003.00	-	-	-
Assets									
Advances	175.00	-	632.33	650.00	2,441.47	310.00	-	-	4,208.80
Investments	-	-	-	-	-	-	-	1,196.89	1,196.89

* Represents Short Term Loan from group company and Non Convertible Debentures issued to group company

Notes To Financial Statement (Contd..)

d) Schedule to the Balance Sheet Of Motilal Oswal Financial Services Limited

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

(₹ in millions)

PARTICULARS			
LIABILITIES SIDE :			
(1)	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Debentures : Secured	250	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	1,253	NIL
	(e) Commercial Paper	NIL	NIL
	(f) Other Loans	NIL	NIL
	* Please see Note 1 below		
ASSETS SIDE :			
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	Amount outstanding	
	(a) Secured	3,589.99	
	(b) Unsecured	612.59	
		4,202.57	
(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	

Notes To Financial Statement (Contd..)

PARTICULARS			
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	
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		441.30	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of mutual funds		NIL	
(iv) Government Securities		NIL	
(v) Others (Please specify)(Investment In Private Equity Funds and Property)		755.59	
Total		1196.89	
(5) Borrower group-wise classification of assets financed as in (2) and (3) above :			
Please see Note 2 below			
Category	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	NIL	132.33	132.33
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	3,589.99	480.26	4,070.25
Total	3,589.99	612.59	4,202.57
(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		6,981.60	441.30
(b) Companies in the same group		Nil	Nil
(c) Other related parties		Nil	Nil
2. Other than related parties (Investment in Private Equity Funds)		#	599.39
Total		6,981.60	1,040.69
# The investment is unquoted and the NAV of the units is not available.			
** As per Accounting Standard of ICAI (Please see Note 3)			

Notes To Financial Statement (Contd..)

PARTICULARS		
(7)	Other information	Amount (₹ in millions)
	(i) Gross Non-Performing Assets	112.50
	(a) Related parties	Nil
	(b) Other than related parties	112.50
	(ii) Net Non-Performing Assets	38.08
	(a) Related parties	Nil
	(b) Other than related parties	38.08
	(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.

Note 38 : Contingent Liability and Commitment (To the Extent Not Provided For)

38.1 Contingent Liabilities:

The company has given corporate guarantees (Net of Margins) of ₹ 51.25 millions (Previous Year: ₹ Nil) to various banks for its subsidiary Motilal Oswal Commodity Brokers Pvt. Ltd.

Demand in respect of Income Tax matters for which appeal is pending is ₹ 9.54 millions (Previous Year ₹ 4.10 millions). This is disputed by the Company and hence not provided for in the books of accounts.

38.2 Capital Commitment

- The company has given capital commitment of 10% (subject to maximum limit of ₹ 450 millions) in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 438.75 millions (Previous year: ₹ 438.75 millions) towards its capital contribution as per the draw down intimations received from the Fund. During the year company has received back ₹ 28.95 millions (Previous Year: 57.35 millions) towards the capital return from the fund.
- The company has given a capital commitment of ₹ 550 millions (Previous Year: 400 millions) in respect of Business Excellence Trust II, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 110 millions (Previous Year: 40 millions) as per the draw down intimations received from the Fund.
- The Company has given a capital commitment of an amount of ₹ 170 millions (Previous Year: 170 millions) to India Realty Excellence Fund launched by Realty Excellence Trust. In respect to this, the Company has contributed an amount of ₹ 170 millions (Previous Year: 136 millions) as per the draw down intimations received from the Fund . During the year company has received back ₹ 33.05 millions (Previous Year: Nil) towards the capital return from the fund.
- Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 24.89 millions (Previous Year: ₹ 86.96 millions).

Auditors' Report

To

The Board of Directors of Motilal Oswal Financial Services Limited

1. We have audited the attached Balance Sheet of MOTILAL OSWAL FINANCIAL SERVICES LIMITED ('the Company') as at March 31, 2013 and also statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto and issued our audit opinion dated April 27, 2013 thereon. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in the manner specified in paragraph 2 of the audit report.
2. As required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, issued by the Reserve Bank of India ('the Bank') and amended from time to time ('the Directions'), and based on our audit referred to in paragraph 1 above and based on the information and explanations given to us which to the best of our knowledge and belief were necessary for this purpose, we report hereunder on the matters specified in paragraph 3 of the Directions:
 - a. The Company is engaged in the business of a Non-Banking Financial Institution ('NBFI') as defined in section 45-I(a) of the Reserve Bank of India Act, 1934 ('the Act') during the year ended March 31, 2013 and it has obtained Certificate of Registration No. N-13.01830 dated April 5, 2006 from Reserve Bank of India;
 - b. Based on the asset/income pattern as on March 31, 2013 determined by the Management in accordance with the audited financial statements for the year ended as on that date, and with reference to paragraph 15 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, the Company is entitled to continue to hold such Certificate of Registration;
 - c. Based on the criteria set forth by the Bank in Circular No. DNBS.PD. CC No. 85 / 03.02.089 /2006-07 dated December 6, 2006 for classification of NBFCs, the Company has been correctly classified as Loan Company as defined in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 with reference to the business carried on by it during the financial year ended March 31, 2013;
 - d. The Board of Directors in their meeting held on April 25, 2012 has passed a resolution for non- acceptance of any public deposits without prior approval of Reserve Bank of India in writing;
 - e. The Company has not accepted any public deposits during the year ended March 31, 2013;
 - f. The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 for the year ended March 31, 2013;
 - g. The capital adequacy ratio as disclosed in the return submitted to the Bank in the Form NBS-7 for the year ended March 31, 2013, has been correctly arrived at and such ratio is in compliance with the minimum Capital to Risk Assets Ratio prescribed by the Bank;
 - h. The Company has furnished to the Bank the annual statement of capital funds, risk assets/exposures and risk asset ratio (Form NBS-7) within the stipulated period. The Company furnished final Form NBS-7 for the year ended March 31, 2013 to the Bank on June 3, 2013.
3. This report is issued solely for reporting on the matters specified in paragraph 3 of the Directions, to the Board of Directors and is not to be used or distributed for any other purpose.

For Haribhakti & Co.
Chartered Accountants
Firm's Registration No.103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: June 19, 2013

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MOTILAL OSWAL FINANCIAL SERVICES LIMITED

To the Board of Directors of Motilal Oswal Financial Services Limited

We have audited the accompanying consolidated financial statements of Motilal Oswal Financial Services Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") which comprise the consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Limited and its subsidiaries (including subsidiaries of subsidiaries).

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as mentioned in the 'Other Matter' paragraph below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of nine subsidiaries (including two foreign subsidiaries), whose financial statements reflect total assets of ₹ 3,295.96 million as at March 31, 2013, total revenues of ₹ 742.88 million and net cash outflows amounting to ₹ 196.36 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

For Haribhakti & Co.
Chartered Accountants
Firm's Registration No.103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: April 27, 2013

Consolidated Balance Sheet

Consolidated Balance Sheet

	Note	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
I EQUITY AND LIABILITIES			
Share Holders' Funds :			
Share Capital	1	145.24	145.12
Reserves and Surplus	2	12,033.38	11,264.19
Minority Interest	3	30.40	44.43
Non-Current Liabilities :			
Deferred tax liabilities (Net)		179.07	46.66
Long term provisions	4	48.65	50.61
Current Liabilities :			
Trade payables	5	4,591.69	2,743.55
Other current liabilities	6	258.64	800.90
Short-term provisions	7	441.80	353.35
TOTAL		17,728.87	15,448.81
II ASSETS			
Non-current assets			
Fixed assets	8		
Tangible assets		3,054.21	3,364.19
Intangible assets		56.40	80.93
Non-current investments	9	1,225.46	941.48
Long term loans and advances	10	156.80	306.23
Other non current assets	11	0.81	–
Current assets			
Current Investments	12	255.07	–
Inventories	13	1,455.67	1,573.89
Trade receivables	14	4,358.85	1,995.98
Cash and bank balances	15	2,143.76	2,710.48
Short-term loans and advances	16	4,999.10	4,429.40
Other current assets	17	22.74	46.23
TOTAL		17,728.87	15,448.81

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

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**

Chartered Accountants

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

Rakesh Rathi

Partner

M.No. 045228

Samrat Sanyal

Company Secretary

Motilal Oswal

Chairman & Managing Director

Raamdeo Agarawal

Joint Managing Director

Place : Mumbai

Date : 27th April, 2013

Consolidated Statement of Profit And Loss

Consolidated Statement of Profit and Loss

	Note	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
REVENUE			
Revenue from Operations	18	4,646.29	4,652.76
Other Income	19	82.49	58.61
TOTAL (A)		4,728.77	4,711.37
EXPENDITURE			
Employee Benefits	20	1,079.63	1,148.32
Finance Cost	21	48.03	36.20
Depreciation and amortisation	8	258.55	129.70
Administrative & Other Expenses	22	1,905.15	1,977.71
TOTAL (B)		3,291.36	3,291.93
Profit before Taxation and Exceptional Item (C = B - A)		1,437.41	1,419.44
Exceptional Items Income (net)	24.37	180.77	106.73
Profit before Taxation		1,618.18	1,526.17
Less: Provision for Taxation			
i) For current year			
Current tax		390.29	442.26
Deferred tax		132.41	45.16
Minimum Alternate Tax Credit		(8.30)	-
ii) For Previous year (s)		3.97	(2.98)
		518.37	484.44
Profit after Tax before Minority Interest		1,099.81	1,041.72
Less : Minority interest (Profit)		(8.95)	(2.86)
Profit after Tax & Minority Interest		1,090.86	1,038.86
Consolidated Earnings Per share(₹)			
Basic Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		7.57	7.17
Diluted Earnings per share before Extraordinary Items (Face Value of share Re. 1 each)		7.57	7.17
Basic Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		7.57	7.17
Diluted Earnings per share after Extraordinary Items (Face Value of share Re. 1 each)		7.57	7.17

