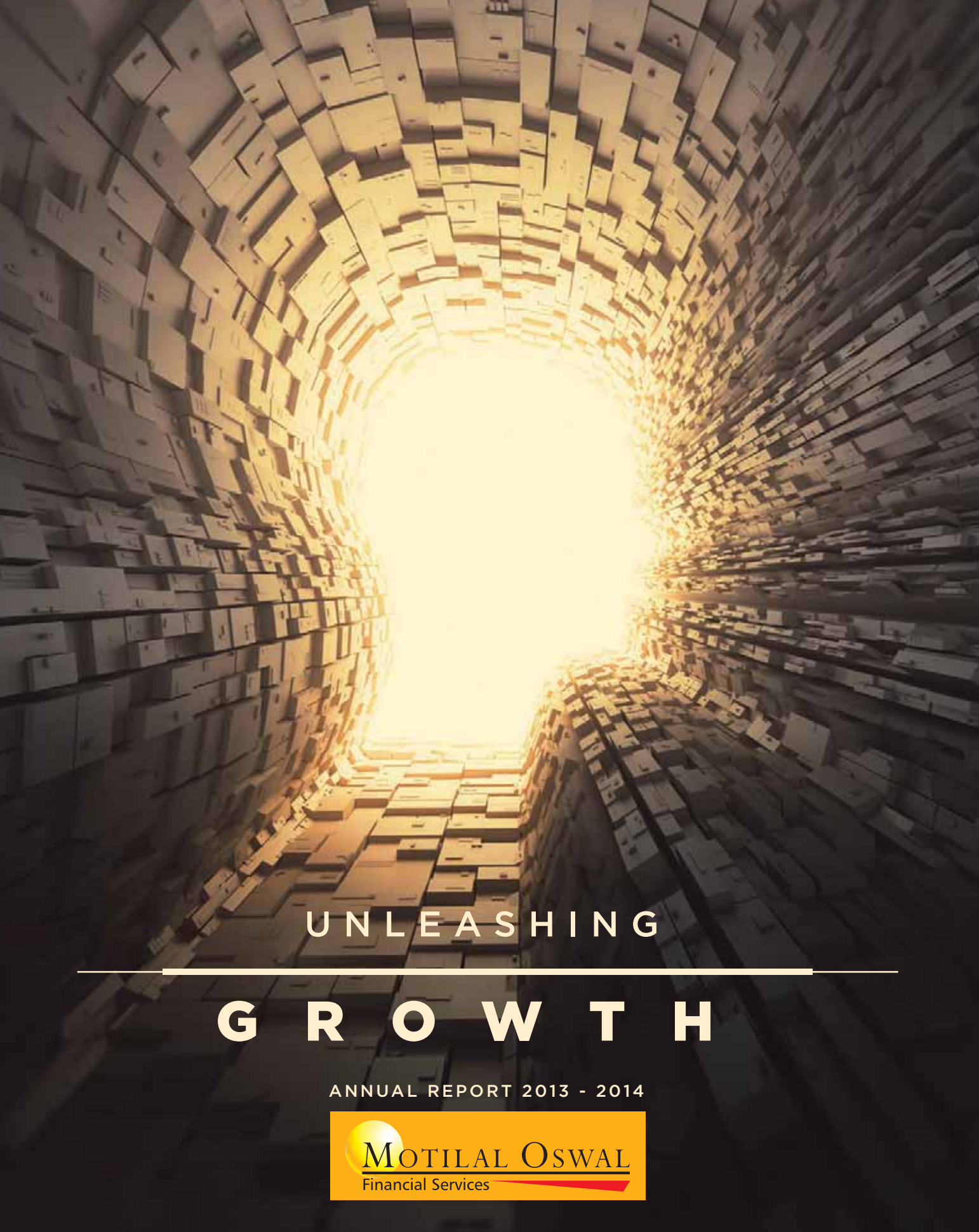

UNLEASHING GROWTH

ANNUAL REPORT 2013 - 2014

MOTILAL OSWAL
Financial Services

UNLEASHING GROWTH

As the Indian economy regains its momentum on the back of the promise of better governance and a developmental focus, the Indian capital markets have entered a bull run. Knowledge based investing has always been part of MOFSL's DNA and in the past few years we have made further investments and efforts to hone and enhance our knowledge edge. We believe it is this knowledge that will help us make the most of the current positive economic and investing environment and help create wealth for our customers, business partners, employees and shareholders.

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BOARD OF DIRECTORS

MR. MOTILAL OSWAL
CHAIRMAN, MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

MR. RAAMDEO AGARAWAL
JOINT MANAGING DIRECTOR

MR. NAVIN AGARWAL
NON EXECUTIVE & NON INDEPENDENT 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
Indusind Bank

AUDITORS

M/s Haribhakti & Co., Chartered Accountants

REGISTRAR 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.im

REGISTERED OFFICE

Motilal Oswal Tower, Rahimtullah Sayani Road,
Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025
E-mail: shareholders@motilaloswal.com
CIN: L67190MH2005PLC153397

CHAIRMAN'S MESSAGE

Dear Shareholders

FY2014 started with significant challenges inherited from the previous fiscal year and ended with positive expectations over the election scenario. Overall sentiments weighed heavily on activity levels in the capital markets. While secondary market volumes reached highs, it was mainly owing to the low-yield futures and options segment. In contrast, high-yield cash equities remained subdued. Primary market activity almost dried up as companies put their capital raising plans on hold. While the markets delivered a stellar performance for the year, the journey itself was volatile with maximum gains coinciding during months of high FII inflows. On the other hand, retail investors continued to shy away from equities, both directly as well as indirectly through equity mutual funds. Despite these challenges during the year, expectations over the elections fuelled an uptick in secondary market activity towards the end of the year. We have started the new financial year with a sense of optimism. While macro-level challenges remain, movement on the policy and reforms front should eventually help boost overall economic activity in India and hence, the demand for capital market services.

Our consolidated revenues were ₹4.68 bn in FY2014, a marginal dip of 0.98%. Our broking-related revenues fell 2.70% to ₹2.88 bn. This was impacted by the continued shift of market volumes towards low-yield options, subdued cash equities volumes and regulatory changes impacting yields earned from mutual funds. Our fund based income declined by 14.61% to ₹857.84 mn due to lower arbitrage opportunities in the market this year. Moreover, FY2013 had included profit earned from exits made by our private equity fund in which we had made sponsor commitments. Asset management fees gained traction this year, increasing 26.57% to ₹758.77 mn. This was owing to the final close of our 2nd growth capital fund – India Business Excellence Fund II, which raised commitments of ₹9.54 bn, and the first close of our 2nd real estate fund – India Realty Excellence Fund II, which raised commitments of ₹1.86 bn. Investment banking fees declined by 13.45% to ₹67.52 mn, due to continued slowdown in capital raising activity. We had exposure to National Spot Exchange Limited, and have perused legal action against NSEL and others since NSEL has not been able to adhere to its payment obligations. Pending final outcome which is uncertain, the company has fully written off/provided for these positions in the P/L to the tune of ₹555.86 mn (pre-tax) during the year. Due to this, our Reported PAT was down 63.79% for the year to ₹395 mn. On an Adjusted PAT basis, our profitability was down 20.46% to ₹770.52 mn.

Despite the challenging climate, we continued investing into talent, technology and products to strengthen the value offering of our businesses. We believe these investments would reap dividends and help us capture market share as activity levels pick up in the markets.

Key Highlights:

- Invested in experienced senior-level talent across asset management, commodities, wealth, real estate and investment banking
- Continued focus in building the capabilities and skills of our business partners and advisors in terms of knowledge and soft skills
- Introduced advanced technology tools across our trading and non-trading platforms, in order to enhance client experience
- Launched open-ended mutual fund products, in order to offer the entire spectrum of funds spanning active to passively managed funds
- Focused on enhancing productivity and efficiencies across all our businesses, as well as on client engagement activities
- Conducted small-event formats under corporate access for focused engagement, as well as ideation through thematic research products

During the year, we also invested into building a new housing finance company - Aspire Home Finance Corporation Ltd. (AHFCL). Aspire would focus on the affordable housing finance segment. This is a collateral-backed business with strong demand drivers and it would help us diversify into a non-cyclical business stream. We are in advanced stages to obtaining the necessary approvals for commencing this business.

We bagged the Best Performing Equity Broker (National) Award at CNBC TV18 Financial Advisor Awards for the 4th year in a row, which vouches the quality of the company's broking and advisory services. This is testimonial to the hard work put in by our employees.

Pursuant to the commencement of the buy-back programme of the company's shares at a price not exceeding ₹90 per share of upto a maximum of 7.5 mn shares, the company has bought back 7.1 mn shares as of 31st March, 2014.

Our company has significant scope for operating leverage and is aptly geared to benefit from the revival of capital market activity. There have been some positive trends recently with stabilization in some macro indicators and expectations over the election outcome. Sustenance of macros at reasonable levels, and a revival in the capex cycle following movement on the policy front should augur well for activity levels in the markets.

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

With best wishes,
Sincerely,

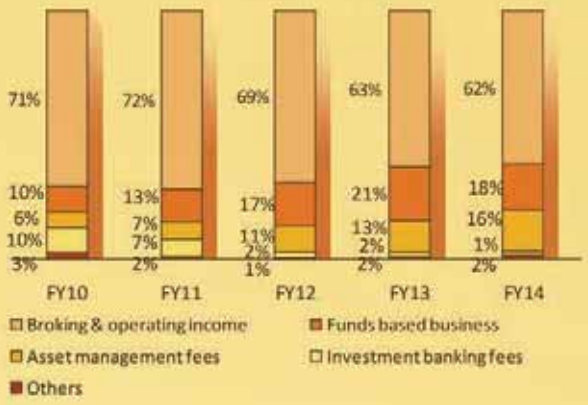
Motilal Oswal
Chairman, Managing Director & CEO
Mumbai, 18th July, 2014

PERFORMANCE AT A GLANCE

Consolidated Revenues (₹ Million)

* 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 (₹ Million); Margin %

* Prior figures have been regrouped wherever necessary.

Adjusted PAT (₹ Million); Margin %

PERFORMANCE AT A GLANCE

Net Worth (₹ Million)

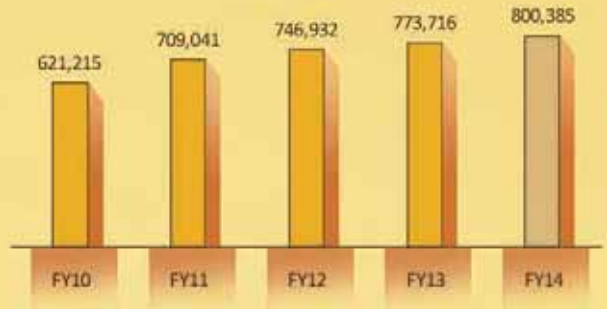
Consistently Increasing Dividends

For FY2014; ₹ 1 is paid as interim dividend + ₹ 1 is proposed dividend

* Payout is calculated on Adjusted PAT for the respective years

Assets under Management/Advice/Distribution (₹ Billion)

Total number of Registered Clients



FIVE YEARS PERFORMANCE HIGHLIGHTS

STANDALONE FINANCIAL PERFORMANCE OF MOTILAL OSWAL FINANCIAL SERVICES LIMITED

Year Ended March 31	2014	2013	2012	2011	2010
Total Income	977.36	949.04	819.48	643.41	642.59
Total Expenditure	515.39	331.23	134.14	78.03	69.49
Profit before Exceptional Item and Tax	461.97	617.81	685.34	565.38	573.10
Exceptional Item	12.95	163.80	23.14	-	-
Profit Before Tax	449.02	454.01	662.20	565.38	573.10
Tax Expenses	55.94	66.53	99.24	138.79	149.14
Net Profit	393.08	387.48	562.96	426.60	423.96
Paid up Equity Capital	138.17	145.24	145.12	144.42	143.17
Net Worth	5,241.32	5,681.34	5,584.44	5,125.75	4,734.85
Book Value Per Share	37.93	39.12	38.48	35.49	33.07
Basic / Diluted EPS	2.79	2.67	3.89	2.96	2.97

CONSOLIDATED FINANCIAL PERFORMANCE OF MOTILAL OSWAL FINANCIAL SERVICES LIMITED

Year Ended March 31	2014	2013	2012	2011	2010
Total Income	4,682.64	4,728.77	4,711.37	6,007.57	6,453.25
Total Expenditure	3,532.03	3,291.36	3,291.93	3,900.51	3,921.53
Profit before Exceptional Item and Tax	1,150.61	1,437.41	1,419.44	2,107.06	2,531.72
Exceptional Item Income/(Expenses)	(555.86)	180.77	106.73	-	0.57
Profit Before Tax	594.75	1,618.18	1,526.17	2,107.06	2,532.28
Tax Expenses	179.24	518.37	484.44	712.01	788.07
Profit after Tax before Minority Interests	415.51	1,099.81	1,041.73	1,395.05	1,744.21
Minority interests Profit	20.51	8.95	2.86	24.44	39.74
Profit after Tax & Minority Interests	395.01	1,090.86	1,038.86	1,370.60	1,704.47
Paid up Equity Capital	138.17	145.24	145.12	144.42	143.17
Net Worth	11,702.92	12,178.62	11,409.31	10,595.08	9,459.75
Book Value Per Share	84.70	83.85	78.62	73.36	66.07
Basic / Diluted EPS	2.95	7.57	7.17	9.52	11.90

BUSINESS SNAPSHOT

BROKING & DISTRIBUTION

- Distribution reach at 1,534 business locations across 507 cities
- More than 700,000 retail broking and distribution clients
- Depository assets at ₹133.39 bn
- More than 140 training and investor education seminars conducted in FY2014
- Continuously innovating with tech-based tools in both trading and non-trading applications to give a superior experience to clients
- About 30 commodities under coverage, as well as 4 currency pairs
- Received in-principal approval for insurance broking license from IRDA

INSTITUTIONAL EQUITIES

- Empanelled with over 546 institutional clients
- Research covering over 200 companies in over 20 sectors
- Research products covering an entire spectrum across India Strategy, Thematic, Sector and Company research
- Conducted the 9th Annual Global Investor Conference in Sep 2013, where over 100 leading companies interacted with 600+ investors

INVESTMENT BANKING

- Over 115 deals in 8 years across the product and sector spectrum
- Cumulative revenues since inception of over ₹2.73 bn
- Won the 'M&A Boutique Firm of the Year' and 'Best Mid-Market Deal of the Year' awards at the M&A Atlas Awards

ASSET MANAGEMENT

- PMS AUM of ₹14.49 bn
- Mutual funds AUM of ₹5.82 bn
- New funds launched include the Focus 25 and Focus Midcap 30 funds in equities, and the Ultra Short Term Bond fund in fixed income
- Organized the 3rd edition of the Motilal Oswal MOSt Shares ETF Conclave in June 2013 & Value Investing Forum in February 2014
- Developed strategies like the Motilal Oswal Value Index, a Systematic Transfer Plan that enables allocation between debt and equity

PRIVATE EQUITY

- India Business Excellence Fund (IBEF) is a growth capital fund with AUM of US$ 125 mn, fully committed across 13 companies. The fund has partially exited 2 companies till date, and has returned approximately 40% of capital to its investors so far
- India Realty Excellence Fund (IREF) is a domestic real estate fund with Asset under Advice at ₹2 bn, fully committed across 7 deals. Following full/partial exits from 5 projects till date, the fund has returned approximately 58% of capital to its investors so far
- The second growth capital PE fund, India Business Excellence Fund-II, announced its final close in FY2014. It received total commitments of approximately ₹9.54 bn from both domestic and offshore investors. This fund has made 2 investments so far
- The first close of the second real estate fund – India Realty Excellence Fund II (IREF II) was announced during FY2014. It raised commitments of ₹1.86 bn, and has made 2 investments so far

WEALTH MANAGEMENT

- AUM of ₹23.99 bn
- Presence in Mumbai, Delhi, Kolkata, Pune, Ahmedabad, Bangalore and Hyderabad
- Estate Planning as a business activity gained traction in FY2014

HOUSING FINANCE

- Aims to focus on the affordable housing segment

***All data as of 31st March, 2014

KEY PEOPLE

MOTILAL OSWAL
CHAIRMAN, MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER, MOFSL

RAAMDEO AGARAWAL
JOINT MANAGING DIRECTOR, MOFSL

NAVIN AGARWAL
CEO, INSTITUTIONAL EQUITIES BUSINESS, MOSL
NON INDEPENDENT NON EXECUTIVE DIRECTOR, MOFSL

RAJAT RAJGARHIA
HEAD, RESEARCH

VISHAL TULSYAN
CEO, PRIVATE EQUITY BUSINESS

VIJAY KUMAR GOEL
CEO, BROKING & DISTRIBUTION BUSINESS &
PRIVATE WEALTH MANAGEMENT BUSINESS

ASHUTOSH MAHESHVARI
CEO, INVESTMENT BANKING BUSINESS

GIRISH NADKARNI
HEAD, ECM & PE, INVESTMENT BANKING BUSINESS

ANIL SACHIDANAND
MANAGING DIRECTOR & CEO,
HOME FINANCE BUSINESS

AASHISH SOMAIYAA
MANAGING DIRECTOR & CEO,
ASSET MANAGEMENT BUSINESS

AJAY KUMAR MENON
CHIEF OPERATING OFFICER &
WHOLE TIME DIRECTOR, MOSL

SAMEER KAMATH
GROUP CHIEF FINANCIAL OFFICER

RAMNIK CHHABRA
HEAD, MARKETING

SUDHIR DHAR
HEAD, HR & ADMINISTRATION

Financial Statements

To the Members

Your Directors have pleasure in presenting their 9th Report together with the audited Accounts of your Company for the year ended 31st March, 2014.

Financial Highlights

Summary of Financial results for the year is as under:

Motilal Oswal Financial Services Limited (Standalone)

₹ in millions

	Year ended 31st March, 2014	Year ended 31st March, 2013
Revenue	977.36	949.04
Profit before Finance Cost, Taxation and Exceptional Items	652.07	752.31
Finance Cost	(190.09)	(134.50)
Profit before Taxation and exceptional items	461.97	617.81
Add/(Less): Exceptional Items [Income / (Expense)]	(12.95)	(163.80)
Profit before taxation	449.02	454.01
Add/(Less) : Provision for Taxation		
Current Tax	(53.97)	(64.77)
Deferred Tax	3.27	(1.75)
Tax for earlier year(s)	(5.24)	–
Profit after Taxation, before extraordinary items for the year	393.08	387.48
Balance brought forward from previous year	600.03	623.36
Profit Available for appropriation	993.11	1,010.84
Less: Appropriations		
Transfer to Statutory Reserve	(78.62)	(77.50)
Proposed Dividend / Interim Dividend	(273.20)	(290.47)
Dividend Distribution Tax	(0.05)	(11.84)
Transfer to General Reserve	(31.45)	(31.00)
Transfer to Capital Redemption Reserve	(7.07)	–
Balance of Profit carried forward	602.73	600.03

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

Motilal Oswal Financial Services Limited - Consolidated

₹ in millions

	Year ended 31st March, 2014	Year ended 31st March, 2013
Revenue	4,682.64	4,728.77
Profit before Interest, Depreciation, Taxation and exceptional items	1,421.87	1,743.99
Interest	(28.61)	(48.03)
Depreciation	(242.65)	(258.55)
Profit before Taxation and exceptional items	1,150.61	1,437.41
Add/(Less) : Exceptional Items [Income / (Expense)]	(555.86)	180.77

₹ in millions

	Year ended 31st March, 2014	Year ended 31st March, 2013
Profit before taxation	594.75	1,618.18
Less : Provision for Taxation		
Current Tax	235.94	390.29
Deferred Tax	(62.41)	132.41
Minimum Alternate Tax	(0.89)	(8.30)
Tax for earlier year(s)	6.60	3.97
Profit after Taxation, before extraordinary items and minority interest for the year	415.51	1,099.81
Minority interest in profits	(20.51)	(8.95)
Profit after Taxation and minority Interest	395.01	1,090.86
Balance brought forward from previous year	6,163.65	5,597.06
Profit Available for appropriation	6,558.66	6,687.92
Less: Appropriations		
Transfer to Statutory Reserve	(78.62)	(77.50)
Proposed dividend/Interim Dividend	(273.32)	(290.53)
Dividend Distribution Tax	(47.57)	(58.91)
Transfer to General Reserve	(48.52)	(113.08)
Prior Year dividend, dividend distribution and other adjustments	0.10	15.75
Transfer to Capital Redemption Reserve	(7.07)	–
Balance of Profit carried forward	6,103.65	6,163.65

Dividend

The Company at the Meeting of its Board of Directors held on 26th October, 2013, 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, 2013 on 138,831,665 Equity Shares of ₹ 1.00 each aggregating to ₹ 138,831,665/-.

Keeping in view the overall performance during the year, your Directors are pleased to recommend a final dividend of ₹ 1 per Equity Share on 138,165,831 Equity Shares of ₹ 1.00 each aggregating to ₹ 138,165,831, 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 ₹ 47.57 mn.

Standalone Results

During the year under review, the standalone revenues for the year were ₹ 977.36 mn, a growth of 2.98% as compared to ₹ 949 mn last year. Within fund based income, interest income was up by 10.59% to ₹ 677.42 mn. This was largely on account of an increase in the average loan book size across the year. Other operating income was ₹ 43.50 mn in FY2014, down 62.97% YoY. The previous year had included profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Arbitrage opportunities were also lower in the market this year, which impacted arbitrage income this year. Other income, which includes dividend from subsidiaries, was ₹ 280.20 mn.

Total expenses (before depreciation, interest and exceptional) almost doubled during the year, from ₹ 113.11 mn a year back to ₹ 242.1 mn this year. The company has made provisions for some debts where the collateral cover has fallen below acceptable thresholds.

Profit before depreciation, interest, and taxation (EBITDA) decreased by 12% this year to ₹ 735.29 mn. Interest and finance charges increased from ₹ 134.50 mn to ₹ 190.1 mn. Exceptional item of ₹ 12.95 mn (pre-tax) represents amounts provided for positions related to exposure in the National Spot Exchange Limited. The reported net profit increased by 1.45% to ₹ 393.1 mn.

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 ₹ 4,682.64 mn for the year under review, a marginal decrease of 0.98% as compared to the previous year.

– Broking revenues declined by 2.70% to ₹ 2,884.24 mn, as secondary market activity remained muted in the cash equities segment. Average daily volumes in the equity markets reached ₹ 2 tn in FY2014, up 20.43% from last year. But this uptick was almost entirely led by the options segment, yet again. Options increased 22.84% YoY, and comprised 77.38% of overall market volumes in FY2014. Futures were up 18.1% YoY, and comprised 16.1% of market volumes, same as last year. Average daily volumes in cash equities, at ₹ 132.68 bn in FY2014, was just marginally up by 1.84% as compared to FY2013. Within this, the high-yield delivery segment showed an uptick of 3.97%. The fact that cash equities volumes have held in the ₹ 130-140 bn range since last three years possibly indicates that cash volumes might have bottomed out at last. Our overall equity market share increased marginally from 1.53% to 1.56% on a YoY basis. As on 31st March, 2014, total client base has increased to 800,385, which includes 701,845 retail broking and distribution clients. Our Pan-India distribution reach stood at 1,534 business locations across 507 cities.

– Investment banking fee at ₹ 67.52 mn saw a 13.45% decline over the previous year. Fee income was impacted due to delays in closure of few deals which are in advanced stages, although deal closures gathered some momentum this year. Continued slowdown in the corporate capex cycle and policy making impacted equity raising activities like IPO, FPO and QIP in the market. Companies continued to remain cautious and very few projects were announced. However, the deal pipeline remains healthy and the business sentiments appear to be improving in light of the evolving political scenario.

– Fund based income declined by 14.61% to ₹ 857.84 mn due to lower arbitrage opportunities in the market this year. The previous year had also included profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments.

– Asset management fees saw traction this year, increasing 26.57% to ₹ 758.77 mn as compared to last year. Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹ 39.21 bn. Within this, our mutual funds AUM was ₹ 5.82 bn, PE AUA was ₹ 18.90 bn, while PMS AUM was ₹ 14.49 bn. During the year, the private equity business announced the final close of its 2nd growth capital fund - India Business Excellence Fund II raising commitments of ₹ 9.54 bn from domestic and offshore investors, as well as the first close of its 2nd real estate fund - India Realty Excellence Fund II raising commitments of ₹ 1.86 bn.

– Other income increased by 38.53% to ₹ 114.27 mn as compared to last year

Total expenses (before interest and depreciation) for the year at ₹ 3,260.77 mn registered a 9.25% jump over last year. People cost increased by 17.93% to ₹ 1,273.25 mn. This was largely owing to an increase in hiring in the broking, wealth management, asset management and commodity businesses, as well as performance-based compensation in the private equity business. The decline in brokerage commission earned reduced the brokerage shared with intermediaries by 4.76% to ₹ 1,053.44 mn. Other costs were ₹ 934.1 mn, an increase of 16.89% over last year. This was largely due to higher provisions made during this year for debts where collateral cover has fallen below acceptable thresholds. The profit before depreciation, interest, exceptional items and taxation (EBITDA) decreased by 18.47% to ₹ 1,421.87 mn. EBITDA margin decreased from 36.88% to 30.36%.

The company had exposure to National Spot Exchange Limited (NSEL). However, NSEL has not been able to adhere to its payment obligations, and the company has perused legal action against it. Pending final outcome which is uncertain, the company has fully written off/provided for these positions in the P/L to the tune of ₹ 555.86 mn (pre-tax) during the year, which is disclosed under "Exceptional Items". Reported net profit for the year after minority interest stood at ₹ 395 mn, a decline of 63.79%.

Buyback of Equity Shares

- The Board of Directors at its Meeting held on 27th April, 2013 accorded consent for the Buyback of shares of the Company from open market through the Stock Exchange Mechanism at a price not exceeding ₹ 90/- per share upto a maximum of 75,00,000 fully paid-up Equity Shares of ₹ 1 each (equivalent to 5.16% of Equity Share Capital outstanding as on 31st March, 2013) and a minimum of 18,75,000 fully paid-up Equity Shares of ₹ 1 each (equivalent to 1.29% of Equity Share Capital outstanding as on 31st March, 2013), subject further to the condition that the aggregate amount to be paid by the Company for the said Buy-back (excluding brokerage and other charges, if any) shall not exceed ₹ 650 mn.
- The shareholders of the Company approved the Buyback of Equity shares by Special Resolution through Postal Ballot process on 21st June, 2013. The Company published the Public Announcement for Buyback of Shares in the newspapers and filed it with Securities Exchange Board of India (SEBI) on 25th June, 2013.

- On receiving the requisite approval from the SEBI and the Stock Exchanges, the Buyback of shares commenced from 8th July, 2013 and would remain open till 9th June, 2014. Upto 31st March, 2014 the Company had bought back 94.30% of 75,00,000 shares (Maximum Offer Shares) amounting to 7,072,701 shares for a consideration of ₹ 560.10 mn (excluding brokerage and other charges).
- The Company extinguished 7,069,945 shares out of the 7,072,701 bought back shares as on 31st March, 2014. The balance 2,756 shares were extinguished on 9th April, 2014.

Future Outlook

Investor sentiments seem to be building up in light of the stability in certain macro indicators, as well as the evolving political scenario over the elections. Sustenance of macro indicators at reasonable levels, along with a revival in the capex cycle and manufacturing segment following clarity on the political front and policy/reforms movement should help increase activity levels in the capital markets. Initial evidence of this can already be seen in the early months of FY 2015. Volume levels in the cash equities market have increased since March onwards, especially in the high-yield delivery segment. Equity mutual funds are also evincing interest in terms of inflows.