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

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**

Chartered Accountants

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

Rakesh Rathi

Partner

M.No. 045228

Samrat Sanyal

Company Secretary

Motilal Oswal

Chairman & Managing Director

Raamdeo Agarawal

Joint Managing Director

Place : Mumbai

Date : 27th April, 2013

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,618.18	1,526.17
Add : Employee Stock Option Compensation Cost	0.05	0.20
Depreciation	258.55	129.70
Provison on standard, sub standard & doubtful assets	55.47	41.38
Loss In Partnership	3.45	3.11
Bad debts written off	142.89	28.46
Interest Paid/Borrowing cost	18.78	13.53
Less : Profit on sale of Investments	(10.48)	-
Profit on Sale of Fixed Assets (Net)	(387.41)	(105.19)
Interest Received	(8.81)	1.05
Dividend Received	(61.33)	(58.27)
(Loss)/Profit on translation	4.86	(3.17)
	1,634.20	1,576.96
Adjustment for working capital changes		
(Increase)/Decrease in Trade receivables	(2,505.76)	214.33
(Increase)/Decrease in Stock-in-trade	118.21	301.08
(Increase)/Decrease in Short Term Loans & Advances	(607.06)	(9.89)
(Increase)/Decrease in Long Term Loans & Advances	150.15	(26.58)
(Increase)/Decrease in Interest Accrued/ Other Current Assets	23.50	(5.14)
(Increase)/Decrease in Contribution to PE Funds	(41.99)	
Increase/(Decrease) in Other Trade Payable	1,848.13	(193.28)
Increase/(Decrease) in Other Current Liabilities	(542.26)	(22.87)
Increase/(Decrease) in Long Term Provision	(1.95)	12.87
Increase/(Decrease) in Short Term Provision	(46.42)	(146.14)
CASH GENERATED FROM OPERATIONS	28.75	1,701.35
Taxes Paid (Net of Refunds)	(362.16)	(454.37)
Net Cash generated/(used) in operations	(333.42)	1,246.98
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Assets (including CWIP)	(251.81)	(729.17)
Purchase of Investments (Net)	(299.16)	(356.20)
Investment in Fixed Deposit (More then 3 months)/ Non cash & cash equivalents	(619.66)	1,211.01
Sale of Fixed Assets	508.41	151.83
Interest received	8.81	(1.05)
Dividend Received	61.33	58.27
Net Cash Flow From Investing Activities	(592.08)	334.70

Consolidated Cash Flow Statement (Contd..)

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share capital	–	0.00
Receipt of Securities Premium Account	–	0.35
Payment of Dividend and Dividend Distribution Tax	(241.28)	(419.05)
Interest Paid	(18.78)	(13.53)
Net Cash Flow From Financing Activities	(260.06)	(432.22)
Net Cash Flow for the year (A+B+C)	(1,185.56)	1,149.45
Cash & Cash Equivalents as at beginning of the year		
Cash Balance on Hand	1.50	1.86
Fixed Deposit with Banks (less than 3 month Maturity)	1,324.42	187.00
Schedule Bank - Current accounts	927.14	914.75
Total Cash & Cash Equivalents as at beginning of the year	2,253.06	1,103.61
Cash & Cash Equivalents as at end of the year		
Cash Balance on Hand	1.73	1.50
Fixed Deposit with Banks (less than 3 month Maturity)	841.72	1,324.42
Cheques on hand	111.12	–
Schedule Bank - Current accounts	112.93	927.14
Total Cash & Cash Equivalents as at end of the year	1,067.50	2,253.06

As Per Our Attached Report of Even Date

For **Haribhakti & Co.**
Chartered Accountants

Rakesh Rathi
Partner
M.No. 045228

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

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

Place : Mumbai
Date : 27th April, 2013

Notes To Consolidated Financial Statement

Note 1 : Share Capital

	As at 31-Mar-13		As at 31-Mar-12	
	Numbers	₹ In Millions	Numbers	₹ In Millions
Authorised				
870,000,000 Equity Shares of ₹ 1 each	870,000,000	870.00	870,000,000	870.00
50,00,000 Redeemable Preference Shares of ₹ 100 each	5,000,000	500.00	5,000,000	500.00
TOTAL	875,000,000	1,370.00	875,000,000	1,370.00
Issued, Subscribed & Paid Up				
145,235,776 Equity Shares of Re.1 /- each fully paid up (PY 145,122,869 Equity Shares of Re 1/- each fully paid up) [Includes allotment of 27,86,676 equity shares for consideration other than cash (Previous year - 26,73,769)]	145,235,776	145.24	145,122,869	145.12
TOTAL	145,235,776.00	145.24	145,122,869	145.12

1.1 Equity Shares :

The Company has one class of equity shares having, par value of ₹ 1/- each, holders of equity shares is entitled to one vote per share.

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

During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.5.

The dividend for the year ended March 31, 2013 includes ₹ 1/- Per share for final dividend & ₹1/- per share for interim dividend. The total dividend appropriated amounts to ₹ 290.53 millions (previous year ₹ 217.77 millions) and corporate dividend tax of ₹ 58.91 millions (previous year ₹ 14.45 millions).

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

Preference Shares :

The Company has one class of preference shares having, par value of ₹ 100/- each and there are no preference shares issued & subscribed as on 31.03.2013 and 31.03.2012.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-13		As at 31-Mar-12	
	In Numbers	₹ In Millions	In Numbers	₹ In Millions
Number of shares at beginning of the year	145,122,869	145.12	144,419,229	144.42
Add: Shares issued on exercise of employee stock options	–	–	3,400	0.00
Add: Shares issued to employees of subsidiary	112,907	0.11	700,240	0.70
Number of Shares at the end of the year	145,235,776	145.24	145,122,869	145.12

Notes To Consolidated Financial Statement (Contd..)

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

Share Holder	As at 31-Mar-13		As at 31-Mar-12	
	No of Shares	% of Holding	No of Shares	% of Holding
Passionate Investment Management Private Limited	76,453,550	52.64%	52,957,650	36.49%
Mr. Motilal Oswal	12,110,476	8.34%	23,710,476	16.34%
Mr. Raamdeo Agarawal	11,828,100	8.14%	23,428,100	16.14%
HDFC Trustee Company Limited - HDFC Mutual Fund	10,145,380	6.99%	11,368,380	7.83%
Mr. Navin agarwal	7,804,010	5.37%	7,804,010	5.38%
New Vernon Private Equity Limited	6,660,217	4.59%	8,630,296	5.95%

1.4 Shares reserved for issue under options

The company has six Stock option plans

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

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

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

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

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

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

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

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

Motilal Oswal Asset Management Company Limited -Employees' Stock Option Scheme - I (ESOS - I)

The ESOS - I was approved by the Board of Directors at the allotment committee meeting on July 22 , 2010 and by the members at the meeting held on July 21, 2010) and is for grant of 2,000,000 Equity shares of ₹ 10 each).

Motilal Oswal Asset Management Company Limited -Employees' Stock Option Scheme - II (ESOS - II)

The ESOS - II was approved by the Board of Directors at the allotment committee meeting on July 21 , 2011 and by the members at the meeting held on July 21, 2011 and is for grant of 5,000,000 Equity shares of ₹ 10 each.

The activities in the (ESOS-III), (ESOS-IV), (ESOS-V), (ESOS-VI), (ESOS-I) and (ESOS-II) during the year ended March 2013 and March 2012 is set below:

Equity Shares :

The (ESOS-III) : (Face value of ₹ 2/- each)

	As at 31-Mar-13 In Numbers	As at 31-Mar-12 In Numbers
Options outstanding at the beginning of the year	10,950	26,850
Less: Exercised	-	1,700
Less: Lapsed	1,700	14,200
Options outstanding at the end of the year	9,250	10,950

The (ESOS-IV) : (Face value of ₹ 5/- each)

	As at 31-Mar-13 In Numbers	As at 31-Mar-12 In Numbers
Options outstanding at the beginning of the year	5,000	5,000
Less: Lapsed	5,000	-
Options outstanding at the end of the year	-	5,000

Notes To Consolidated Financial Statement (Contd..)

Equity Shares :	As at 31-Mar-13 In Numbers	As at 31-Mar-12 In Numbers
The (ESOS-V) : (Face value of ₹ 1/- each)		
Options outstanding at the beginning of the year	2,047,750	2,410,500
Less: Lapsed	639,250	362,750
Options outstanding at the end of the year	1,408,500	2,047,750
The (ESOS-VI) : (Face value of ₹ 1/- each)		
Options outstanding, beginning of the year	4,100,000	4,454,750
Less: Lapsed	661,000	354,750
Options outstanding, at the end of the year	3,439,000	4,100,000
The MOAMC (ESOS-I) : (Face value of ₹ 10/- each)		
Options outstanding at the beginning of the year	1,365,000	1,450,000
Add Granted	–	60,000
Less: Lapsed	1,020,000	145,000
Options outstanding at the end of the year	345,000	1,365,000
The MOAMC (ESOS-II) : (Face value of ₹ 10/- each)		
Options outstanding at the beginning of the year	2,000,000	–
Add: Granted	–	2,000,000
Less: Lapsed	2,000,000	–
Options outstanding at the end of the year	–	2,000,000

Employees' Stock Option Scheme (ESOS):

No Employee Stock Options has been granted to the employees of the company and its subsidiary Companies (Previous Year ₹ Nil).

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, 2013 over the balance vesting period is ₹ 0.13 millions (Previous year- ₹ 0.20 millions)

Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2013):

27,86,676 (9,89,066 in August 2009, 9,84,463 in August 2010, 7,00,240 in August 2011 and 1,12,907 in August 2012) equity Shares of Re. 1 each issued under swap arrangement between Company and employees of its Subsidiary Company.