Credit Rating

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.

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. Navin Agarwal retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment. The details of the Director 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, 2014 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

As per section 135 of the Companies Act, 2013 every company having net worth of ₹ 500 crore or more or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee and shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

At Motilal Oswal Group, our motto is 'Knowledge First' and we believe that education can bring prosperity and equality in the society. In line with our motto we believe in enhancing the only human intangible asset. Recognizing our responsibilities towards the society, we intend to carry out various initiatives like supporting education, medical treatments, various other charitable and noble aids, etc.

Motilal Oswal Group resolves to contribute towards development of knowledge based economy by discharging CSR that would positively influence the customers, employees, shareholders, communities and other stakeholders in various aspects of its operations.

Motilal Oswal Group makes contributions to various causes directly through the individual companies and through Motilal Oswal Foundation, a charitable company of our Group.

Activities undertaken by the Group

1. The Motilal Oswal Foundation has recently set up a hostel at Lallubhai Park, Andheri (West), Mumbai - 400 058, 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 various parts of the country who aspire for the professional course of Chartered Accountancy. It's a 5-storey building with total capacity of approximately 210 students on triple sharing basis (with attached toilet & bath).
2. Initiated "Gyan Daan", a learning program at Janta Shikshan Sanstha, Government School which serves the children belonging to the underprivileged section of the society.
3. "Mid-day meals" to school children through the ISKCON Food Relief Foundation and thus feeding approximately 600 childrens everyday.
4. Contribution through cash and kind to various NGOs like Goonj, through the Joy of Giving Week.
5. Collection drives throughout India of toys, stationery, toiletries and clothes, etc. every year for distribution amongst the underprivileged section of society.
6. Sponsored education for 3 underprivileged children for consecutive two academic years.
7. Tie up with Light of Life Trust for providing books, study materials, school kits, etc. to the underprivileged children.
8. Celebrating the festivities with the underprivileged by giving lectures, arranging workshops, etc.

Proposed CSR Projects for FY 2014-2015

1. **Ashoka University**

   Motilal Oswal Group is in the process of making contributions to Ashoka University. Ashoka University is envisioned to be India's first higher education institution in the class of the celebrated Ivy League and the world's top ranked universities. Indian students can now avail of a topnotch liberal arts education at a fraction of its cost in India.

   The Group intends to make an initial contribution of ₹ 2.50 crores during the year 2014-15 for the establishment of the University in New Delhi.

2. **Shloka Missionaries**

   Motilal Oswal Group is in the process of making contributions to Shloka Missionaries, a Trust set up for setting up and running English medium schools for the underprivileged in the rural India.

   The Group intends to make contribution of ₹ 50 lakhs during the year 2014-15 for the establishment of a School for the underprivileged at Umarkhed town of Maharashtra.

3. **ISKCON Food Relief Foundation**

   Motilal Oswal Group is making contributions to ISKCON Food Relief Foundation funding the mid-day meals of approximately 600 school students daily, throughout the academic year.

   The Group intends to make contribution of ₹ 10 lakhs during the year 2014-15 to ISKCON Food Relief Foundation.

4. **Gyan Daan at Janta Shikshan Sanstha, Government School at Worli, Mumbai.**

   Motilal Oswal Group has started an associate volunteering program called 'Gyan Daan' in Mumbai. Gyan daan has initiated a learning program at a school serving children from the underprivileged section of society. The main objectives of the program are enhancing the quality of education at the school, building confidence, developing intellectual curiosity and improving the ability of students to communicate in English. The Group works with a dedicated set of volunteers from various departments of the Motilal Oswal Group.

   The Group has already made contributions to improve the physical infrastructures of Janta Sikshan Sanstha, Government School at Mumbai.

5. **Muskan Foundation**

   Motilal Oswal Group is in the process of making contributions to Muskan Foundation, Mumbai, a foundation set up for perpetuating a new lease of life for children with multiple disabilities and visual impairment.

   The Group intends to make contribution of ₹ 2 lakhs during the year 2014-15 to Muskan Foundation.

6. **Emergency Medical Aid to financially weak people**

   Motilal Oswal Group is making contributions to meet the needs of Emergency Medical Aid to financially weak people on case to case basis. The payments in this case are generally made directly to the concerned hospitals.

Committees of the Board

- **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 for 3 years. The members will be required to appoint Auditors for 3 years 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. MOPE Investment Advisors Private Limited (Formerly known as Motilal Oswal Private Equity Advisors Pvt. Ltd.)

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 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)
13. Aspire Home Finance Corporation Limited (Subsidiary of MOSL)
14. Motilal Oswal Real Estate Investment Advisors Private Limited (Subsidiary of MOPE Investment Advisors Private Limited)
15. Motilal Oswal Real Estate Investment Advisors II Private Limited (Subsidiary of MORE Investment Advisors Private Limited)
16. India Business Excellence Management Co. (Subsidiary of MOPE Investment Advisors Private Limited)

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, 26th April, 2014

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
	Motilal Oswal Securities Ltd.	Motilal Oswal Commodities Broker Pvt. Ltd.	MOPE Investment Advisors Pvt. Ltd.	Motilal Oswal Investment Advisors Pvt. Ltd.	Motilal Oswal Insurance Broker Pvt. Ltd.	Motilal Oswal Capital Markets Pvt. Ltd.	Motilal Oswal Wealth Management Ltd.
The Financial year of the Subsidiary ended on	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014
Number of Shares in the Subsidiary Company held by Motilal Oswal Financial Services Limited at the above date							
Equity (Nos.)	1,318,218	400,000	50,000	1,000,000	2,990,000	350,000	80,000
Extent of holding (%)	99.95%	97.55%	85.00%	100.00%	99.67%	99.95%	99.95%
The net aggregate of profits/ (losses) of the Subsidary Company for its financial period so far as they concern the member Of Motilal Oswal Financial Services Limited							
(a) Dealt with the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2014	134.53	Nil	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2014	36.17	12.95	113.73	(37.21)	(0.43)	0.46	12.23
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 the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2013	145.07	Nil	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with the accounts of Motilal Oswal Financial Services Limited for the year ended 31st March, 2013	6,439.00	169.79	127.51	74.70	(12.12)	0.03	61.65

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 Asset Management Company Ltd.	Motilal Oswal Trustee Company Ltd.	Motilal Oswal Securities International Pvt. Ltd.	Motilal Oswal Capital Markets (Singapore) Pte. Ltd.	Motilal Oswal Capital Markets (Hongkong) Pvt. Ltd.	Motilal Oswal Real Estate Investment Advisors Pvt. Ltd.	Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd.	Aspire Home Finance Corporation Ltd.	India Business Excellence Management Company	**Total**
31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	
30,000,000	100,000	4,569,200	250,000	6,000,000	99,999	9,999	14,999,994	40,000	
99.95%	99.95%	99.95%	99.95%	99.95%	85.00%	85.00%	99.95%	85.00%	
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	**134.53**
(6.43)	0.04	3.39	2.19	(2.67)	(0.10)	(12.76)	(2.75)	2.32	**121.15**
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	**145.07**
(108.39)	Nil	(8.72)	(2.78)	(7.98)	Nil	Nil	Nil	Nil	**6,732.69**

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

Place: Mumbai
Date: 26th April, 2014

Sameer Kamath
Chief Financial Officer

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman and Managing Director

Raamdeo Agarawal
Joint Managing Director

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 on 31st March, 2014	Maximum Outstanding during the year
Motilal Oswal Real Estate Investment Advisors II Private Limited	4.50	4.50
Motilal Oswal Commodities Broker Private Limited	60.05	402.30
Motilal Oswal Asset Management Company Limited	–	5.00
Motilal Oswal Insurance Brokers Private Limited	–	5.87
Motilal Oswal Capital Markets Private Limited	–	0.15
Motilal Oswal Investment Advisors Private Limited	66.28	190.34
MOPE Investment Advisors Private Limited	0.04	105.00
Motilal Oswal Wealth Management Limited	2.04	10.69

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, 2014:-

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	70,32,450
b)	The pricing formula	Price at which shares are issued to Private Equity Investor i.e. at the Rate of ₹ 518.90 per share.	Price arrived at with reference to the expected Issue Price i.e. at ₹ 775 per share.	The closing price of the Company's Equity Shares quoted on the Bombay Stock Exchange Limited immediately preceding the date of Grant of the Stock Options, which for this purpose shall be the date on which the Committee grant the Stock Options, discounted by such percentage as may be determined by the Committee in the best interest of the various stakeholders in the prevailing market conditions.	The closing price of the Company's Equity Shares, prior to the date of grant of the Options, on the Stock Exchanges where the highest trading volume is recorded, discounted / increased by such percentage as may be determined by the Committee.
c)	Options vested	10,15,975	10,000	17,85,500	24,76,650
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 31.03.14)	6,09,075	1,95,000	44,78,250	21,17,450
g)	Variation of terms of options	N. A.	N. A.	The exercise period of the 13,98,500 stock options for ESOP Scheme V and 32,86,800 stock options for ESOP Scheme VI were extended from one year to three years by the Remuneration & Compensation Committee of the Board. Due to the considerable fall in the share price of the Company the ESOP exercise price of ₹ 208.70 per stock option had become unattractive to the option holders. Therefore, the Committee pursuant to provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, re-priced 90,000 options from ESOP Scheme V and 4,97,800 options from ESOP Scheme VI, to ₹ 165 per stock option from ₹ 208.70 per stock option. This was approved by the shareholders in the Annual General Meeting of the Company on 27th July, 2013.	
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 31.03.14)	9,250	Nil	12,84,750	4,874,250
j)	Employee-wise details of options granted to:				
	(i) Senior managerial personnel	N.A.	N.A.	Nil	19,48,450
	(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.	Nil
	(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.	Nil

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'	₹ 2.79	₹ 2.79	₹ 2.79	₹ 2.79
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 ₹ 34,453,012 Profit after tax lower by ₹ 34,453,012 and the basic earnings per share would have been lower by ₹ 0.24.	
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.	i. Option grant date: 27th July, 2013 for 19,48,450 options ii. Exercise price: ₹ 85 per option. iii. Fair Value: ₹ 16.47
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:-				The fair value of the stock options granted on 27th July, 2013 has been calculated using Black Scholes Options Pricing Formula and the significant assumptions made in this regard are as follows:
	(i) risk-free interest rate	N. A.	N. A.	N. A.	6%
	(ii) expected life	N. A.	N. A.	N. A.	3 years
	(iii) expected volatility	N. A.	N. A.	N. A.	20%
	(iv) expected dividends	N. A.	N. A.	N. A.	1%
	(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.	₹ 85 per share

Economy remains stressed in FY2014; but reining in of certain macros and election expectations improves outlook

Economic challenges inherited from FY2013 continued to exert pressure in FY2014. However, some macroeconomic stability was seen during end-FY2014. Expectations over the elections also brought a shift in sentiments. However, despite the climate of hope and optimism, significant actionables remain for the new government in order to realize higher and sustained economic growth.

GDP growth for FY2014 remained subdued, same as FY2013. The main drag was the Industry segment. Slowdown in reforms and low clarity in policies impacted investments from the private sector. This resulted in an absolute slowdown in manufacturing activities. Nevertheless, the Cabinet Committee on Investments (CCI) seems to have made some headway in moving the stalled projects, as it cleared ~296 projects with estimated cost of almost ₹ 6.60 tn by Jan 2014 across power, highways, roads, railway tracks, airports and ports. Completion of Industrial Corridor projects should be a priority, as they offer significant incentives for large-scale investments. Agriculture saw some revival due to better than expected monsoons, although weather concerns remain. Growth in the Services segment is expected to be at ~7% levels for the third successive year, much lower than that seen annually from FY2006 to FY2010.

After remaining sticky around 7% levels from Aug to Dec 2013, WPI Inflation stabilized to ~5% levels since Jan 2014. This helped bring down WPI for the entire year to a level lower than that of recent years. The contraction was aided by primary articles and fuel & power. While CPI Inflation breached ~10% levels frequently during the months of 2013, it dipped successively during Jan and Feb 2014. However, weather uncertainties due to El Nino might have an impact on crop output in FY2015, which might impact food inflation yet again. Food inflation has been a key factor for high CPI Inflation. Hence, it is yet to be seen if CPI can sustain in its current range. The RBI continued its hawkish stand, with the policy rate (Repo rate) being hiked successively during the 2nd half of the year. High interest rates impacted consumer spending - the slowdown in car sales this year after successive years of growth is an indicator.

After hanging as the 'Sword of Damocles' in recent years, the Current Account deficit was brought down to manageable levels of ~1.5-2% during FY2014. This was achieved by a reduction in gold imports following guidelines on duties and re-export of imported gold. Global oil prices were largely stable this year. Along with strong inflows by foreign institutional investors into Indian equity and debt, all these factors helped the Indian Rupee stabilize to ~61-62 levels to the US$ by the end of the fiscal year. India's forex reserves at ~US$ 300 bn levels now. However, exports growth remained largely sluggish as the slowdown in India's traditional export markets continued. The new government would need to initiate India-roadshows to other countries to win new export markets.

Fiscal deficit is estimated to be lower this year. But this has been achieved by cutting expenditure plans, rolling over subsidies to the next year and forcing large dividends from PSU companies, which are not sustainable. Tax receipts are not expected to see much upswing this year, and the disinvestment target remains under-achieved. There remain challenges on the fiscal front. Rolling over of subsidies to the next year would limit the ability to spend on development projects. If subsidies are cut to bring down fiscal deficit, that might push up inflation again. If investments can be channelized into skill-creation, entrepreneurship and development plans that create assets for future growth, it would boost income opportunities and reduce the need for non-asset creating social-welfare plans.

India has traditionally been a savings-oriented country. While the slowdown brought down the gross savings rate from the historical 33-34% levels to about 30-31%, this decline is not too steep. Proportion of household assets in shares/debentures remained volatile, however it has historically seen high inflows during periods of economic upswing.

Despite the challenges, the outlook seems positive. There is a sense of optimism for the future, despite the fact that the new government would inherit an economy in crisis - the winner's curse. One hopes that the new fiscal year would see decisive movement on the policy front, which would give clarity to the business community and improve investor sentiments and capital market activity.

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.

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 products and services such as Broking and Distribution, Institutional Equities, Wealth Management, Investment Banking, Private Equity, Asset Management, etc. 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 (MOIAPL)	Investment Banking	100.00%
3	MOPE Investment Advisors Private Limited (MOPE) (Formerly Motilal Oswal Private Equity Advisors Private Limited)	Private Equity Management and Advisory	85.00%
4	Motilal Oswal Asset Management Company Limited (MOAMC) (a subsidiary of MOSL)	Mutual Funds, PMS, Offshore Funds	99.95%*
5	Motilal Oswal Commodities Broker Private Limited (MOCBPL)	Commodities Broking	97.55%
6	Motilal Oswal Insurance Brokers Private Limited (MOIBPL)	Insurance Brokers	99.67%
7	Motilal Oswal Capital Markets Private Limited (MOCMPL) (a subsidiary of MOSL)	Stock Broking (membership of NSE)	99.95%*
8	Motilal Oswal Wealth Management Ltd. (MOWML) (Formerly Motilal Oswal Wealth Management Private Limited) (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 Private Limited (MOSIPL) (a subsidiary of MOSL)	US broker-dealer license from FINRA	99.95%*
11	Motilal Oswal Capital Markets (Hong Kong) Private Limited (MOCMPL(HK)) (a subsidiary of MOSL)	Applied for Type 4 license in Hong Kong**	99.95%*
12	Motilal Oswal Capital Markets (Singapore) Pte Limited (MOCMPL(SP)) (a subsidiary of MOSL)	Exempt Financial Advisor Status in Singapore	99.95%*
13	Aspire Home Finance Corporation Limited (AHFCL) (a subsidiary of MOSL)	Housing Finance**	99.95%*
14	Motilal Oswal Real Estate Investment Advisors Private Limited (MORE) (a subsidiary of MOPE)	Real Estate Investment Advisory Services	85%***
15	Motilal Oswal Real Estate Investment Advisors II Private Limited (MORE II) (a subsidiary of MORE)	Real Estate Investment Advisory Services	85%****
16	India Business Excellence Management Company (a subsidiary of MOPE)	Private Equity Management and Advisory	85%***

* through MOSL; ** Application made to respective regulators; *** through MOPE; **** through MORE

Business streams

Business Stream	Primary products and services
Broking & Distribution	Equity (cash and derivatives), Commodity broking and Currency, Distribution of financial products, Depository services, Financing (though MOFSL)
Institutional Broking	Equity (cash and derivatives) broking, Advisory
Investment Banking	Capital raising, M&A Advisory, Domestic IPOs, Private Equity placements, Corporate Finance Advisory, Restructuring, FCCBs and GDRs
Private Equity	Private equity investment management and advisory, Real estate investment management and advisory
Asset Management	Portfolio Management Services, Mutual Funds, Offshore Funds
Wealth Management	Professional Money Managers, Trading, Alternate Assets, Credit Solutions, Wealth Transmission, Specialized and Ancillary Advisory Services
Home Finance	Housing Finance

Broking Business

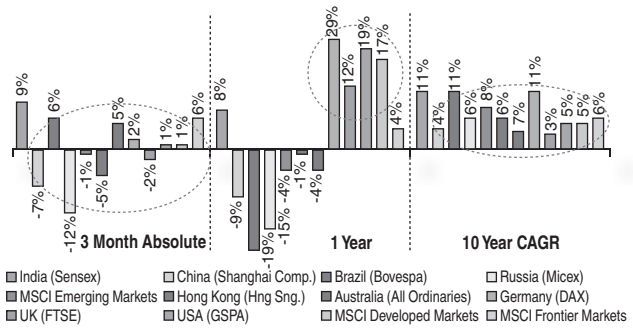
The Markets in FY2014

The BSE Sensex was up 18.85% YoY in FY2014, up from 8.23% in FY2013. Bulk of the returns came during the second half of the year on the back of stability in some macro indicators and expectations regarding the evolving political scenario. In US$ terms, the Sensex gained only 7.56% in the year. The year was a volatile one in terms of Month-on-Month returns. The index clocked high Month-on-Month gains in Sept, Oct and Mar, coinciding with months of high FII net inflows. On a relative basis, India outperformed leading Emerging Markets and Asia-Pacific benchmarks during this fiscal year in US$ terms. It also outperformed the Frontier Markets index, albeit by a lesser margin. Conversely, an improving outlook in the Western economies saw the German, UK, US and Developed Markets benchmarks outperform India during the year. In the broader market, the BSE midcap and small cap indices outperformed the Sensex during the 2nd half of the year, despite lagging during the 1st half of the year. The BSE market capitalization stood at ₹ 71.59 tn as on 31st March 2014, up 8.82% for the year. But this was down 1.52% in US$ terms. The average P/E ratio of the benchmarks in the year was slightly lower than their 5-Year historical average, as was the average P/B ratio. However, one has to keep in mind the sectoral variances.

Sensex outperformed emerging market peers in FY2014, but western markets saw better returns on the back of positive news flow. India outperformed both emerging markets and developed markets between Jan-Mar buoyed by positive sentiments.

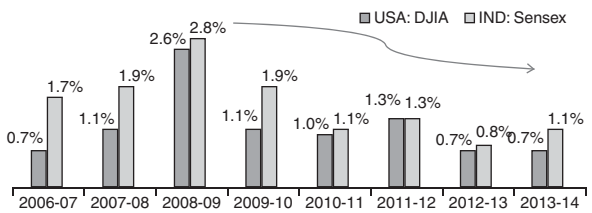
Benchmark volatility had been on a declining trend since FY2009. However, FY2014 saw a trend reversal, as the volatility in the Sensex increased. Also, the differential between India and US benchmarks widened, after having contracted in recent years.

Benchmark Indices Performance (in US Dollar Terms)



Source: Bloomberg

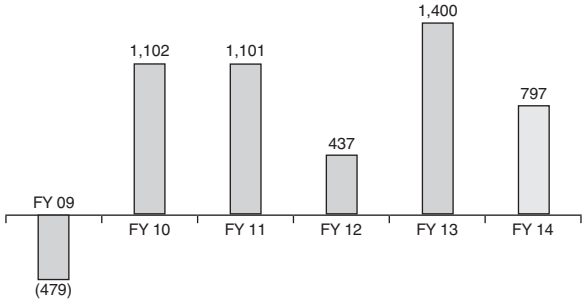
Volatility (Standard Deviation) of benchmarks



Source: Yahoo Finance

FY2014 saw strong net inflows from FIIs again. Though the 2nd quarter saw net outflows following the US taper news, FIIs returned in a big way in Sept, Oct, Dec and Mar following improvement in some macros and election expectations.

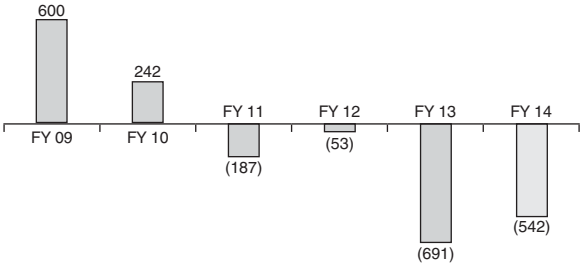
Strong net inflows from FIIs continue (₹ bn)



Source: SEBI

DII activity remained in sharp contrast to FIIs, with net outflows for the 4th successive year. Equity mutual funds have seen net outflows in 12 out of the last 16 quarters. All quarters of FY2014 saw net outflows, with the pressure increasing in the 2nd half.

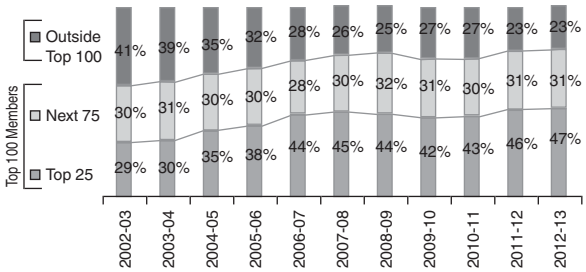
DIIs remain net sellers since last three years (₹ bn)



Source: BSE, NSE

Consolidation of NSE cash volumes towards the Top-100 members is visible. The Top-10 members gained share till FY2006. The next 15 members (i.e. 11th to 25th) have seen an uptick in their proportion of cash volumes since FY2010 onwards.

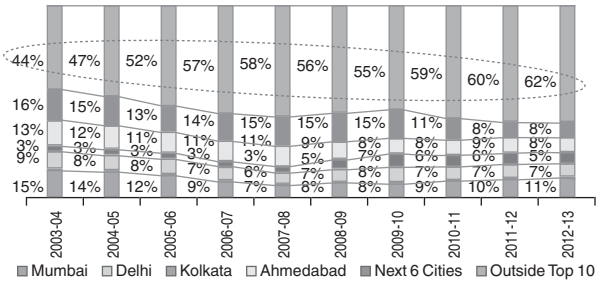
% Cash Turnover by top 'X' Members in NSE



Source: NSE, SEBI

Mumbai's share within NSE cash volumes has increased over the last decade. Ahmedabad's share has also risen, despite a dip in FY2013. The share of Delhi and Kolkata has come down steadily. However, the share of towns outside Top 10 cities has increased.

City-wise cash turnover % at NSE



Source: NSE

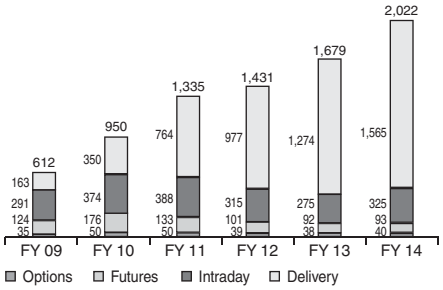
Equity market volumes continue to be boosted by options, however cash volumes might be bottoming out

Equity market average daily volume (ADTO) reached ₹ 2 tn in FY2014, up 20.43% from last year. But this uptick was almost entirely led by the options segment, yet again. Options increased 22.84% YoY, and comprised 77.38% of overall market volumes in FY2014. Futures were up 18.1% YoY, and comprised 16.1% of market volumes, same as last year. Average daily volumes in cash equities, at ₹ 132.68 bn in FY2014, was just marginally up by 1.84% as compared to FY2013. Within this, the high-yield delivery segment showed an uptick of 3.97%. The fact that cash equities volumes have held in the ₹ 130-140 bn range since last three years possibly indicates that cash volumes might have bottomed out at last. However, the month-on-month delivery volumes during the year remained volatile, witnessing few phases of spurts on the back of certain economic news flow and developments. This was especially seen during Aug, Sep, Dec, Jan and Mar, proving the adage that delivery volumes see a disproportionate rise during periods of market uptick.

Within cash volume participants, the growth was mainly seen in the FII volumes. Net inflows from FIIs continued unabated in the second half of the year, reversing the outflows seen during the first half following the US tapering news. FII cash volumes were up 16.84% YoY, and they comprised 21.79% of cash volumes in FY2014, from 19% last year. In contrast, retail participation declined 2.86% YoY. Proportion of retail within cash volumes dipped further, from 49.13% to 46.86% YoY. DII cash volumes went up 7.22% YoY, and they comprised 9% of cash volumes, from 8.55% last year. With drying up of primary market activity, new demat accounts created in FY2014 was lower at 0.9 mn vs. 1 mn in FY2013. This is the lowest level clocked since the last few years.

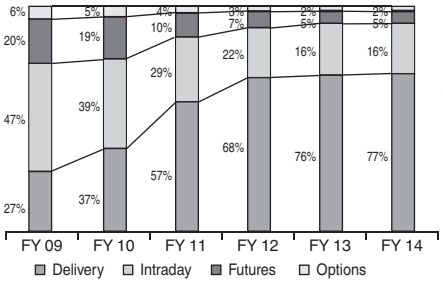
FY2015 has seen a positive start in terms of equity market participation on the back of election expectations and some macro stability. Volume levels in the cash equities market have increased since March onwards, especially in the high-yield delivery segment. Moreover, participation from the retail investor segment, which was subdued in recent years, has shown an uptick so far in FY2015.

Average Daily Volumes in ₹ bn



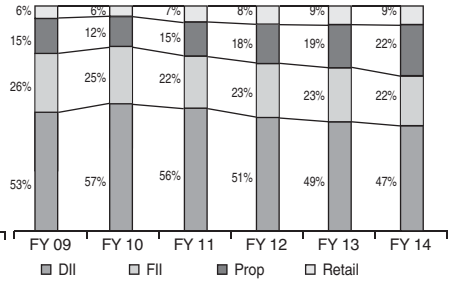
Source: BSE, NSE

Segment-wise Overall ADTO Proportions



Source: BSE, NSE

Participant-wise Cash ADTO Proportions



Source: BSE, NSE

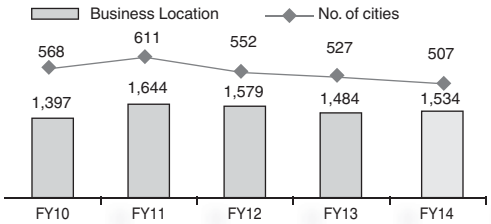
Broking Business

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.

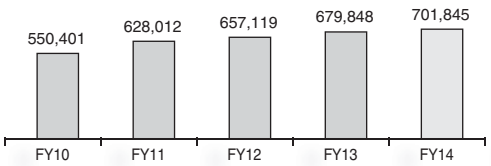
Retail Segment:

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 on 31st March 2014, MOFSL had over 800,000 total registered customers, which included more than 700,000 retail broking and distribution clients with over 625,000 having depository accounts. The company's distribution network was 1,534 locations across 507 cities, including 29 branches. It remains focused on building good quality locations and a robust distribution network to provide opportunities to cross-sell products. MOSL bagged Best Performing Equity Broker (National) Award at CNBC TV18 Financial Advisor Awards for 3rd year in a row, which vouches the quality of the company's broking and advisory services.