Shares reserved for issue under contracts/commitments:

112,907 Equity shares of the company were issued on preferential basis in discharge of the purchase consideration for the acquisition of 62,500 equity shares of ₹ 10 each held by employees of subsidiary company Motilal Oswal Investment Advisors Private Limited. The price and no of shares had been derived from the formula agreed between the Company and counter party. As on 31st March, 2013 no shares are reserved for issue on preferential basis.

Notes To Consolidated Financial Statement (Contd..)

Note 2: Reserves & Surplus

	As at 31-Mar-13 ₹ In Millions		As at 31-Mar-12 ₹ In Millions	
Statutory Reserve				
Opening balance	409.81		297.22	
Add : Transfer from Profit & Loss A/c for the year	77.50	487.30	112.59	409.81
Capital Redemption Reserve				
Opening balance	96.00		96.00	
Addition during the year	(0.15)	95.85	–	96.00
Securities Premium				
Opening balance	4,233.49		4,141.85	
Addition during the year	11.57	4,245.06	91.64	4,233.49
Translation reserves				
Opening balance	(3.17)		(3.17)	
Addition during the year	4.86	1.69	–	(3.17)
ESOS Outstanding				
Opening balance	0.95		0.75	
Addition during the year	0.05	1.00	0.20	0.95
Capital Reserve				
Opening balance	509.68		591.46	
Addition /(Deduction) during the year	(4.30)	505.38	(81.78)	509.68
General Reserve				
Opening balance	420.37		293.82	
Addition during the year	113.08	533.45	126.56	420.37
Profit & Loss Account				
Opening balance	5,597.06		5,029.57	
Add:- Current year's profit	1,090.86		1,038.86	
Less:- Proposed Dividend	(145.24)		(72.58)	
Less:- Interim Dividend	(145.30)		(145.19)	
Less:- Dividend Distribution Tax	(58.91)		(14.45)	
Less:- Transfer to Statutory Reserve	(77.50)		(112.59)	
Less:- Transfer to Genral Reserve	(113.08)		(126.56)	
Add:- Prior Year dividend, dividend distribution and other adjustments	15.75	6,163.65	–	5,597.06
TOTAL		12,033.38		11,264.19

Notes To Consolidated Financial Statement (Contd..)

Note 3: Minority Interest

	As at 31-Mar-13 ₹ In Millions		As at 31-Mar-12 ₹ In Millions	
Motilal Oswal Securities Limited				
Opening Balance	3.01		2.64	
Add: Share of Profit/(Loss) for the year	0.38		0.38	
Less: Share of Minorities' in dividend paid & tax thereon	(0.12)	3.28	–	3.01
Motilal Oswal Commodities Broker Private Limited				
Opening Balance	2.65		1.24	
Add: Share of Profit/(Loss) for the year	1.71	4.36	1.41	2.65
Motilal Oswal Private Equity Advisors Private Limited				
Opening Balance	–		–	
Opening Balance	14.58		11.53	
Add: Share of Profit/(Loss) for the year	8.02	22.60	3.05	14.58
Motilal Oswal Investment Advisors Private Limited				
Opening Balance	24.07		36.22	
Add: Share of Profit/(Loss) for the year	(1.16)		(1.94)	
Add/(Less) : Investment/(sale) by Minority	(7.38)		(0.63)	
Less: Preacquisition Profits transferred on acquisition of minorities holding	(0.28)		(9.58)	
Less: Share of Minorities' in dividend paid & tax thereon	(15.25)	0.00	–	24.07
Motilal Oswal Capital Markets Private Limited				
Opening Balance	0.01		0.01	
Add: Share of Profit/(Loss) for the year	0.00	0.01	0.00	0.01
Motilal Oswal Wealth Management Private Limited				
Opening Balance	0.01		0.00	
Add: Investment by Minorities	0.02		–	
Add: Share of Profit/(Loss) for the year	0.00	0.03	0.00	0.01
Motilal Oswal Asset Management Company Limited				
Opening Balance	0.07		0.08	
Add: Share of Profit/(Loss) for the year	0.02	0.09	(0.02)	0.07
Motilal Oswal Insurance Brokers Private Limited				
Opening Balance	0.04		0.06	
Add: Share of Profit/(Loss) for the year	(0.04)	0.00	(0.02)	0.04
Motilal Oswal Securities International Private Limited				
Opening Balance	(0.00)		–	
Add: Share of Profit/(Loss) for the year	(0.00)		–	
Add: Investment by Minorities	0.02	0.02	–	(0.00)
Motilal Oswal Capital Markets (Hongkong) Private Limited				
Opening Balance	(0.00)		–	
Add: Share of Profit/(Loss) for the year	0.02	0.02	–	(0.00)
Motilal Oswal Capital Markets (Singapore) Pte Limited				
Opening Balance	(0.00)		–	
Add: Share of Profit/(Loss) for the year	0.00	0.00	–	(0.00)
Motilal Oswal Trustee Company Limited				
Opening Balance	0.00		0.00	
Add: Share of Profit/(Loss) for the year	0.00	0.00	(0.00)	0.00
TOTAL		30.40		44.43

Notes To Consolidated Financial Statement (Contd..)

Note 4 : Long Term Provisions

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Provision for Employee Benefits		
Gratuity Obligation (refer note no. 24.22)	48.65	50.34
Others		
Contingent provision against Standard Assets	–	0.26
TOTAL	48.65	50.61

Note 5 : Trade Payables

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Margin Money	583.55	568.66
Creditors	4,008.14	2,174.89
TOTAL	4,591.69	2,743.55

Note 6 : Other Current Liabilities

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Advance received from customers	7.23	15.09
Income received in advance	1.68	13.04
Interest accrued and due on borrowings	0.98	–
Accrued salaries & benefits	20.40	10.02
For other Liabilities		
– Withholding and other taxes payable	41.26	56.37
– for expenses	51.76	183.03
– for capital expenses	3.03	8.62
– Book overdraft	29.22	486.59
– Retention money	4.44	10.95
– Unpaid Dividend	0.53	0.40
– Other Payables	92.81	14.59
– Mark to Market Margin - Equity Index/Stock Futures	5.30	2.20
TOTAL	258.64	800.90

Notes To Consolidated Financial Statement (Contd..)

Note 7 : Short Term Provisions

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Provision for Employee Benefits		
– ExGratia Payable	117.65	166.03
– Gratuity Obligation	20.15	15.58
– Compensated absences	3.30	4.06
Others		
– Proposed Dividend	145.24	72.58
Provision for		
– Contingent Provisions against Standard Assets	10.34	8.02
– Taxation [Net of Advance Tax of ₹ 81.71 millions (previous year ₹ 478.07 millions)]	23.61	40.41
– Dividend Distribution Tax	47.10	23.54
– Doubtful debts (non performing assets - outstanding for a period exceeding 24 months)	74.42	23.12
TOTAL	441.80	353.35

Note 8 : Fixed Assets

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As on 01.04.2012	Additions	Deductions	Other Adjustments *	As on 31.03.2013	As on 01.04.2012	During the year	Deductions	As on 31.03.2013	As on 31.03.2013	As on 31.03.2012
Tangible Assets											
Computer	374.09	16.55	0.71	–	389.94	301.29	26.13	0.42	327.00	62.94	72.80
Furniture & Fittings	151.97	6.10	0.07	–	158.00	73.14	15.05	0.03	88.16	69.84	78.83
Office Equipments	280.63	13.67	1.76	–	292.54	114.91	24.90	0.67	139.14	153.40	165.71
Office Premises	2,848.70	180.31	181.65	215.15	2,632.20	125.85	135.48	61.72	199.61	2,432.58	2,722.84
Electrical Equipments	42.30	9.66	–	–	51.96	0.50	6.58	–	7.09	44.87	41.79
Land	266.74	–	–	–	266.74	–	–	–	–	266.74	266.74
Vehicles	43.04	11.29	4.90	–	49.43	24.84	6.60	4.09	27.35	22.09	18.20
Intangible Assets											
Membership Cards	66.33	–	–	–	66.33	65.66	0.15	–	65.81	0.52	0.67
Customer Rights	68.35	–	–	–	68.35	68.35	–	–	68.35	–	–
Licences	0.42	–	–	–	0.42	0.00	0.08	–	0.09	0.33	0.42
Software	197.32	14.23	0.02	–	211.53	120.20	34.06	0.01	154.23	57.30	77.12
Goodwill	9.00	–	–	–	9.00	9.00	–	–	9.00	–	–
TOTAL	4,348.88	251.81	189.10	215.15	4,196.43	903.76	249.03	66.94	1,085.83	3,110.61	3,445.12

* Other Adjustment represents transfer of building as investment property.

Notes To Consolidated Financial Statement (Contd..)