MOSL launched its LITE trading platform in a new avatar. This comes with more features like advanced charts, tick watch, MOSL signal tracker etc. It is now integrated with Ignite Dashboard. Ignite Dashboard is a single view for derivative analytic tools, trading calls, research reports, Do-It-Yourself Options strategies, live results updates and portfolio specific news. MCX-SX (Cash & Derivatives) and NSE Currency have also been integrated into the platform with combined limit concept. There was also continued focus in building the capabilities and skills of our business partners, advisers in terms of knowledge-based and soft skills trainings.

The company has continuously innovated with its trading platforms to ensure a superior experience for broking customers. These include tools like Radar - a news dashboard with F&O heat maps, market watch, research calls, valuation guide, sector heat maps, etc; Portfolio Check - an algo-based portfolio restructuring tool giving instant views on stocks; AMO (After Market Order) functionality; Charting tool on Lite platforms - 35+ indicators, price-quantity data, signal tracker and event tracking through alerts; Positional Trade Guide Signal on Nifty stocks; Intraday Trade Guide Signal - trend-guiding tool for intraday traders; ValuePlus - intraday order leverage product for select liquid commodities; and Spread Order Facility for NSE F&O and currency.

MOSL launched a new product called VoLT to capture opportunities in a volatile market, which has been well received by clients. On the third-party distribution front, the company is in the final stages of revamping its client portal, wherein clients can track/ review portfolios and make investments. It is also working towards building an IFA Portal which will give an end to end solution for our IFAs to track the key parameters of their business. It has also built a strong focus on currency trading and research with a dedicated desk. Motilal Oswal Insurance Brokers received in-principal approval for insurance broking license from IRDA.

Institutional Broking:

The company offers Institutional Broking services in cash and derivatives segment to a large institutional clientele in India and abroad. As on 31st March 2014, we were empanelled with 546 institutional clients. The research team consisting of almost 30 analysts covers over 200 companies across 20 sectors, and provides a complete bouquet covering Thematic, Sectoral and Company updates.

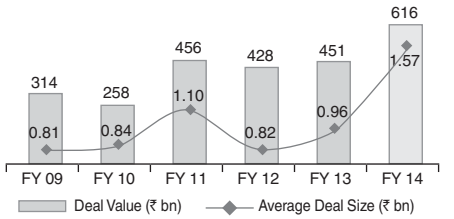
It conducted the 9th Annual Motilal Oswal Global Investor Conference in Mumbai in Sept 2013. Over 100 leading companies interacted with more than 600 investors from all over the world at the conference, translating into 3,000+ company-investor meetings. MOSL won the Best Market Analyst Award for the category Equity-Auto at Zee Business India's Best Market Analyst Awards 2013. 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.

Private Equity

Industry Facts

Deal values in the private equity industry, largely flat between FY2011 and FY2013, saw a robust uptick in FY2014. It was up 36.48% YoY to ~₹ 616.14 bn. The ~₹ 75 bn Bharti Airtel-Qatar Foundation deal was the largest deal. Average value per deal increased by 63.22% to ₹ 1.57 bn. Even if the Bharti deal is excluded, average values increased by 43.20% - indicating an increasing comfort to make larger commitments, or a preference to stick with larger companies in an uncertain economic environment. IT/ITES, telecom and healthcare comprised the highest values within the deal pie in FY2014, at 28.54%, 12.50% and 12.21% respectively. IT/ITES and healthcare comprised of several small deals, unlike telecom.

Private Equity Industry Deal Values (₹ bn)



Source: Venture Intelligence

Exits remain a challenge, adding pain to further fundraising since returns from prior investments typically make up a large chunk of new fundraising. Maintaining the performance of holdings in a struggling economic environment has been a task, coupled with the fact that many investments were made at high multiples in mid 2000s when the economic outlook was rosier. With funds exerting further caution when analyzing new companies, PE investments have slowed down leading to excessive dry powder in the sector.

Our Private Equity Business

MOPE Investment Advisors 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 mn raised from investors in India and overseas. This fund has been fully committed across 13 companies. So far, it has partially exited two holding companies at healthy multiples. The fund has returned approximately 40% of capital to its investors so far. MOPE is investment manager to India Realty Excellence Fund (IREF), a domestic real estate fund. IREF had its final closing in Dec 2009 with total assets under management/advice at ₹ 2 bn. IREF has made investments across 7 deals. Following full/partial exits from five projects till date, the fund has returned approximately 58% of capital to its investors so far.

During FY2014, MOPE made the final close of its 2nd growth capital fund, India Business Excellence Fund-II (IBEF II) with total commitments of approximately ₹ 9.54 bn raised from both domestic and offshore investors. This fund is currently evaluating several investment opportunities and has made two investments so far. MOPE also announced the first close of its 2nd real estate fund, India Real Estate Fund-II (IREF II), raising commitments of ₹ 1.86 bn. It is targeting to raise ₹ 3 bn with a Green-Shoe option of ₹ 2 bn. It has made two investments so far.

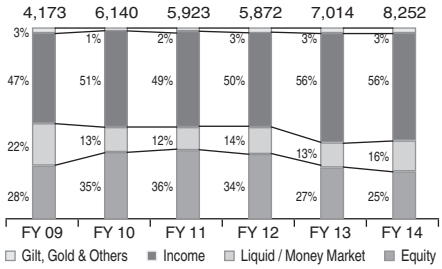
MOPE appointed Sharad Mittal as Head of the Real Estate business. He has rich experience in real estate investments and fund raising.

Asset Management

Industry Facts

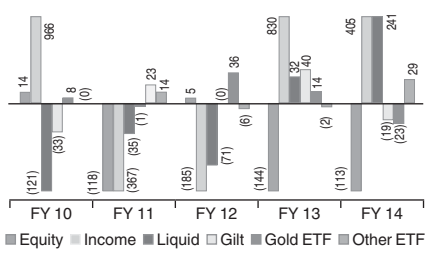
Equity mutual funds remained victims of net outflows in FY2014, as redemption pressures continued. Equity funds have registered net outflows in the last 9 consecutive quarters. Income funds have seen robust inflows in the last two years as investor interest moved towards fixed income in an uncertain economic environment. Industry AUM was up 17.65% YoY to ₹ 8.25 tn as of 31st March 2014. Despite the high net outflows, equity funds AUM gained 10.11% YoY on the back of better market returns this year. Equity ETF AUM has also seen an uptick, as FY2014 saw a sharp increase in net inflows into this segment. Resultantly, its share within global ETF AUM also picked up, after seeing a dip between CY2012 and CY2013. After clocking inflows in the last 4 years, Gold ETFs clocked net outflows in FY2014 following a price correction. Gold ETF AUM was down 25.52%. The industry lost about 1.5 mn investor folios in the first 6 months. Within this, Equity segment lost about 2 mn folios, while Gold ETF and Equity ETF segments lost about 30,000 and 10,000 folios respectively. Income and liquid gained about 0.35 mn and 30,000 folios respectively.

Mutual Fund AUM by Asset Class (₹ bn)



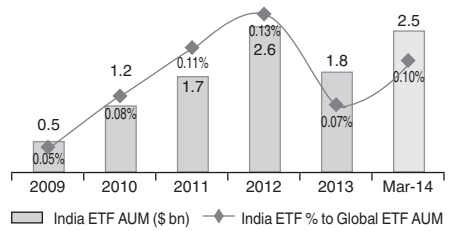
Source: AMFI

Mutual fund net inflows / outflows (₹ bn)



Source: AMFI

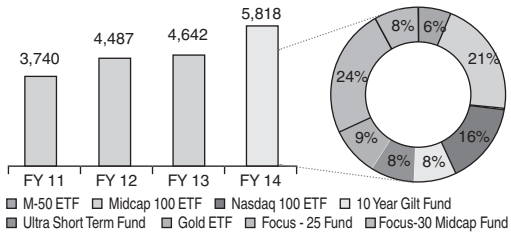
Share of ETF assets in the AMC industry (US$ bn)



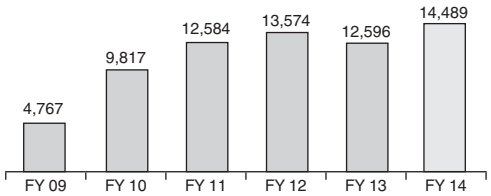
Source: Blackrock, AMFI, RBI

Our Asset Management Business

Mutual Funds AUM (₹ mn)



PMS AUM (₹ mn)



Motilal Oswal Asset Management (MOAMC) operates PMS and mutual funds. Mutual funds are based on innovative investment strategies as well as offerings across the entire spectrum of market capitalization. Our mutual fund AUM was up 25.31% YoY to ₹ 5.82 bn as of 31st March 2014. Our new funds launched this year:- Focus 25 and Focus Midcap 30 funds in the equity space, and Ultra Short Term Bond fund in fixed income. Focus 25 fund aims to invest in 25 large-cap stocks with long term sustainable competitive advantage (enduring wealth creators). Focus Midcap 30 aims to invest in 30 quality mid-cap companies having long-term competitive advantages and potential for growth (emerging wealth creators). Ultra Short Term Bond fund aims to invest in debt/money market securities with average maturity less than or equal to 12 months. Amongst the older funds, the Nasdaq 100 ETF and Midcap 100 ETF products saw growth in AUM, while the Gold ETF and 10 Year Gilt Funds registered declines.

The PMS business managed assets of ₹ 14.49 bn as of 31st March 2014, as compared to ₹ 12.60 bn as of 31st March 2013. The PMS product is empanelled as an approved product across several channels like banks, wealth platforms, national distributors and IFAs. During the year, we partnered with a few large distributors in the country.

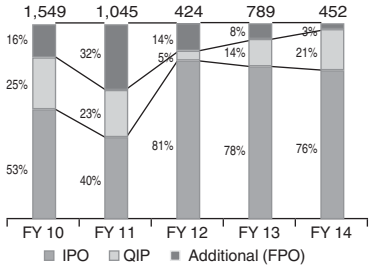
MOAMC organized the 3rd MOSt Shares ETF Conclave in Jun 2013. The keynote speaker was Ms. Deborah Fuhr, Partner and Co-Founder, ETFGI. It developed strategies like the Motilal Oswal Value Index (MOVI), a Systematic Transfer Plan that enables allocation between debt and equity asset classes. MOAMC also launched a completely paperless and 24X7 online investment platform for investors, and avoid hassles of paperwork, visiting collection centers and couriering the form.

Investment Banking

Industry Facts

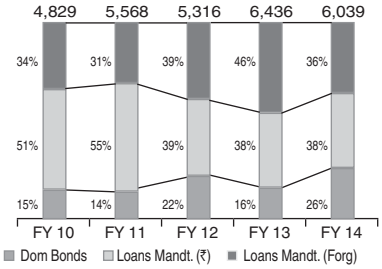
Investment banking activities remained impacted as the slowdown in the capex cycle continued. Volumes in the IPO market shrank to its lowest in recent years, and most IPOs were on the SME platform. The Additional segment (FPOs/OFS etc) also ended the year with lower volumes. This included the ₹ 70 bn Power Grid FPO, apart from few Offer for Sale (OFS) issues. QIPs, which had emerged as a favoured route for fund-raising during FY2013, also saw a dip in FY2014. Domestic bond issuances saw a slight moderation this year, although volumes clocked in FY2014 were still higher than those seen in years prior to FY2013, i.e. FY2009-2012. The loan market was a better alternative for companies to raise debt capital, especially since the bond market was largely restricted to the larger, investment-grade companies. Loans mandated in foreign currency saw an uptick, with continued easy monetary policy in most overseas markets making post-hedging borrowing cost attractive. Loans mandated in INR saw a dip, albeit only marginally. M&As clocked higher deal values this year. Within cross-border activity, inbound deals slowed a bit during the year. This was possibly as companies preferred to wait for better clarity post-elections.

Fund Raising - Equity Markets (₹ bn)



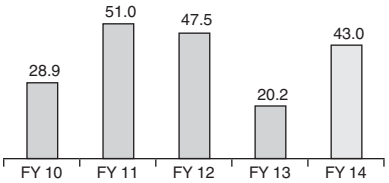
Source: Bloomberg League Tables

Fund Raising - Debt Markets (₹ bn)



Source: Bloomberg League Tables

Mergers and Acquisitions (US$ bn)



Source: Bloomberg

Our Investment Banking Business

During the year, Motilal Oswal Investment Advisor's (MOIAPL) deal closures have gathered momentum. The notable transactions include successful closing of the ₹ 14 bn acquisition of Shree Jayajyothi Cements by My Home Industries Ltd, the Indian JV of Irish cement major, CRH plc, facilitating strategic investment of US$ 200 mn into Shree Renuka Sugars Ltd. by Wilmar Group, Asia's leading agribusiness group. MOIAPL also advised Chettinad Cement Corporation Ltd for the acquisition of Anjani Portland Cement Ltd., a listed company in Andhra Pradesh. The deal pipeline for MOIAPL remains healthy and the business sentiments appear to be improving in light of the evolving political scenario in the country. Girish Nadkarni, who brings with him rich experience in investment banking, ECM and institutional equities, joined the company to co-head the ECM and PE business. During the year, MOIAPL also won the 'M&A Boutique Firm of the Year' and 'Best Mid-Market Deal of the Year' awards at the M&A Atlas Awards in Mumbai.

Select transactions in FY2014

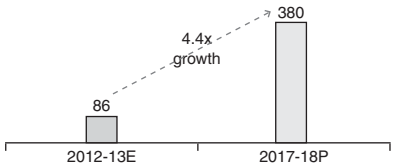
My Home Industries Ltd. (A 50:50 JV of CRH plc in India)	Shree Renuka Sugars Ltd.	Dhanlaxmi Bank Ltd.
Acquisition of Sree Jayajothi Cements Limited	Strategic Investment by Wilmar International	Qualified Institutions Placement of equity shares
₹ 14,000 Million	₹ 12,424 Million	₹ 700 Million
Strategic & Financial Advisor	Strategic & Financial Advisor	Book Running Lead Manager
August 2013	February 2014	April 2013

Wealth Management

Industry Facts

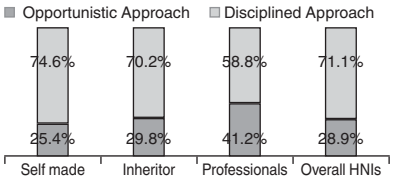
As per a Hubbis report, the recent economic slowdown impacted the total net wealth of Indian HNIs, as well as net wealth in the Asia Pacific region in 2012. However, the Top of the Pyramid 2013 report of Kotak estimates that the total net worth of Indian HNIs to grow 4.4 times between 2012-13 and 2017-18, to reach ~₹ 380 tn. The number of Indian UHNIs (households with minimum net worth over ₹ 250 mn) is expected to triple over the next 5 years from the current ~100,000. The top-4 metro cities house half of Indian UHNIs. The next 6 cities house ~13% while the 11th to 50th cities house another ~15%. In terms of approach towards investments, the Kotak report estimates Professionals to be more opportunistic driven, as compared to self-made and inheritors. Those who are self-made, prefer a more disciplined investing approach. Between 2012 and 2011, the portfolio composition has seen a shift towards debt segment. The proportion of equities has increased marginally. Conversely, the share of real estate and alternate assets has contracted.

Total Net Worth of Indian HNIs (₹ tn)



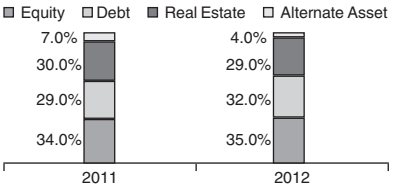
Source: Kotak Top of the Pyramid Report 2013

Approach towards Investments of Indian HNIs



Source: Kotak Top of the Pyramid Report 2013

Change in HNI Investment Portfolios



Source: Kotak Top of the Pyramid Report 2013

Our Wealth Management Business

In the previous year, we had launched our new and improved advisory proposition with the motto 'Responsible Advisory' under the brand 'Motilal Oswal Private Wealth Management (MOPWM)'. The value proposition was based on comprehensive risk profiling leading to portfolio advice which can be objectively tracked, multi-asset open architecture platform and India's first Advisory Index which can help clients track the value addition by an advisor objectively. This home grown advisory product with an index for tracking the effectiveness of advisory saw good interest from our clients during FY2014.

Assets under management were ~₹ 23.99 bn as of 31st March 2014. During the year, client engagement activities were paramount given the challenging market conditions. Estate Planning as a business activity has seen traction with more families seeking a solution which completes the private wealth management's promise of holistic advice.

Housing Finance

Housing finance: A promising opportunity

- India's mortgage/GDP ratio improved from ~4.5% in FY2004 to ~7% in FY2012. However, the penetration is still low vs. peers
- Potential in Tier II/III cities: Mortgage growth has tilted towards tier-II/III cities in recent years
- Young median age and its expected growth: Translates into an increased working population and demand for housing
- Changing social factors: Increased urbanization and rise of nuclear families expected to boost the demand for dwelling

Our Housing Finance Business

During the year, we invested into building a new housing finance company - Aspire Home Finance Corporation Limited (http://www.ahfcl.com). This is being led by Anil Sachidanand, previously with DHFL as CEO. He has 22 years of rich experience in the mortgage space. We are currently in the process of obtaining the necessary approvals for commencement of this business and it is at advance stage of consideration as all the required formalities for obtaining the same have been completed.

Aspire aims to work on the philosophy of financial inclusion, specializing in providing credit access for the affordable housing segment. It would also provide advisory services, ranging from selection to design of houses. Target customers are those aspiring to own a home in the affordable housing segment, but are currently underserved by banks/HFCs due to challenges faced in income assessment and gauging repayment potential. Target geography includes suburbs of metro/mini-metro cities, underserved Tier II/III towns, potential semi-urban/rural housing locations.

Opportunities and Threats

Opportunities

- Long-term economic outlook positive, will lead to opportunity for capital market services
- Growing share of Financial Services in the disposable income pie.
- 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 Agrawal are qualified chartered accountants with over two decades of experience each in the financial services industry. The top management team comprises qualified and experienced professionals, with a successful track record. The company believes that its management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs provide it with a competitive strength, which will help to implement its business strategies.

Integrated financial services provider

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

Independent and insightful research

MOFSL believes that its understanding of equity as an asset class and business fundamentals drives the quality of its research and differentiates it from its competitors. The research team is focused on equities, derivatives and commodities.

One of largest distribution network - 1,534 outlets across 507 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 1,534 business locations operated by business associates or directly through own branches in 507 cities. This extensive network provides opportunities to cross sell products and services, particularly as the company diversifies into new business streams. In addition to the geographical spread, MOFSL also offers an online channel to service customers.

Established leadership in Franchisee business

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

Strong risk management

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

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 on 31st March 2014 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 has constituted Asset Liability Committee (ALCO) and is headed by Chairman and Managing Director. The Committee has formulated Asset/Liability Management Policy of the Company. It involves the management of various risks including liquidity risk, interest rate risk and market risk.

The Company has also constituted Risk Management Committee to manage the integrated risk and accordingly committee framed a progressive risk management system, risk management policy and strategy followed by the Company. The Committee reviews the credit risk, interest rate risk, liquidity risk and operational risks and monitors the systems that are in place to minimize risks.

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 Profit and Loss Account (₹ mn unless indicated otherwise) - Standalone

Particulars	2013-2014	% to Total Income	2012-2013	% to Total Income	Increase/ (Decrease) %
Revenue					
Income from operations	697.16	71.33	728.04	76.71	(4.24)
Other income	280.20	28.67	221.01	23.29	26.78
TOTAL	**977.36**	**100.00**	**949.04**	**100.00**	**2.98**
Expenditure					
Financial expenses	190.09	19.45	134.50	14.17	41.33
Employee cost	65.30	6.68	63.08	6.65	3.52
Depreciation	83.22	8.51	83.62	8.81	(0.48)
Other expenses	176.77	18.09	50.03	5.27	253.33
TOTAL	**515.39**	**52.73**	**331.23**	**34.90**	**55.60**
Profit before tax & exceptional items	461.97	47.27	617.81	65.10	(25.22)
Exceptional items: (Income)/Expenses	12.95	1.32	163.80	17.26	(92.09)
Profit before tax	449.02	45.94	454.01	47.84	(1.10)
Current tax	53.97	5.52	64.77	6.82	(16.67)
Deferred tax	(3.27)	(0.33)	1.75	0.18	(286.86)
Tax: Earlier years	5.24	0.54	–	–	–
PAT	**393.08**	**40.22**	**387.48**	**40.83**	**1.45**
Earnings per share (Basic) ₹	2.79	0.29	2.67	0.28	4.49
Earnings per share (Diluted) ₹	2.79	0.29	2.67	0.28	4.49

During the year under review, the standalone revenues for the year were ₹ 977.36 mn, a growth of 2.98% as compared to ₹ 949 mn last year. Within fund based income, interest income was up by 10.59% to ₹ 677.42 mn. This was largely on account of an increase in the average loan book size across the year. Other operating income was ₹ 43.50 mn in FY2014, down 62.97% YoY. The previous year had included profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Arbitrage opportunities were also lower in the market this year, which impacted arbitrage income this year. Other income, which includes dividend from subsidiaries, was ₹ 280.20 mn.

Total expenses (before depreciation, interest and exceptional) almost doubled during the year, from ₹ 113.11 mn a year back to ₹ 242.1 mn this year. The company has made provisions for some debts where the collateral cover has fallen below acceptable thresholds.

Profit before depreciation, interest, and taxation (EBITDA) decreased by 12% this year to ₹ 735.29 mn. Interest and finance charges increased from ₹ 134.50 mn to ₹ 190.1 mn. Exceptional item of ₹ 12.95 mn (pre-tax) represents amounts provided for positions related to exposure in the National Spot Exchange Limited. The reported net profit increased by 1.45% to ₹ 393.1 mn.

Long-term investments increased to ₹ 1,221.16 mn, from 1,196.89 mn last year. Current assets mainly comprise of stock in trade, cash and bank balances, and other current assets. As of 31st March 2014, these decreased to ₹ 4,603.42 mn, from ₹ 4,782.18 mn last year. The cash and bank balances were ₹ 21 mn, out of which ₹ 5 mn were in bank deposits.

Total loans and advances increased to ₹ 4,595.82 mn as of 31st March 2014, from 4,244.84 mn a year back. Current liabilities principally consist of liabilities in respect of provision for expenses and tax deduction at source. It increased to ₹ 1,901.81 mn as of 31st March 2014, on account of short term borrowings.

Consolidated Financials

Table 2: Abridged profit and loss account (₹ mn unless indicated otherwise) - Consolidated

Particulars	2013-2014	% to Total Income	2012-2013	% to Total Income	Increase/ (Decrease) %
Revenue					
Income from operations	4,568.38	97.56	4,646.29	98.26	(1.68)
Other income	114.27	2.44	82.49	1.74	38.53
TOTAL	**4,682.64**	**100.00**	**4,728.77**	**100.00**	**(0.98)**
Expenditure					
Operating expenses	1,053.44	22.50	1,106.06	23.39	(4.76)
Financial expenses	28.61	0.61	48.03	1.02	(40.43)
Employee cost	1,273.25	27.19	1,079.63	22.83	17.93
Depreciation	242.65	5.18	258.55	5.47	(6.15)
Administrative & other expenses	934.08	19.95	799.09	16.90	16.89
TOTAL	**3,532.03**	**75.43**	**3,291.36**	**69.60**	**7.31**
Profit before tax & exceptional items	1,150.61	24.57	1,437.41	30.40	(19.95)
Exceptional items: Income/(Expenses)	(555.86)	(11.87)	180.77	3.82	(407.50)
Profit before tax but after exceptional items	594.75	12.70	1,618.18	34.22	(63.25)
Current tax	235.94	5.04	390.29	8.25	(39.55)
Deferred tax	(62.41)	(1.33)	132.41	2.80	(147.13)
Minimum Alternate Tax	(0.89)	(0.02)	(8.30)	(0.18)	(89.28)
Tax: Earlier years	6.60	0.14	3.97	0.08	66.25
Profit after tax (before Minority)	**415.51**	**8.87**	**1,099.81**	**23.26**	**(62.22)**
Earnings per share (Basic) ₹	2.95	–	7.57	–	(61.03)
Earnings per share (Diluted) ₹	2.95	–	7.57	–	(61.03)

Due to challenging market conditions, the consolidated revenues for the year were ₹ 4,682.64 mn for the year under review, a marginal decrease of 0.98% as compared to the previous year. Broking revenues declined by 2.70% to ₹ 2,884.24 mn, as secondary market activity remained muted in the cash equities segment. Investment banking fee at ₹ 67.52 mn saw a 13.45% decline over the previous year due to continued slowdown in capital raising activity in the market. Fund based income declined by 14.61% to ₹ 857.84 mn due to lower arbitrage opportunities in the market this year. The previous year had also included profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Asset management fees saw traction this year, increasing 26.57% to ₹ 758.77 mn as compared to last year. The main jump was in the private equity segment, which announced the final close of its 2nd growth capital fund - India Business Excellence Fund II raising commitments of ₹ 9.54 bn, as well as the first close of its 2nd real estate fund - India Realty Excellence Fund II raising commitments of ₹ 1.86 bn. Other Income was ₹ 114.27 mn, up 38.53% YoY.

Total expenses (before interest and depreciation) for the year at ₹ 3,260.77 mn registered a 9.25% jump over last year. People cost increased by 17.93% to ₹ 1,273.25 mn. This was largely owing to an increase in hiring in the broking, wealth management, asset management and commodity businesses, as well as performance-based compensation in the private equity business. The decline in brokerage commission earned reduced the brokerage shared with intermediaries by 4.76% to ₹ 1,053.44 mn. Other costs were ₹ 934.1 mn, an increase of 16.89% over last year. This was largely due to higher provisions made during this year for debts where collateral cover has fallen below acceptable thresholds. The profit before depreciation, interest, exceptional items and taxation (EBITDA) decreased by 18.47% to ₹ 1,421.87 mn. EBITDA margin decreased from 36.88% to 30.36%.

The company had exposure to National Spot Exchange Limited (NSEL). However, NSEL has not been able to adhere to its payment obligations, and the company has perused legal action against it. Pending final outcome which is uncertain, the company has written off and provided for amounts of ₹ 555.86 mn (pre-tax) in respect of these positions during the year, which is disclosed under "Exceptional Items". Reported net profit for the year after minority interest stood at ₹ 395 mn, a decline of 63.79%.

Long-term investments increased from ₹ 1,225.46 mn to ₹ 2,225.93 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 31st March 2014, the cash and bank balances were ₹ 1,677.76 mn, from ₹ 2,143.76 mn a year back. Total loans and advances was ₹ 5,278.92 mn, from ₹ 5,155.90 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 was ₹ 6,326.97 mn as of 31st March 2014, from ₹ 5,292.14 mn a year back. Total provisions, which mainly include provisions for taxation and for proposed dividend, was ₹ 557.22 mn as of 31st March 2014.

Table 3: Performance of Subsidiaries (₹ mn unless indicated otherwise)

Motilal Oswal Securities Limited (MOSL)

Particulars	2013-2014	2012-2013	Increase / (Decrease) %
Total Revenues	3,217.70	3,368.84	(4.49)
EBIDTA (Before Exceptional Item)	901.64	1,075.67	(16.18)
PBT (Before Exceptional Item)	736.82	886.57	(16.89)
PAT	170.78	820.77	(79.19)

MOPE Investment Advisors Pvt. Ltd. (MOPE) (Formerly Motilal Oswal Private Equity Advisors Pvt. Ltd.)