Previous Year 2011-2012

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As on 01.04.2011	Additions	Deductions	Other Adjustments**	As on 31.03.2012	As on 01.04.2011	During the year	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011
Tangible Assets											
Computer	361.45	23.95	11.30	-	374.09	278.07	33.76	10.54	301.29	72.80	83.38
Furniture & Fittings	115.47	50.44	13.94	-	151.97	75.69	8.22	10.77	73.14	78.83	39.78
Office Equipments	228.39	75.32	23.08	-	280.63	110.07	22.72	17.86	114.92	165.71	118.32
Office Premises	399.79	2,360.33	55.51	144.09	2,848.70	133.30	25.67	33.11	125.86	2,722.84	266.49
Electrical Equipments	-	42.30	-	-	42.30	-	0.50	-	0.50	41.79	-
Land	266.74	-	-	(0.00)	266.74	-	-	-	-	266.74	266.74
Vehicles	47.98	4.79	9.73	-	43.04	26.33	5.85	7.33	24.84	18.20	21.65
Intangible Assets											
Membership Cards	65.57	0.76	-	-	66.33	65.57	0.09	-	65.66	0.67	-
Customer Rights	68.35	-	-	-	68.35	67.45	0.90	-	68.35	-	0.90
Licences	-	0.42	-	-	0.42	-	0.00	-	0.00	0.42	-
Software	187.21	10.55	0.44	-	197.32	88.20	32.00	-	120.20	77.12	99.01
Goodwill	9.00	-	-	-	9.00	9.00	-	-	9.00	0.00	0.00
Total	1,749.94	2,568.84	113.99	144.09	4,348.88	853.68	129.70	79.62	903.76	3,445.12	896.26

** Capitalisation of borrowing cost.

Note 9 : Non-Current Investments - At cost

Sr. No.	Name of the Body Corporate	JV/ Controlled Entity / Others	No. of Shares / Units		Quoted / Unquoted	Partly Paid up / Fully paid up	Amount (₹ in millions)	
			31.03.2013	31.03.2012			31.03.2013	31.03.2012
(a)	Investment Property	-	-	-	-	-	214.45	-
	Less: Depreciation on Investment Property	-	-	-	-	-	(9.52)	-
							204.93	-
	Non Trade Investments:							
(b)	Investment in equity instruments:							
	Central Depository Services India Ltd	Others	100	100	Unquoted	Fully paid up	0.00	0.00
(c)	Investments in Government or Trust securities:							
	Motilal Oswal MOST 10 Year Gilt Fund	Others	15,000,000	-	Unquoted	Fully paid up	158.91	150.00
(d)	Investments in Debentures or Bonds:							
	Citicorp Finance (India) Limited	Others	1,000	-	Quoted	Fully paid up	100.00	100.00
	CNF Nifty Index of ₹ 100,000/- each							
	Citicorp Finance (India) Limited	Others	170	-	Unquoted	Fully paid up	17.00	-
(e)	Investments in Partnership Firm							
	Emerging Manager Group LP	Partnership	-	-	-	-	15.58	19.03
(f)	Investment in Private Equity Funds							
	(i) Reliance Alternative Investments Fund - Private Equity Scheme I	Others	150,000	150,000	Unquoted	Fully paid up	15.00	15.00
	(ii) Aditya Birla Private Equity - Fund I	Others	150,000	150,000	Unquoted	Partly paid up	10.50	8.25
	(iii) India Business Excellence Fund	Others	450	450	Unquoted	Partly paid-up	352.45	381.40
	(iv) India Reality Excellence Fund	Others	340	340	Unquoted	Fully paid-up	160.55	216.00
	(v) India Business Excellence Fund II	Others	550,000	400,000	Unquoted	Partly paid-up	190.55	51.80
	Total (a+b+c+d+e+f)						1,225.46	941.48

Notes To Consolidated Financial Statement (Contd..)

Note 10 : Long Term Loans and Advances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured, considered good		
Loans to Others		
Standard Assets	–	105.02
Other Loans & Advances:		
– Rent, Electricity, and other deposits	58.21	76.14
– Capital Advances	3.48	31.82
– Deposits with Exchange	14.05	17.36
– Prepaid Exp	1.58	1.46
– Balance with Government Authorities	27.25	27.97
– Loan to staff	7.40	2.34
– Advance Tax [Net of Provision of ₹ 337.46 millions (previous year ₹ 210.19 millions)]	44.83	44.11
TOTAL	156.80	306.23

Note 11: Other Non Current Assets

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Other Bank balances		
- Fixed deposits (maturity more than 12 months)	0.81	–
TOTAL	0.81	–

Note 12 : Current Investments (At cost or market value whichever is lower)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Mutual Funds (8,23,337 units of Reliance Income Fund)	9.00	–
Certificate of deposit (Principal Mutual Fund for a rate of interest 9.25%)	246.07	–
TOTAL	255.07	–

Note 13 : Inventories

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Stock in trade		
Equity Shares	1,159.07	1,503.47
Commodities		
Agriculture Commodities (Cotton)	126.42	–
Agriculture Commodities (Castor Seeds)	14.55	–
Agriculture Commodities (Cockudakl)	55.39	–
Metal (Gold Mini)	0.29	–
Exchange Traded Funds	99.95	70.41
TOTAL	1,455.67	1,573.89

Notes To Consolidated Financial Statement (Contd..)

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Aggregate value of Stock in trade		
Equity Shares		
At book value	1,359.50	1,596.16
At market value	1,259.03	1,573.89
Commodities		
At book value	196.64	–
At market value	201.50	–

Note 14 : Trade Receivables

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Unsecured, Considered Good		
a) Outstanding for a period less than six months from the date they are due for payment	1,079.23	883.02
b) Outstanding for a period exceeding six months from the date they are due for payment	48.94	81.49
Less provision for doubtful debts	(2.11)	–
Unsecured, Considered doubtful		
a) Debts outstanding for a period exceeding Six months	–	17.38
Less: Provision for Doubtful Debts	–	(17.38)
Secured, Considered Good		
a) Outstanding for a period less than six months from the date they are due for payment	3,189.04	817.45
b) Outstanding for a period exceeding six months from the date they are due for payment	43.75	214.03
TOTAL	4,358.85	1,995.98

Note 15 : Cash and Bank Balances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Cash and cash equivalents		
Cash on hand	1.73	1.50
Cheques on hand	111.12	–
Balance with banks		
In current accounts	112.93	927.15
In Fixed Deposit (less than 3 month maturity)	972.60	404.58
Other Bank balances		
Fixed Deposits having maturity more than 3 months but less than 12 months	944.85	1,376.86
Unpaid Dividend Account	0.53	0.40
TOTAL	2,143.76	2,710.48

Notes To Consolidated Financial Statement (Contd..)

Note 16 : Short Term Loans and Advances

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Secured, considered good		
Loans to Others		
Standard Assets	3,542.39	2,744.63
Doubtful Assets		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	47.60	–
Unsecured, considered good		
Loans to Others		
Standard Assets	415.36	7.49
Doubtful Assets		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	64.90	231.19
Other Loans and Advances		
– Prepaid Exp	21.42	21.29
– For supply of services	20.32	10.37
– Loan & Advances to employees	7.43	11.84
– Fund based activity	340.15	482.97
– Service Tax Credit Receivable	42.00	36.92
– Option premium	317.25	755.70
Advance Tax [Net of Provision of ₹ 1,894.35 millions (previous year ₹ 1,885.23 millions)]	59.45	105.11
MAT credit entitlement	8.30	–
Deposit with exchanges	101.13	10.02
Other deposits	0.52	0.14
Others	10.89	11.74
TOTAL	4,999.10	4,429.40

Note 17 : Other Current Assets

	As at 31-Mar-13 ₹ In Millions	As at 31-Mar-12 ₹ In Millions
Interest Accrued on Fixed Deposits	20.96	28.23
Stock of Stamps	1.33	1.85
Sign on bonus pending amortisation	0.41	–
Others	0.03	16.15
TOTAL	22.74	46.23

Notes To Consolidated Financial Statement (Contd..)

Note 18 : Revenue from Operations

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
Brokerage and related activities	2,690.73	2,930.87
Investment Banking fees	78.01	84.68
Fund based income	896.72	796.01
Asset Management & Advisory Fees	581.63	501.93
Other Operating Revenue	399.19	339.27
TOTAL	4,646.29	4,652.76

Note 19 : Other Income

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
Dividend Income	61.33	58.27
Profit/ (Loss) on sale of Investments	10.48	-
Interest Income	8.81	(1.05)
Other non operating Income	1.86	1.38
TOTAL	82.49	58.61

Note 20 : Employee Benefits

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
Salary, Bonus and Allowances	1,021.15	1,082.82
Expenses on Employee Stock Option Schemes	0.05	0.20
Gratuity	9.95	25.71
Contribution to provident & other Funds	16.50	15.89
Staff Welfare Expenses	31.97	23.70
TOTAL	1,079.63	1,148.32

Note 21 : Finance Cost

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
Interest Cost	37.13	15.81
Bank Guarantee Commission and Other charges	10.90	20.39
TOTAL	48.03	36.20

Notes To Consolidated Financial Statement (Contd..)

Note 22 : Other Expenses

	For the Year ended 31-Mar-13 ₹ In Millions	For the Year ended 31-Mar-12 ₹ In Millions
Brokerage / Fees sharing with Intermediaries	1,081.71	1,182.00
Depository Charges	24.35	19.04
Rates & Taxes	14.78	4.77
Rent	51.37	85.25
Insurance	4.59	3.36
Repairs	18.34	12.41
Computer Repairs & Maintenance	45.08	34.02
Legal & Professional Charges	83.19	75.56
Remuneration to Auditors (refer note no. 24.13)	3.55	2.43
Membership & Subscription	3.17	1.92
Data Processing Charges	34.16	38.21
Marketing & Brand Promotion Expenses	70.65	56.07
Advertisement Expenses	42.89	55.74
Printing & Stationery	29.55	35.87
Power and Fuel	67.45	35.96
Communication Expenses	104.44	105.79
Travelling & Conveyance Expenses	90.97	94.06
Donations	20.86	7.05
Bad Debts Written Off /Trading Loss	30.39	28.46
Provision on Standard & Sub-Standard Assets and on Bad/Doubtful Debts	4.17	18.25
Entertainment Expenses	5.20	4.75
Loss on sale of fixed assets	1.98	12.34
Partnership (Gain)/Loss	3.45	3.11
Business support charges	–	0.11
Miscellaneous Expenses	68.37	59.65
Foreign Exchange Fluctuation	0.50	0.40
Preliminary Expenses w/off	–	1.14
TOTAL	1,905.15	1,977.71

Note 23 : Significant Accounting Policies:

23.1 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.

23.2 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.

23.3 Fixed Assets & Depreciation:

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

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

23.4 Borrowing Cost:

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

23.5 Intangible Assets And Amortization:

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

23.6 Investments:

Investments are classified into long-term investments and short term 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 short term 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.

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

Notes To Consolidated Financial Statement (*Contd..*)

Units of Mutual Funds (Non - Exchange traded funds) are valued at cost or market value whichever is lower. Net asset value of units declared by mutual funds is considered as market value for non-exchange traded Mutual Funds.

23.7 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 (Exchange traded funds) are valued at cost or market value, whichever is lower.

23.8 Revenue Recognition:

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

at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

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

23.9 Commercial Paper:

The liability is recognized 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.

23.10 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 Statement of Profit and Loss. 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 Statement of Profit and Loss and related assets and liabilities are accordingly restated in the balance sheet.

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

23.11 Employee Benefits:

Provident Fund:

Contribution payable to the recognized provident fund, which is a defined contribution scheme, is charged to the Statement of Profit and Loss 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 annual leave entitlement. 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.

23.12 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).

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.

Minimum Alternate Tax:

In case the company is liable to pay income tax u/s 115 JB of the Income Tax Act, 1961, the amount of tax paid in excess of normal income tax is recognized as asset (MAT credit Entitlement) only if there is convincing evidence for realization of such asset during the specified period. MAT credit entitlement is reviewed at each Balance Sheet date.

Deferred Tax:

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

23.13 Sign On Bonus:

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

23.14 Preliminary Expenses:

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

23.15 Operating Leases:

Lease rentals in respect of operating lease are charged to the Statement of Profit and Loss as per the terms of the lease arrangement on a straight line basis.

23.16 Fund Related Expenses:**New Fund Offer expenses:**

Expenses relating to initial issue of Mutual Fund Schemes of Motilal Oswal Mutual Fund are charged to the Statement of Profit and Loss in the year in which such expenses are incurred.

Recurring fund expenses:

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

23.17 Provisions and Contingencies:

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

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

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

23.18 Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. 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 depreciated historical cost.

Notes To Consolidated Financial Statement (Contd..)

Note 24 : Notes To Accounts:

24.1 Principles and assumptions used for consolidated financial statements and pro-forma adjustments:

- a) The consolidated financial statements have been prepared by 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 Statement of Profit and Loss, together referred to in as 'Consolidated Financial Statements.'
- b) Following are the companies whose accounts have been considered for the consolidated financial statements:

Motilal Oswal Financial Services Limited ('the Company' or 'the holding company') shareholding in the following companies as on March 31, 2013 and March 31, 2012 are as under:

Name of the Subsidiary Companies	31st March 2013			31st March 2012		
	No. of Shares	% of Holding	Date of Becoming Subsidiary	No. of Shares	% of Holding	Date of Becoming Subsidiary
Motilal Oswal Securities Limited	1,318,218	99.95	18th January, 06	1,318,218	99.95	18th January, 06
Motilal Oswal Commodities Broker Private Limited	400,000	97.55	6th April, 06	400,000	97.55	6th April, 06
Motilal Oswal Investment Advisors Private Limited	1,000,000	100	16th June, 06,	937,500	93.75	16th June, 06,
Motilal Oswal Private Equity Advisors Private Limited	50,000	85	18th May, 06	50,000	85	18th May, 06
Motilal Oswal Capital Markets Private Limited	12,50,000	99.95	18th December 07	12,50,000	99.95	18th December 07
Motilal Oswal Wealth Management Private Limited	80000	99.95	29th September, 08	15000 *	99.95	29th September, 08
Motilal Oswal Insurance Brokers Private Limited	990,000	99	9th April, 09	990,000	99	9th April, 09
Motilal Oswal Asset Management Company Limited	30,000,000	99.95	26th November, 09	30,000,000	99.95	26th November, 09
Motilal Oswal Trustee Company Limited	100,000	99.95	20th January, 10	100,000	99.95	20th January, 10
Motilal Oswal Securities International Private Limited	4,569,200	99.95	7th June, 11	3,785,200	99.95	7th June, 11
Motilal Oswal Capital Markets (Honkong) Private Limited	6,000,000	99.95	30th September 11	6,000,000	99.95	30th September 11
Motilal Oswal Capital Markets (Singapore) Pte. Limited	250,000	99.95	28th September 11	250,000	99.95	28th September 11

* During the year Motilal Oswal Wealth Management Private limited, a subsidiary of the company has sub divided its each equity share of ₹ 50,000/- each into 5,000 equity share of ₹ 10/- each and accordingly the no. of shares of previous year has been rearranged in line with current year

24.2 Principles used in preparing Consolidated Financial Statements:

- a) In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.
- b) The cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, is eliminated.
- c) Intra-group transactions are eliminated in preparation of consolidated financial statements.
- d) The excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is treated as goodwill & recognised as an asset in the consolidated financial statements.

Notes To Consolidated Financial Statement (Contd..)

- e) When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference is treated as a capital reserve in the consolidated financial statements.
- f) Minority interest 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 interest 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 interest in the net assets consist of:
 - (i) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - (ii) the minorities' share of movements in equity since the date the parent-subsidiary relationship came in existence.
- g) Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

24.3 With effect from October 5th, 2012, Passionate Investment Management Private Limited, promoter of the company, became the holding company of the company due to inter-se transfer of the shares between the promoters' group.

24.4 During the year the company has acquired following memberships/licenses:

- a) Membership with MCX Stock Exchange in Equity, Futures & Options and Currency segment in the subsidiary company Motilal Oswal Securities Limited.
- b) Membership with National Stock Exchange in Currency Segment in the subsidiary company Motilal Oswal Securities Limited.
- c) License from SEBI (Regn No. INP000004409 date of Regn Nov 29, 2012) for doing business of Portfolio Management Services in the subsidiary company Motilal Oswal Wealth Management Private Limited.

24.5 a) The Company has provided bank guarantees aggregating to ₹ 1,062.50 millions (Previous Year : ₹ 1,700 millions) as on 31 March 2013 for the following purposes to:

- i) Bombay Stock Exchange Limited - ₹ 95 millions (Previous year : ₹ 120 millions) for meeting margin requirements.
- ii) National Stock exchange - ₹ 865 millions (Previous year ₹ 1,580 millions) for meeting margin requirements.
- iii) The Multi Commodity Exchange of India Limited – ₹ 90 millions (Previous Year : ₹ - Nil) for meeting margin requirements.
- iv) National Commodity & Derivatives Exchange Limited - ₹ 12.50 millions (Previous Year : ₹ - Nil) for meeting margin requirements.

The Company has pledged fixed deposits with banks aggregating of ₹ 783.75 millions (Previous Year : ₹ 450 millions) for obtaining the above bank guarantees.

- b) The company has also given corporate guarantees of ₹ 51.25 millions (Previous Year: Nil) to various banks.

24.6 Contingent liabilities not provided for:

- a) Demand of Income Tax matters for which appeal is pending is ₹ 73.61 millions (Previous Year ₹ 80.76 millions). This is disputed by the Company and hence not provided for. The Company has paid demand of ₹ 60.71 millions (Previous Year ₹ 60.19 millions)
- b) Claims against the Company, to the extent quantifiable, in respect of legal matters filed against the Company:

Pending against forum	No. of Cases 2012-13	No. of Cases 2011-12	Amount 2012-13 (₹ In millions)	Amount 2011-12 (₹ In millions)
Civil / Consumer Court Cases	62	83	49.22	54.99
Arbitration Cases	6	4	23.68	3.51
Total	68	87	72.90	58.50

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

Notes To Consolidated Financial Statement (Contd..)

- 24.7** In the opinion of the Board of Directors, all current assets, loans and advances would be realizable at least of an amount equal to the amount at which they are stated in the Balance sheet.
- 24.8** During the current year, Company has made a provision ₹ 2.06 millions (previous year ₹ 8.28 millions) being 0.25% of its standard assets as per the Notification No DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.
- 24.9** A dividend of ₹ 145.07 millions proposed in the financial statement of the subsidiary company Motilal Oswal Securities Limited, though not recognized as income in the financial statement of the parent company (MOFSL) as the date of relevant AGM, of such subsidiary companies falls after the date of adoption of accounts, by the board of the parent company, such proposed dividend has been eliminated in the consolidated financial statement.
- 24.10** 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 ₹ 77.50 millions (Previous Year ₹ 112.59 millions) to Reserve Fund, it being 20% of the Profit After Tax.
- 24.11** Balance of Trade Receivables and Trade Payables are subject to confirmation.
- 24.12** The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

24.13 Auditors' Remuneration:

Particulars (Debited in Profit & Loss Account)	2012-13 ₹ In Millions	2011-12 ₹ In Millions
As Auditors:		
Audit Fees	2.46	1.51
Tax Audit Fees	0.26	0.18
Out of Pocket Expenses	0.05	0.06
Other matters	0.06	0.24
In any other capacity, in respect of:		
Other Certification	0.50	0.20
Add: Service tax	0.36	0.19
Total	3.70	2.37

24.14 Leases:

a) Operating Lease

Particulars	2012-13 ₹ In Millions	2011-12 ₹ In Millions
Lease rentals recognized during the year	52.02	95.51

b) General Description of lease terms:

Lease rentals are charged on the basis of agreed terms.

c) 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.

d) Vehicles taken on lease

The company has entered into license agreements in respect of vehicles taken on lease.

Notes To Consolidated Financial Statement (Contd..)