Particulars	2013-2014	2012-2013	Increase / (Decrease) %
Total Revenues	399.62	274.38	45.64
EBIDTA	204.79	81.95	149.90
PBT	200.73	77.99	157.36
PAT	133.80	53.43	150.41

Motilal Oswal Investment Advisors Pvt.Ltd (MOIAPL)

Particulars	2013-2014	2012-2013	Increase / (Decrease) %
Total Revenues	85.94	79.76	7.74
EBIDTA	(36.35)	(59.90)	(39.32)
PBT	(51.27)	(68.34)	(24.98)
PAT	(37.21)	(51.95)	(28.37)

Motilal Oswal Commodities Broker Pvt.Ltd (MOCBPL)

Particulars	2013-2014	2012-2013	Increase / (Decrease) %
Total Revenues	161.56	246.00	(34.32)
EBIDTA (Before Exceptional Item)	73.25	168.47	(56.52)
PBT (Before Exceptional Item)	62.62	104.13	(39.86)
PAT	13.27	69.96	(81.03)

Motilal Oswal Asset Management Company Limited (MOAMC)

Particulars	2013-2014	2012-2013	Increase / (Decrease) %
Total Revenues	349.92	348.08	0.53
EBIDTA (Before Exceptional Item)	(5.73)	57.63	(109.95)
PBT (Before Exceptional Item)	(10.59)	52.84	(120.05)
PAT	(6.43)	52.84	(112.17)

Human Resources

At MOFSL, it has been our constant attempt to create an employee-centric culture. Keeping this in mind we have ensured that we take-up new welfare initiatives year on year to take our employee engagement to another level. In the year gone by, we have focused on creating synergies within the organization at various levels. 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. “Talent Now” was introduced to streamline the hiring process which helped the recruitment teams across the organization to encompass a data base. The online merger of the Employee Referral and IJP process was also a highlight for the year. Like every year, the response for the Annual Cricket Tournament was tremendous with 16 teams participating in the event. The tournament was closely competed with some thrilling matches. The top two losing quarter finalists also got an opportunity to compete in the Challengers Trophy. The other highlight of the day was the board room battle and women’s match. The board room battle was fought between our senior management. It was an entertaining match with both the spectators and the players enjoying themselves.

The Foundation Day was celebrated with industry experts gracing 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 Master Chef was reintroduced and the response was overwhelming. While focusing on profits and businesses we ensure that our employees’ are fit and able to handle the stress whenever it clouts. We provided all facilities to promote a healthy lifestyle such as Yoga & Meditation sessions at our premises. We had organized various camps which included the; Eye camp; Health check up camp & Blood Test camp which enabled associates to get personalized reports. We believe in organizational learning at all levels. We have various internal and external workshops and trainings to a large extent. Significant ones were Empowerment & Delegation, Leaders vs Manager’s, High Potential Vs High performers for the Sr. Leadership team. Another orientation program on “The Importance of Coaching” was organized for the HODs. To build in the synergy, we have also conducted out-bound trainings for our leadership team.

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. The Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Board of Directors

As on 31st March 2014, 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 stakeholders' 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 reimbursement 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 subsidiaries and its Associates which in their judgment would affect their independence. There are no inter-se relationships amongst our Board of Directors.

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

Number of Board Meetings

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. During the financial year 2013-14, the Board of Directors met four times i.e., on 27th April, 2013, 27th July, 2013, 26th October, 2013 and 21st January, 2014. 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 particular of Director, who is proposed to be re-appointed at the ensuing Annual General Meeting (AGM) is given subsequently in this report.

Details of composition, category of Directors, their attendance at the Board Meetings held during the year and on AGM convened on 27th July, 2013, along with the details of their Directorships and Committee Memberships in other companies are mentioned herein:

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	9	1	–-
Mr. Raamdeo Agarawal	Joint Managing Director (Promoter)	4	4	Yes	8	2	–
Mr. Navin Agarwal	Non-independent Non-executive Director	4	4	Yes	3	–	–
Mr. Balkumar Agarwal	Independent Director	4	4	Yes	4	–	3
Mr. Vivek Paranjpe	Independent Director	4	3	Yes	1	1	–
Mr. Praveen Tripathi	Independent Director	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.

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, 2014. 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 Liability Management Committee, which ensures 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) Shareholders/Investors Grievance Committee;

iii) Remuneration/Compensation 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 Comittee

As on 31st March, 2014, 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 27th April, 2013, 27th July, 2013, 26th October, 2013 and 21st January, 2014. The time gap between any two meetings was not more than four months. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors thereat is given herein below:-

Name of the members	Category	Status	No. of meetings	
			Held	Attended
Mr. Balkumar Agarwal	Independent Director	Chairman	4	4
Mr. Raamdeo Agarawal	Executive Director	Member	4	4
Mr. Vivek Paranjpe	Independent Director	Member	4	3
Mr. Praveen Tripathi	Independent Director	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.

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

ii. Remuneration/Compensation Committee

As of 31st March, 2014, 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 three times during the year under review on 27th April, 2013, 27th July, 2013 and 21st January, 2014. The details of the Composition of the Committee, number of meetings held and the attendance of the Directors thereat is given below:-

Name of the Members	Category	Status	No. of meetings	
			Held	Attended
Mr. Vivek Paranjpe	Independent Director	Chairman	3	2
Mr. Balkumar Agarwal	Independent Director	Member	3	3
Mr. Motilal Oswal	Chairman & Managing Director	Member	3	3

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, 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. No sitting fee is paid to Mr. Navin Agarwal, the Non-Independent Non-executive Director of the Company.

During 2013-2014, 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, 2014:-

Name of the Directors	Category	Sitting Fees (₹)	Commission (₹)
Mr. Navin Agarwal	Non-independent Non-executive Director	Nil	Nil
Mr. Balkumar Agarwal	Independent Director	1,50,000	4,00,000
Mr. Vivek Paranjpe	Independent Director	1,10,000	4,00,000
Mr. Praveen Tripathi	Independent Director	1,20,000	4,00,000

No Stock Option was granted to the Directors during the year ended 31st March, 2014.

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

Mr. Motilal Oswal, Chairman & Managing Director received a remuneration of ₹ 24,000,000 from the Company during the financial year 31st March, 2014.

Mr. Raamdeo Agarawal - Joint Managing Director received a remuneration of ₹ 24,000,000 from the Company during the financial year 31st March, 2014.

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, 2014.

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

iii. Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) comprises of 4 members which are Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agarawal, 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.

The Committee met 4 times during the year under review on 26th April, 2013, 26th July, 2013, 25th October, 2013 and 20th January, 2014. 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	Status	No. of meetings	
		Held	Attended
Mr. Motilal Oswal	Chairman	4	4
Mr. Raamdeo Agarawal	Member	4	4
Mr. Navin Agarwal	Member	4	4
Mr. Ajay Menon	Member	4	4

iv. 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 2013-2014 are given herein below:-

Sr. No.	Nature of Complaint	Pending as on 1st April, 2013	Received during the year	Disposed off during the year	Pending as on 31st March, 2014
i.	SEBI / Stock Exchange Complaints	–	–	–	–
ii.	Non-receipt of Dividend Warrant	–	5	5	–
iii.	Non-receipt of Share Certificate	–	–	–	–
iv.	Non-receipt of Annual Report	–	10	10	–
v.	Others	–	–	–	–
	Total	–	15	15	–

There are no pending or unresolved complaints as at the year end 31st March, 2014.

v. Nomination Committee

The Nomination Committee comprises of 2 members which are Mr. Motilal Oswal, Chairman & Managing Director and Mr. Raamdeo Agarawal, 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.

vi. Risk Management Committee

The Risk Management Committee comprises of 2 members which are 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.

vii. ESOP Committee

The ESOP Committee consists of 2 members which are Mr. Motilal Oswal, Chairman and Managing Director and Mr. Raamdeo Agarawal, 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 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 which are Mr. Motilal Oswal, Chairman & Managing Director, Mr. Raamdeo Agarawal, Joint Managing Director, Mr. Navin Agarwal, Non-independent Non-executive Director and Mr. Balkumar Agarwal, Independent Director.

The Debenture Committee is required to determine and approve the number of Debentures to be issued and allotted including the timing, nature, type, pricing, coupon rate and such other terms and conditions pertaining to the issuance of Debentures. Further the Committee shall approve the Information Memorandum, approve all other matters relating to the issue and allotment of Debentures and do all acts, 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, 2014, Mr. Balkumar Agarwal, 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, 2014. 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.

Code of Conduct and Code for Prevention of Insider-Trading Practices

The Board has laid down the Code of Conduct for its members and for designated Senior Management Personnel of the Company. The Code has been posted on the Company's website www.motilaloswal.com. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer, Chairman & Managing Director to this effect is enclosed at the end of this report. The Company has in compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 (SEBI Regulations) framed a comprehensive Code of Conduct for its designated employees towards prevention of Insider Trading. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

Shareholders

Re-appointment of Directors

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

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

Details of Director seeking re-appointment to the Board

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

Membership of Committees in Public Limited Companies - Nil

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

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 a 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 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, Opposite Parel ST Bus Depot, Elphinstone Road (West), Prabhadevi, Mumbai - 400 025.
- The Eighth Annual General Meeting of the Company was held on Saturday, 27th July, 2013 at 2.30 p.m. at Motilal Oswal Tower, Junction of Gokhale Road & Sayani Road, Opposite Parel ST Bus Depot, Elphinstone Road (West), Prabhadevi, Mumbai - 400 025.

Year	Date	Time	Special Resolutions passed
2011	21st July, 2011	4.00 p.m.	i) 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.
2013	27th July, 2013	2.30 p.m.	i) Repricing of stock options from ₹ 208.70 to ₹ 165 per stock option under Employee stock option schemes V & VI

Postal Ballot Resolutions

The Board of Directors at its meeting held on 27th April, 2014 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.

The Company had appointed Mr. Nandlal Bafna, a Practicing Company Secretary, as Scrutinizer for conducting the Postal Ballot in accordance with the provision of the Companies Act, 1956 and based on the Scrutinizer's Report dated June 20, 2013, Mr. Motilal Oswal, Chairman & Managing Director of the Company had announced the Postal Ballot results as under and the same were published in Business Standard and Navshakti newspapers:

Resolution No. 1:

Special Resolution for amending the Articles of Association of the Company by insertion of an Article with regard to Buy-back of shares and other specified securities:

Details of Ballot Received	No. of Ballots	No. of Shares	No. of Votes in favour	No. of Votes against
Valid	230	11,38,05,911	11,38,03,757	2,154
Invalid	21	2,013	–	–
Total	251	11,38,07,924	11,38,03,757	2,154
Percentage to No. of Valid Votes Polled			99.99%	0.01%

Resolution No. 2:

Special Resolution for Buy-back of Equity Shares of the Company:

Details of Ballot Received	No. of Ballots	No. of Shares	No. of Votes in favour	No. of Votes against
Valid	225	11,38,05,556	11,37,93,870	11,686
Invalid	25	2303	–	–
Total	250	11,38,07,859	11,37,93,870	11,686
Percentage to No. of Valid Votes Polled			99.99%	0.01%

General Shareholder Information

(i) Details of the 9th Annual General Meeting of the Company:-

Date : 22nd August, 2014

Time : 4.00 p.m.

Venue : Motilal Oswal Tower, Rahimtullah Sayani Road, Behind Parel ST Depot, 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, 2015: -

Financial reporting for the	Tentative dates of the Board Meeting
First quarter ending 30th June, 2014	Second fortnight of July, 2014
Half year ending 30th September, 2014	Second fortnight of October, 2014
Third quarter ending 31st December, 2014	Second fortnight of January, 2015.
Year ending 31st March, 2015	Second fortnight of April, 2015.

- Annual General Meeting for the year ended 31st March, 2015 is likely to be held in the second fortnight of July, 2015.

(iii) Date of Book Closure

From 18th August, 2014 to 22nd August, 2014, 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 per equity share during the year 31st March, 2014.

Subject to the approval of the members, a final dividend of ₹ 1 per share recommended by the Board will be paid on or before 15th September, 2014

(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 2014-2015 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 of the company is : INE338I01027.