24.15 Basic & Diluted Earnings per share:

Particulars	31-Mar-13	31-Mar-12
Net Profit attributable to equity shareholders before minority interests [A] (₹ in millions)	1,099.81	1,041.72
Weighted average Number of equity shares for Basic EPS Face value Re. 1 each [B]	145,195,253	144,882,276
Weighted average Number of equity shares outstanding for Diluted EPS Face Value Re. 1 each[C]	145,196,218	144,882,276
Basic Earnings per share (EPS) before minority interests (₹) [A/B]	7.57	7.19
Diluted Earnings per share (EPS) before minority interests (₹) [A/C]	7.57	7.19

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

Particulars	31-Mar-13 ₹ In Millions	31-Mar-12 ₹ In Millions
Deferred Tax Liability		
Difference in Closing Net Block of fixed Assets	268.09	116.59
Sign on Bonus Pending Write off	0.13	
Deferred Tax Assets		
Disallowance under Section 43 B of the Income tax Act, 1961	(0.32)	(14.08)
Business Loss	(36.66)	(14.33)
Provision for Standard & Doubtful Debts	(28.19)	(15.83)
Preliminary Expenses	(0.00)	(0.03)
Short Term Capital Loss on sale of Investments	–	(0.83)
Gratuity Provision	(21.14)	(20.11)
On income from Private Equity fund	(2.85)	(4.72)
Deferred Tax (Assets)/Liability	179.07	46.66

24.17 Related Party Disclosure:

I. Related Parties (as certified by management):

Holding Company:

Passionate Investment Management Private Limited (from 5th October, 2012)

Enterprises in which Key Managerial Personnel exercise Significant Influence:

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

Key Management Personnel:

1. Mr. Motilal Oswal – Chairman & Managing Director
2. Mr. Raamdeo Agarawal – Joint Managing Director
3. Mr. Ajay Menon – Whole-time Director
4. Mr. Rajesh Dharamshi – Director
5. Mr. Nitin Rakesh – Chief Executive Officer & Managing Director (from April 1, 2012 to to July 31, 2012)

Notes To Consolidated Financial Statement (Contd..)

6. Mr. Harsh Joshi – Whole-time Director
7. Mrs. Trupti Vyas – Manager (with effect from August 1, 2012)

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

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

II. Transactions with related parties:

₹ In Millions

Transaction	Name of the related Party	Enterprises in which Key Managerial Personnel exercise significant Influence/Holding company		Key Managerial Personnel/Relative of Key Managerial Personnel		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Managerial Remuneration	Motilal Oswal	–	–	24.00	24.00	24.00	24.00
	Raamdeo Agarawal	–	–	24.00	24.00	24.00	24.00
	Harsh Joshi	–	–	7.07	4.07	7.07	4.07
	Nitin Rakesh/Trupti Vyas	–	–	6.99	11.16	6.99	11.16
	Ajay Menon	–	–	7.67	5.08	7.67	5.08
MOAMC Employee Stock Option (In Nos)	Nitin Rakesh	–	–	(3.02)	2.06	(3.02)	2.06
Donation	Motilal Oswal Foundation	–	–	0.35	0.10	0.35	0.10
Rent	Nagori Agro & Cattle Feeds Private Limited	3.43	3.43	–	–	3.43	3.43
	Rishabh Securities Private Limited	0.92	0.92	–	–	0.92	0.92
	Windwell Securities Private Limited	0.31	0.31	–	–	0.31	0.31
	Textile Exports Private Limited	1.59	1.59	–	–	1.59	1.59
Brokerage	Passionate Investment Management Private Limited.	(1.93)	(1.37)	–	–	(1.93)	(1.37)
	Ajay Menon	–	–	(0.00)	(0.01)	(0.00)	(0.01)
	Agarwal Portfolios	–	–	1.12	1.78	1.12	1.78
	Vaibhav Agrawal	–	–	(0.01)	(0.02)	(0.01)	(0.02)
	VISU Associates	–	–	(0.31)	–	(0.31)	–
	OSAG Enterprises LLP	–	–	(0.19)	–	(0.19)	–
	Motilal Oswal	–	–	(1.80)	(0.41)	(1.80)	(0.41)
	Raamdeo Agarawal	–	–	(2.64)	(0.46)	(2.64)	(0.46)
Interest	Passionate Investment Management Private Limited.	–	(2.24)	–	–	–	(2.24)
Dividend	Motilal Oswal	–	–	23.97	56.91	23.97	56.91
	Motilal Oswal (HUF)	–	–	0.00	0.00	0.00	0.00
	Raamdeo Agarawal	–	–	23.54	56.23	23.54	56.23
	Raamdeo Agarawal (HUF)	–	–	0.98	1.56	0.98	1.56
	Suneeta Agrawal	–	–	0.44	0.71	0.44	0.71
	Vimla Oswal	–	–	0.19	0.30	0.19	0.30
	Passionate Investment Management Private Limited.	102.69	124.49	–	–	102.69	124.49
Collaterals (Market Value)	Passionate Investment Management Private Limited.	–	(3,507.71)	–	–	–	(3,507.71)
	Motilal Oswal	–	–	–	(771.75)	–	(771.75)
	Raamdeo Agarawal	–	–	–	(102.90)	–	(102.90)
Collaterals (Market Value)		–	(3,507.71)	–	(874.65)	–	(4,382.36)
Loans (Maximum balance)	Passionate Investment Management Private Limited.	–	(375.00)	–	–	–	(375.00)

Note: Income/receipts figures are shown in brackets.

Notes To Consolidated Financial Statement (Contd..)

24.18 Quantitative Information in respect of Income from Arbitrage Transaction (Securities):

Cash Segment	31-Mar-13 Qty	31-Mar-13 (₹ In Millions)	31-Mar-12 Qty	31-Mar-12 (₹ In Millions)
Opening Stock	5,504,895	1,573.84	7,647,188	1,874.93
Purchase	92,810,073	27,516.39	107,588,042	33,337.86
Sales	91,339,973	27,833.81	109,730,335	33,639.06
Closing stock	6,974,995	1,258.97	5,504,895	1,573.84

Quantitative Information in respect of Income from Arbitrage Transaction (Commodities):

Cash Segment	31-Mar-13 Qty (in MT)	31-Mar-13 (₹ In Millions)	31-Mar-12 Qty (in MT)	31-Mar-12 (₹ In Millions)
Opening Stock	–	–	–	–
Purchase	164,232	1,992.39	–	–
Sales	152,961	1,690.45	–	–
Closing stock	11,271	201.50	–	–

24.19 Open Interest in Individual Stock Futures / Commodities as on 31st March, 2013

a) Open Long Positions in Stock Futures:

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
AMBUJACEM	25-Apr-13	14	28,000
ASHOKLEY	25-Apr-13	25	225,000
GAIL	25-Apr-13	19	19,000
HEROMOTOCO	25-Apr-13	447	55,875
NTPC	25-Apr-13	9	18,000
SBIN	25-Apr-13	77	9,625
TATAGLOBAL	25-Apr-13	4	8,000

b) Open Long Positions in Commodities:

Name of Commodities	Expiry Date	No. of Contracts	No. of Units
BRCRUDEOIL	12-Apr-13	51	5,100
SILVER	05-Jul-13	121	3,630
SYOREFIDR	19-Apr-13	13	130
WHTSMQDELI	20-May-13	15	150

c) Open Short Positions in Stock Futures:

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
ABIRLANUVO	25-Apr-13	32	8,000
ACC	25-Apr-13	106	26,500
ADANIENT	25-Apr-13	41	82,000
ALBK	25-Apr-13	8	16,000
AUROPHARMA	25-Apr-13	11	22,000
AXISBANK	25-Apr-13	90	22,500
BAJAJ-AUTO	25-Apr-13	119	14,875
BANKBARODA	25-Apr-13	140	70,000
BANKINDIA	25-Apr-13	95	95,000
BANKNIFTY	25-Apr-13	11	275
BATAINDIA	25-Apr-13	15	3,750

Notes To Consolidated Financial Statement (Contd..)

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
BHARATFORG	25-Apr-13	37	37,000
BHARTIARTL	25-Apr-13	16	16,000
BHEL	25-Apr-13	69	69,000
BPCL	25-Apr-13	35	35,000
BSXAPR2013	25-Apr-13	38	570
CAIRN	25-Apr-13	21	21,000
CANBK	25-Apr-13	52	52,000
CENTURYTEX	25-Apr-13	7	7,000
CIPLA	25-Apr-13	57	57,000
DABUR	25-Apr-13	4	8,000
DIVISLAB	25-Apr-13	14	3,500
DJIA	18-Apr-13	8	200
DLF	25-Apr-13	251	251,000
DRREDDY	25-Apr-13	28	3,500
GRASIM	25-Apr-13	9	1,125
HCLTECH	25-Apr-13	13	6,500
HDFC	25-Apr-13	84	42,000
HDFCBANK	25-Apr-13	192	96,000
HDIL	25-Apr-13	8	32,000
HINDALCO	25-Apr-13	15	30,000
HINDPETRO	25-Apr-13	25	25,000
HINDUNILVR	25-Apr-13	14	7,000
ICICIBANK	25-Apr-13	145	36,250
IDBI	25-Apr-13	3	12,000
INFY	25-Apr-13	228	28,500
JINDALSTEL	25-Apr-13	68	68,000
JPASSOCIAT	25-Apr-13	4	16,000
JSWSTEEL	25-Apr-13	56	28,000
JUBLFOOD	25-Apr-13	14	3,500
KOTAKBANK	25-Apr-13	49	24,500
KTKBANK	25-Apr-13	5	20,000
LICHSGFIN	25-Apr-13	103	103,000
LT	25-Apr-13	66	16,500
LUPIN	25-Apr-13	4	2,000
M&M	25-Apr-13	48	24,000
MARUTI	25-Apr-13	16	4,000
MCDOWELL-N	25-Apr-13	85	21,250
NIFTY	25-Apr-13	4636	231,800
NIFTY	30-May-13	2058	102,900
ONGC	25-Apr-13	31	31,000
ORIENTBANK	25-Apr-13	5	5,000
PANTALOONR	25-Apr-13	81	162,000
PNB	25-Apr-13	125	62,500
RANBAXY	25-Apr-13	20	10,000
RCOM	25-Apr-13	24	96,000
RELCAPITAL	25-Apr-13	61	61,000

Notes To Consolidated Financial Statement (Contd..)

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
RELIANCE	25-Apr-13	53	13,250
RELINFRA	25-Apr-13	125	62,500
RENUKA	25-Apr-13	23	184,000
RPOWER	25-Apr-13	54	216,000
S&P500	18-Apr-13	9	2,250
SAIL	25-Apr-13	333	1,332,000
SESAGOA	25-Apr-13	35	70,000
SIEMENS	25-Apr-13	22	11,000
STER	25-Apr-13	55	220,000
SUNPHARMA	25-Apr-13	59	29,500
SUNTV	25-Apr-13	15	15,000
SYNDIBANK	25-Apr-13	21	84,000
TATAMOTORS	25-Apr-13	150	150,000
TATAMTRDVR	25-Apr-13	11	22,000
TATAPOWER	25-Apr-13	32	128,000
TATASTEEL	25-Apr-13	106	106,000
TCS	25-Apr-13	103	25,750
TECHM	25-Apr-13	50	12,500
TITAN	25-Apr-13	134	134,000
UNITECH	25-Apr-13	8	80,000
VOLTAS	25-Apr-13	2	4,000
WIPRO	25-Apr-13	24	12,000
YESBANK	25-Apr-13	143	143,000
ZEEL	25-Apr-13	3	6,000

d) Open Short Positions in Commodities:

Name of Commodities	Expiry Date	No. of Contract	No. of Units
COPPER	30-Apr-13	1	50
COTTON	31-May-13	271	6775
CPO	30-Apr-13	21	210
CRUDEOIL	19-Apr-13	60	6000
GOLDM	05-Apr-13	1	100
SILVER	04-May-13	115	3450
CASTORSEED	19-Apr-13	30	300
CASTORSEED	20-Jun-13	30	240
COCUDA KL	19-Apr-13	401	4010
WHTSMQDELI	19-Apr-13	15	150

e) Open Interest in Option as on 31st March, 2013

Open Long/Short Positions:

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made	
	31-03-2013 (₹ in millions)	31-03-2012 (₹ in millions)
NIFTY	317.25	755.70
SBIN	(0.00)	-

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

Notes To Consolidated Financial Statement (Contd..)

24.20 Initial Margin:

- a) Initial margin in respect of outstanding Derivative Instruments contracts at year end is ₹ 186.91 millions (Previous Year: ₹ 142.36 millions) which comprises of cash margin, fixed deposits, bank guarantees & collaterals.
- b) Initial margin in respect of outstanding derivative instruments (commodities) at the year end is ₹ 53.75 millions (Previous Year : NIL) which comprises of cash margin, fixed deposits, bank guarantees & collaterals.

24.21 Imports (Value On The Cost, Insurance And Freight Basis)

Particulars	As At 31-Mar-13 ₹ In Millions	As At 31-Mar-12 ₹ In Millions
Capital goods	0.61	54.88

24.22 Provisions made for the Year ended 31.03.2013 comprises of:

Particulars	Opening balance as of 01.04.12	Provided during the year ended 31.03.13	Provision Paid /reversed during the year ended 31.03.13	Closing balance as of 31.03.13
Ex-gratia (Bonus)	166.03	117.65	166.03	117.65
Companseted absence	3.81	3.75	3.81	3.75
Gratuity	65.93	9.95	7.08	68.80

24.23 Credit Ratings

- a) During the year, Crisil Limited assigned the Credit Rating of 'CRISIL A1+' (pronounced 'CRISIL A One Plus') to the following Debt programmes / Bank loan facilities of the company:
 - Short Term Debt Programme of ₹ 1,500 millions
- b) During the year, ICRA Limited assigned the Credit Rating of PP-MLD[ICRA] AA-” Rating with a stable outlook to the following Debt programmes / Bank loan facilities of the company:
 - Long Term Debt Programme of ₹ 250 millions.
- c) During the year, Crisil Limited reaffirmed the Credit Rating of “CRISIL A1+” (pronounced 'CRISIL A One Plus') to the following Debt programmes / Bank loan facilities of the Company in case of subsidiary company Motilal Oswal Securities limited:
 - Short Term Debt Programme of ₹ 1,000 millions.

These ratings indicate very strong degree of safety regarding timely servicing of financial obligations.

24.24 During the year company has received income distribution of ₹ 81.48 million from India Business Excellence Fund and the same has been included in the Statement of Profit & Loss of the Company for the year ended 31st March, 2013.

24.25 Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 50.11 millions (Previous Year : ₹ 327.46 millions.)

24.26 The company has given capital commitment of 10% (subject to maximum limit of ₹ 450 millions) in respect of total capital commitment of Business Excellence fund launched by Business Excellence Trust, the trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 438.75 millions (Previous year: ₹ 438.75 millions) towards its capital contribution as per the draw down intimations received from the Fund. During the year company has received back ₹ 28.95 millions (Previous Year: 57.35 millions) towards the capital return from the fund.

24.27 The company has given a capital commitment of ₹ 668 millions (Previous Year: 400 millions) in respect of total capital commitment of Business Excellence fund launched by Business Excellence Trust II, the Trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 133.60 millions (Previous Year: 51.80 millions) as per the draw down intimations received from the Fund.

24.28 The Company has given a capital commitment of an amount of ₹ 270 millions (Previous Year: 270 millions) in respect of total capital commitment of India Realty Excellence Fund launched by Realty Excellence Trust, the trust sponsored by the Company under the Indian Trust Act, 1982. The Company has contributed an amount of ₹ 270 millions (Previous Year: 216 millions) as per the draw down intimations received from the Fund . During the year company has received back ₹ 52.50 millions (Previous Year: Nil) towards the capital return from the fund.

Notes To Consolidated Financial Statement (Contd..)

- 24.29** The Company has given a capital commitment of ₹ 15 millions to Aditya Birla Private Equity Fund. In respect of this, the Company has contributed an amount of ₹ 11.14 millions (Previous year ₹ 8.25 millions) and during the year also received a capital refund of ₹ 0.64 millions (Previous year ₹ Nil) and balance commitment of ₹ 3.86 millions (Previous year ₹ 6.75 millions) is outstanding as on 31st March, 2013.
- 24.30** During the year, the Company has given total capital commitment of ₹ 350 millions in respect of total capital commitment of India Realty Excellence Fund II launched by Business Excellence Trust, the trust sponsored by the Company under the Indian Trust Act, 1982.
- 24.31**
- Motilal Oswal Securities International Private Ltd. (Subsidiary) has entered into a Management Services Agreement with Mr. Cliff Goldman for rendering services in capacity of independent contractor to perform such functions as mutually decided, agreed by the parties and is stated in the service agreement at a remuneration of 5,000 USD per month in advance beginning from the first month in which the company obtains broker dealer license from SEC for the first three months and thereafter 3,000 USD per month on monthly basis.
 - Motilal Oswal Securities International Private Ltd. (Subsidiary) has entered into a Management Services Agreement with Mr. Rajesh Dharamshi for rendering services in capacity of independent contractor for Business Development to perform such functions as mutually decided, agreed by the parties and is stated in the service agreement at a retainership fees of ₹ 0.074 millions subject to tax deducted at source at the prevailing rates in force on a monthly basis
 - Remuneration payable to them would be in capacity of Independent Contractor and not in the capacity of Director of the Company; as a result the remuneration payable to him would be construed purely on grounds of Professional nature.
 - The remuneration paid to them would not be included for calculation of remuneration payable to Directors as per the provision of Section 198 of the Companies Act, 1956.
 - As per section 309(1) of the Companies Act, 1956, the Company is in the process of making an appropriate application to the Central Government for seeking its opinion that the services rendered by them are of professional nature and not in the capacity as Director of the Company.

24.32 Foreign Currency Transactions:

a) Expenditure in Foreign Currency

Particulars	For the Year Ended	For the Year Ended
	31.03.2013	31.03.2012
	₹ In Millions	₹ In Millions
Travelling Expenses	5.73	10.28
Legal and Professional charges	15.52	11.61
Data Processing Charges	1.04	1.17
Marketing Commission	11.37	9.35
Communication Expenses	0.01	0.01
Other expenditure incurred overseas	0.28	0.33
Membership Fees	1.50	1.33
Foreign Branch Expenses	6.07	9.94
Software Charges	16.67	19.02
Meeting and event Expenses	1.26	3.57
Loadging and Boarding Expenses	1.42	2.66
Client Entertainment Expenses	1.67	0.46
Training Expenses	–	0.03
Filing Fees	0.17	–
Backup Charges	0.17	–
Examination Fees	0.08	–
Marketing & brand promotion expenses	1.10	2.91

Notes To Consolidated Financial Statement (Contd..)

b) Income in Foreign Currency

Particulars

Royalty
Advisory Fees
Interest Received From Banks and Others
Investment Management Fees

For the Year Ended 31.03.2013 ₹ In Millions	For the Year Ended 31.03.2012 ₹ In Millions
0.44	0.46
189.77	176.62
20.00	–
1.33	6.75

24.33 Towards capitalization of foreign subsidiaries

Particulars

Motilal Oswal Capital Markets (Hongkong) Private Limited
Motilal Oswal Capital Markets (Singapore) Pte Limited

For the Year Ended 31.03.2013 ₹ In Millions	For the Year Ended 31.03.2012 ₹ In Millions
–	41.20
–	9.89

24.34 Segment Information:

(₹ in millions)

Particulars	Equity Broking & Other related activities		Financing & Other activities		Asset Management & Advisory		Investment Banking		Unallocated		Elimination		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
External Revenue	3,696.67	3,703.17	702.66	443.49	631.38	503.55	78.03	87.52	9.44	103.54	–	–	5,118.18	4,841.27
Inter-segment Revenue	141.62	171.53	28.88	29.70	35.10	6.30	–	27.14	184.11	9.22	(389.71)	(243.90)	–	–
Total Revenue	3,838.29	3,874.70	731.54	473.19	666.49	509.85	78.03	114.66	193.55	112.76	(389.71)	(243.90)	5,118.18	4,841.27
RESULT														
Segment Result	1,232.19	1,239.63	236.50	315.60	119.62	15.00	(66.04)	(49.17)	105.88	19.68	–	–	1,628.15	1,540.74
Unallocated expenses														
Operating Profit														1,628.15
Interest Expenses									(97.64)	(53.60)	(78.86)	(40.07)	(18.78)	(13.53)
Interest Income									124.97	7.89	116.15	8.94	8.81	(1.05)
Income Tax													(518.37)	(484.44)
Profit From Ordinary Activities														1,099.81
Extra-ordinary Item														–
Net Profit														1,099.81
Other Information														
Segment Assets	10,448.47	8,806.44	7,529.13	6,282.74	242.21	176.46	95.48	105.51	2,828.58	1,039.55	(3,192.22)	(961.88)	17,951.64	15,448.81
Segment Liabilities	5,627.25	3,191.13	1,643.95	551.48	163.14	154.56	20.83	70.12	678.52	718.08	(2,583.47)	(645.88)	5,550.23	4,039.50
Capital Expenditure	109.80	1,138.61	129.35	1,382.17	12.44	29.34	0.21	18.72	–	–	–	–	251.81	2,568.84
Depreciation	160.65	115.13	83.62	9.27	10.37	4.81	4.40	1.25	–	–	(0.50)	(0.77)	258.55	129.70
Non-cash expenses other than depreciation	13.95	8.65	166.95	24.23	–	–	20.97	40.28	–	–	–	–	201.87	73.15

Notes To Consolidated Financial Statement (Contd..)

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

a) CRAR

Particulars	2012-2013	2011-2012
CRAR %	72.58	82.97
CRAR - Tier I Capital %	72.45	82.84
CRAR - Tier II Capital %	0.13	0.13

b) Exposure to real estate sector

Category	Current year	Previous Year
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 ₹15 lakh may be shown separately)	NIL	NIL
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	NIL	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures - a. Residential b. Commercial Real Estate	NIL	NIL

c) Indirect Exposure

Category	Current year	Previous Year
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL
Note:		
i. The Company has exposure of ₹ 136.95 millions (Previous Year ₹ 136.00 millions) in Realty Excellence Trust.		
ii. The Company has loan exposure of ₹189.17 millions to Mirah group against security of IREF units and Godrej Buildwellunits.		
iii. The Company has loan exposure to certain clients of ₹ 65.17 millions (Previous Year ₹ 49.51 millions) which is partly secured by charge against property.		

d) Asset Liability Management

Maturity Pattern of Certain Items of assets and liabilities:

(₹ In Millions)

	1 day to 30/31 days(One month)	Over One month to 2 Months	Over 2 month to 3 Months	Over 3 month to 6 Months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Liabilities									
Borrowing from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings*	-	-	-	-	500.00	1,003.00	-	-	-
Assets									
Advances	175.00	-	632.33	650.00	2,441.47	310.00	-	-	4,208.80
Investments	-	-	-	-	-	-	-	1,196.89	1,196.89

* Represents Short Term Loan from group company and Non Convertible Debenture issued to group company

Notes To Consolidated Financial Statement (Contd..)

e) Schedule to the Balance Sheet of Motilal Oswal Financial Services Limited

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

(₹ in millions)

PARTICULARS			
LIABILITIES SIDE :			
(1)	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Debentures : Secured	250	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	1253	NIL
	(e) Commercial Paper	NIL	NIL
	(f) Other Loans	NIL	NIL
	* Please see Note 1 below		
ASSETS SIDE :			
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	Amount outstanding	
	(a) Secured	3,589.99	
	(b) Unsecured	612.59	
		4,202.57	
(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	

Notes To Consolidated Financial Statement (Contd..)

PARTICULARS			
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	
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		441.30	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of mutual funds		NIL	
(iv) Government Securities		NIL	
(v) Others (Please specify)(Investment In Private Equity Funds and Property)		755.59	
Total		1,196.89	
(5) Borrower group-wise classification of assets financed as in (2) and (3) above :			
Please see Note 2 below			
Category	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	NIL	132.33	132.33
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	3,589.99	480.26	4,070.25
Total	3,589.99	612.59	4,202.57
(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		6,981.60	441.30
(b) Companies in the same group		Nil	Nil
(c) Other related parties		Nil	Nil
2. Other than related parties (Investment in Private Equity Funds)		#	599.39
Total		6,981.60	1,040.69
# The investment is unquoted and the NAV of the units is not available.			
** As per Accounting Standard of ICAI (Please see Note 3)			

Notes To Consolidated Financial Statement (Contd..)

PARTICULARS		
(7)	Other information	Amount (₹ in millions)
	(i) Gross Non-Performing Assets	112.50
	(a) Related parties	Nil
	(b) Other than related parties	112.50
	(ii) Net Non-Performing Assets	38.08
	(a) Related parties	Nil
	(b) Other than related parties	38.08
	(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.

24.35 Foreign Exchange gain/ loss:

Foreign exchange gain/loss comprises of the difference in exchange rate on the date of booking & date of realization. In respect of monetary items on the Balance sheet date the foreign exchange loss arising thereon of ₹ 0.50 millions (PY loss of ₹ 0.40 millions) has been debited/ credited to Statement of Profit and Loss and shown separately.

24.36 Proposed Dividend

The final dividend proposed for the year is as follows:

Particulars	As At 31-Mar-13	As At 31-Mar-12
On Equity Shares of ₹1 each		
Amount of dividend proposed (₹ In Millions)	145.24	72.58
Dividend per Equity Share	1.00	0.50

24.37 Exceptional items [Income/(expenses)]during the year comprises of the following:

Particulars	2012-13 ₹ In Millions	2011-12 ₹ In Millions
Provision for doubtful non performing assets	(51.30)	(23.14)
Write off of doubtful non performing asset	(112.50)	-
Profit on Sale of immovable property	389.39	129.87
Payment for settlement charges	(44.82)	-
TOTAL	180.77	106.73

* Note: expenses/payments are shown in brackets

24.38 Amount of margin money and shares received from clients and outstanding as on 31st March, 2013 are as

Notes To Consolidated Financial Statement (Contd..)

follows:

Security Settlement for the	In the form of Securities at market Value*	Bank Guarantees	Received in cheque
	(₹ In Millions)	(₹ In Millions)	(₹ In Millions)
Year ended 31.03.2013	6,698.62	57.03	583.55
Year ended 31.03.2012	3,683.55	10.00	569.19

*Margin money received in the form of securities from clients, as per the Regulations, is held by the Company. Out of this, securities worth ₹ 4,713.43 millions (previous year ₹ 1,692.09 millions) are pledged with Exchange as on March 31, 2013.

- 24.39** Based on the legal opinion, the Management is of the view that certain provisions of stamp duty on trades for earlier years are no longer required and have reversed ₹ 42.41 millions.
- 24.40** During the current financial year the company has classified the office premises of ₹ 50.03 millions which has been leased out to other subsidiaries as Investment property under Non current investments, the transfer has been done at WDV on the date on which the premises were leased out.
- 24.41 Corporate Social Responsibility:**
Recognizing the responsibilities towards society, as a part of on-going activities, the company alongwith Motilal Oswal Foundation has contributed towards various CSR initiatives like supporting underprivileged in education, medical treatments, etc and various other charitable and noble aids.
- 24.42** Previous year figures have been regrouped/rearranged where necessary to confirm to year's classification.

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

Place : Mumbai
Date : 27 April, 2013

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Financial Highlights of Subsidiaries

Financial Highlights of Subsidiaries for the year ended 31st March, 2013 (As per Circular No. 2/2011 dated 8th February, 2011 issued by Ministry of Corporate Affairs)

(₹ in Millions)

Name of the Subsidiary Company	Capital (including Preference Share Capital)	Reserve & Surplus	Total Assets	Total Liabilities	Details of Investments (excluding Investments in Subsidiaries)	Gross Turnover	Profit/ (Loss) Before Tax	Provision for Tax (Including Deferred tax & MAT)	Profit/ (Loss) After Tax	Proposed Dividend & tax thereon
Motilal Oswal Securities Limited	13.19	6,587.13	10,048.40	3,448.08	590.22	3,368.84	1,231.14	410.37	820.77	168.61
Motilal Oswal Commodities Broker Private Limited	4.10	174.05	2,727.69	2,549.54	–	246.00	104.13	34.16	69.96	–
Motilal Oswal Investment Advisors Private Limited	10.00	74.70	183.72	99.03	25.50	79.76	(68.34)	(16.39)	(51.95)	–
Motilal Oswal Private Equity Advisors Private Limited	0.59	150.01	213.96	63.37	104.15	274.38	77.99	24.56	53.43	–
Motilal Oswal Capital Markets Private Limited	12.50	2.73	15.31	0.08	–	0.86	0.63	(0.08)	0.71	–
Motilal Oswal Wealth Management Private Limited	0.80	61.68	92.81	30.33	–	58.58	2.44	0.68	1.76	–
Motilal Oswal Insurance Brokers Private Limited	10.00	(12.16)	1.59	3.75	–	0.06	(6.33)	–	(6.33)	–
Motilal Oswal Asset Management Company Limited	300.00	(108.44)	246.66	51.94	–	348.08	52.84	–	52.84	–
Motilal Oswal Trustee Company Limited	1.00	(0.00)	1.15	0.15	–	0.51	0.18	0.05	0.13	–
Motilal Oswal Capital Markets (Singapore) Pte Limited	9.89	(2.78)	7.71	0.60	0.00	5.76	(2.48)	0.00	(2.48)	0.00
Motilal Oswal Capital Markets (Hongkong) Private Limited	41.20	(7.98)	33.81	0.59	0.00	0.00	(5.97)	0.00	(5.97)	0.00
Motilal Oswal Securities International Private Limited	45.69	(8.72)	40.44	3.48	–	4.13	(5.07)	(1.51)	(3.55)	–

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

Place : Mumbai
Date : 27 April, 2013

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Important Notification for Members

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

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

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

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

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

Knowledge First



ANNUAL REPORT 2012-2013