(vii) Market Price Data

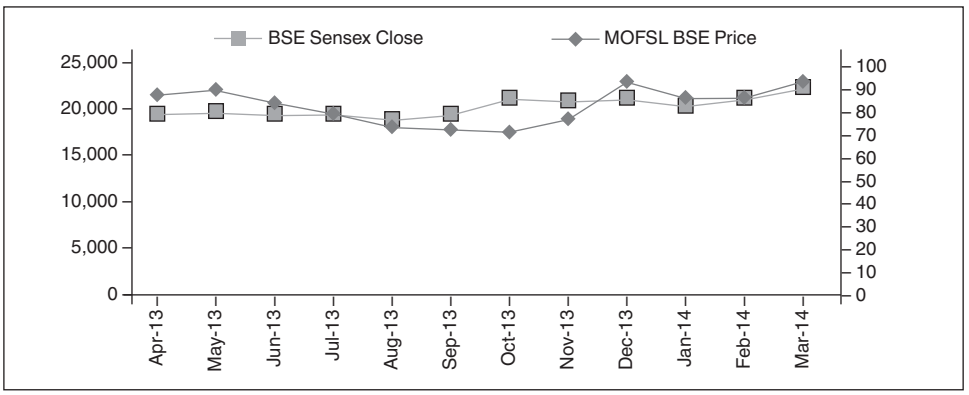
High, Low and Close during each month in the last financial year at BSE and NSE:-

Month	BSE ₹			NSE ₹		
	High	Low	Close	High	Low	Close
April- 13	94	77	86	96	76	85
May- 13	96	84	88	96	85	89
June-13	95	76	82	92	77	82
July-13	90	70	77	85	69	78
August-13	82	64	72	83	63	72
September-13	80	70	71	79	71	71
October-13	77	68	70	77	67	70
November-13	77	70	75	77	70	75
December-13	95	74	92	95	74	93
January-14	101	80	84	108	79	83
February-14	88	80	85	89	80	85
March-14	95	84	93	95	83	93

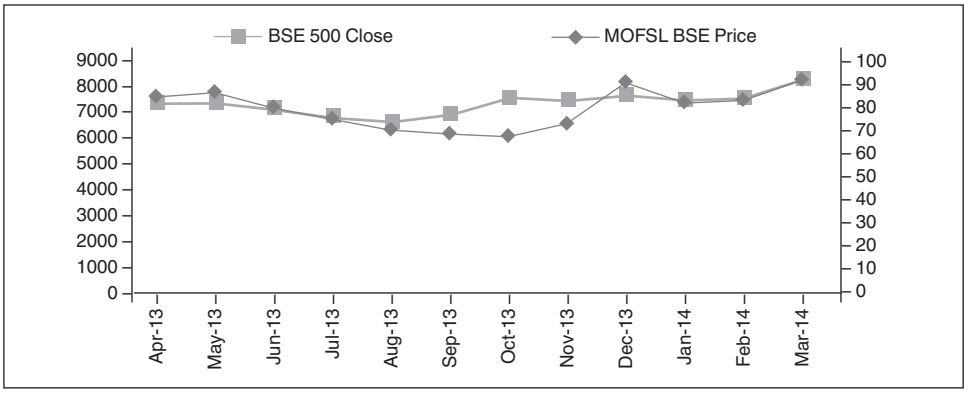
Performance in comparison to broad-based indices such as BSE, Sensex and S&P CNX Nifty :

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:-

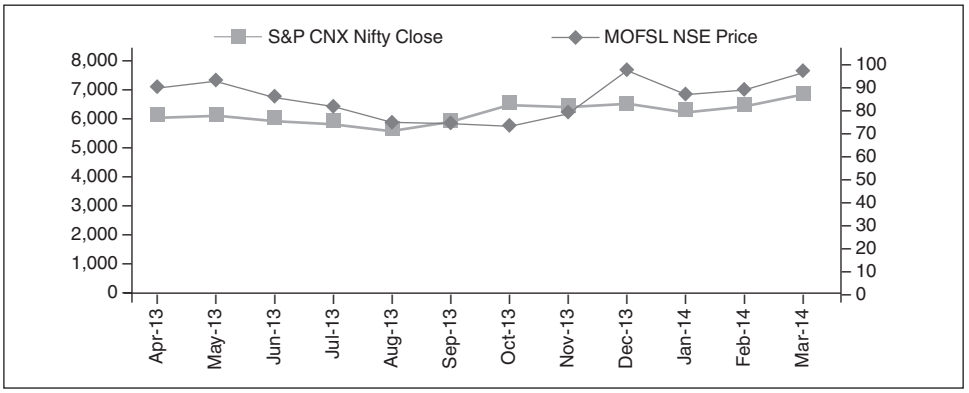
MOFSL Share performance versus BSE Sensex



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 id : 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 expedite 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 the shareholders 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, 2014.

Shareholding pattern by size as on 31st March, 2014: -

Number of shares held	Number of shareholders	Total No. of shares held in the category	% of shareholding
1 - 500	11,900	1,206,144	0.87
501 - 1000	432	313,125	0.22
1001 - 2000	244	343,641	0.25
2001 - 3000	79	197,324	0.14
3001 - 4000	36	127,384	0.09
4001 - 5000	32	151,229	0.11
5001 - 10000	61	478,981	0.35
10001 & Above	127	135,348,003	97.96
TOTAL	**12,911**	**138,165,831**	**100**

Shareholding pattern by ownership class as on 31st March, 2014: -

Sr. No.	Description	Number of Shares (as at 31st March, 2014)	% to Capital
(i)	Promoters & promoter group	102,430,692	74.14
(ii)	Mutual Funds/Financial Institutions / Banks / Foreign Institutional Investors	16,139,598	11.68
(iii)	NRIs/OCBs	534,501	0.37
(iv)	Bodies Corporate	2,607,260	1.89
(v)	Public	8,610,724	5.87
(vi)	Directors	7,804,010	5.37
(vii)	Others	39,046	0.03
	TOTAL	**138,165,831**	**100.00**

(xi) Dematerialisation of Shares

As on 31st March, 2014, 99.20% 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, 2014, 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: -

Motilal Oswal Financial Services Limited
Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot,
Prabhadevi, Mumbai - 400 025.

Tel.: Board +912239804200 Fax:. +912233124997 Email id : shareholders@motilaloswal.com

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

Chief Executive Officer's Declaration on Code of Conduct

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

To,

The Members of
Motilal Oswal Financial Services Limited

I, Motilal Oswal, 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 of the Company.

For **Motilal Oswal Financial Services Limited**

Motilal Oswal

Chairman & Managing Director
Chief Executive Officer

Mumbai, 26th April, 2014

Certificate from Chief Executive Officer and Chief Financial Officer

To,

The Board of Directors
Motilal Oswal Financial Services Limited

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, 2014 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

Mumbai, 26th April, 2014

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 ("the Company"), for the year ended on 31st March, 2014, 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: 27th June, 2014

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, 2013	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, 2014	6	615

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, 2014, the Statement of Profit and Loss and the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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, 2014;

(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.

Emphasis of Matter

We draw attention to note no. 30 of the financial statement. During the year the Company has adopted the principles of Accounting Standard 30 "Financial Instruments Recognition and Measurement for designating stock in trade of securities and corresponding derivative position at "fair value through Profit and Loss" and all other derivative contracts including embedded derivative at fair value. As a result of this change profit before tax for the year is higher by ₹ 8.54 mn. Our report is not qualified in respect of this matter.

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;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

e. on the basis of written representations received from the Directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: 26th April, 2014

[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 March 31, 2014]

(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 ₹ 154.40 mn and the year-end balance of loans granted to such parties was ₹ 72.87 mn.

(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) As informed, the Company has not taken any loans, secured or unsecured loan from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4(iii) (f) to (g) of the order are not applicable.

(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, in the absence of any comparable market price, we are unable to comment whether the transaction were made at prevailing market price at 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.

(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	1.44	A.Y. 2008-09	ITAT
Income Tax Act, 1961	Income Tax	1.48	A.Y. 2010-11	ITAT
Income Tax Act, 1961	Income Tax	5.70	A.Y. 2011-12	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) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, the Company has created security/ charge in respect of debentures outstanding during the year.

(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

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: 26th April, 2014

Balance Sheet

		Note	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
I	**EQUITY AND LIABILITIES**			
	Shareholders' Funds			
	Share Capital	1	138.17	145.24
	Reserves and Surplus	2	5,103.15	5,536.11
	Non-Current Liabilities			
	Long-term Borrowings	3	188.31	250.00
	Deferred Tax Liabilities (Net)	4	33.25	36.52
	Long-term Provision	5	1.79	1.89
	Other long term liabilities	6	91.36	–
	Current Liabilities			
	Short-term Borrowings	7	1,560.78	1,253.00
	Other Current Liabilities	8	87.08	50.53
	Short-term Provision	9	253.95	257.31
	TOTAL		**7,457.84**	**7,530.59**
II	**ASSETS**			
	Non-Current Assets			
	Fixed Assets			
	Tangible Assets	10	1,599.85	1,522.60
	Capital Work-in-Progress		1.83	–
	Non Current Investments	11	1,221.16	1,196.89
	Long-term Loans and Advances	12	31.58	28.92
	Current Assets			
	Cash and bank balances	13	21.03	112.18
	Short-term Loans & Advances	14	4,564.24	4,215.92
	Other Current Assets	15	18.15	454.08
	TOTAL		**7,457.84**	**7,530.59**
Notes referred to above form an integral part of the financial statements		1 to 43		

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

Sameer Kamath
Chief Financial Officer

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 26th April, 2014

Statement of Profit and Loss

	Note	For the year ended 31-Mar-14 ₹ In Millions	For the year ended 31-Mar-13 ₹ In Millions
REVENUE			
Revenue from operations	16	697.16	728.03
Other Income	17	280.20	221.01
Total Revenue (A)		**977.36**	**949.04**
EXPENSES			
Employee benefit Expenses	18	65.30	63.08
Finance Cost	18	190.09	134.50
Depreciation	10	83.22	83.62
Other Expenses	18	176.78	50.03
Total Expenses (B)		**515.39**	**331.23**
Profit before Exceptional Item and tax {C=(A-B)}		**461.97**	**617.81**
Exceptional Item Expenses/(Income)(Refer note no. 27)(D)		12.95	163.80
Profit after Exceptional Item and before tax {E=(C-D)}		449.02	454.01
Tax Expenses			
Current Tax		53.97	64.77
Deferred Tax		(3.27)	1.75
Tax for Earlier years (Short)/(Excess)		5.24	–
Total Tax Expenses (F)		**55.94**	**66.53**
Profit after Exceptional Item and after tax {G=(E-F)}		393.08	387.48
Earnings per share (₹) (Refer note no. 23)			
Equity share of par value ₹ 1 each			
Basic		2.79	2.67
Diluted		2.79	2.67
Notes referred to above form an integral part of the financial statements	1 to 43		

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

Sameer Kamath
Chief Financial Officer

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 26th April, 2014

Cash Flow Statement

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**449.02**	**454.01**
Add: Depreciation	83.22	83.62
Adjustment for		
Add: Expense on Stock Option	0.01	0.05
Less: Dividend Income	(279.46)	(220.74)
Add: Bad debts written off / (back)	34.48	113.54
Add: Provison on standard & Doubtful Assets	67.77	53.37
Add: Change in Value of Option Premium (Non Convertible Debentures)	8.44	–
Add: Buy back Expense	1.37	–
Adjustment for working capital changes		
1) Increase/(Decrease) other long term provision	(0.10)	(0.04)
2) Proceeds / (Repayment) of Borrowing	–	250.00
4) Increase/(Decrease) Other Current Liabilities	36.47	(459.69)
5) Increase/(Decrease) Short-term Provision	(73.60)	0.48
6) Increase/(Decrease) In Other long term liabilities	21.23	–
7) (Increase)/Decrease In Long term Loans & Advances	4.08	109.32
8) (Increase)/Decrease In Short-term Loans & Advances	(384.08)	(873.44)
9) (Increase)/Decrease In Other Current Assets	435.93	(400.60)
10) Increase/(Decrease) Short-term Borrowings	307.78	1,253.00
CASH GENERATED FROM OPERATIONS	**712.56**	**362.87**
Taxes Paid (Net of Refunds)	(55.05)	(93.98)
NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	**657.51**	**268.89**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of long term investments	(180.46)	(198.19)
(Investment)/ Proceeds Fixed Deposits / Other non cash & cash equivalents	4.93	(5.14)
Purchase of tangible assets (including Capital Work In Progress)	(6.09)	26.85
Dividend Income	279.46	220.74
NET CASH GENERATED FROM INVESTING ACTIVITIES (B)	**97.84**	**44.26**

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
C. CASH FLOW FROM FINANCING ACTIVITIES		
Buy back Expense	(1.37)	–
Buy back of Share capital	(7.07)	–
Premium on back of Share capital	(552.78)	–
Dividend paid (including DDT)	(280.34)	(217.71)
NET CASH USED IN FINANCING ACTIVITIES(C)	**(841.56)**	**(217.71)**
NET CASH FLOW FOR THE YEAR	**(86.22)**	**95.45**
Cash & Cash Equivalents comprise of		
Cash 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 beginning of year	**101.65**	**6.20**
Cash & Cash Equivalents comprise of		
Cheque on Hand	–	100.53
Scheduled Bank - In Current Account	15.43	1.12
Total Cash & Cash Equivalents as at end of year	**15.43**	**101.65**

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

Sameer Kamath *Chief Financial Officer*
Samrat Sanyal *Company Secretary*
Motilal Oswal *Chairman & Managing Director*
Raamdeo Agarawal *Joint Managing Director*

Place : Mumbai
Date : 26th April, 2014

Note 1 : Share Capital

	As at 31-Mar-14		As at 31-Mar-13	
	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	138,165,831	138.17	145,235,776	145.24
Of the above, 27,86,676 (Previous Year 27,86,676) equity shares, Fully paid up have been issued by other than cash				
TOTAL	**138,165,831**	**138.17**	**145,235,776**	**145.24**

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.

Dividend for the year ended March 31, 2014 includes ₹ 1/- Per share for final dividend & ₹ 1/- per share for interim dividend. The total dividend appropriated amounts to ₹ 273.20 mn (Previous Year: ₹ 290.48 mn) and corporate dividend tax of ₹ 0.06 mn (Previous year: ₹ 11.84 mn). During the year ended March 31, 2013, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1 per share for final dividend and ₹ 1 per share for Interim dividend.

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 31.03.2014 and 31.03.2013.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-14		As at 31-Mar-13	
	In Numbers	₹ In Millions	In Numbers	₹ In Millions
Number of share at beginning of the year	145,235,776	145.24	145,122,869	145.12
Add: Share issued to employees of subsidiary	–	–	112,907	0.11
Less: Buy Back of shares	7,069,945	7.07	–	–
Number of Share at the end of the year	**138,165,831**	**138.17**	**145,235,776**	**145.24**

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

Share Holder	As at 31-Mar-14		As at 31-Mar-13	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Passionate Investment Management Private Limited	76,792,394	55.58%	76,453,550	52.64%
Mr. Motilal Oswal	12,110,476	8.77%	12,110,476	8.34%
Mr. Raamdeo Agrawal	11,828,100	8.56%	11,828,100	8.14%
HDFC Trustee Company Limited - HDFC Mutual Fund	9,284,450	6.72%	10,145,380	6.99%
Mr. Navin Agarwal	7,804,010	5.65%	7,804,010	5.37%

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 09.07.2007and 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 2014 and March 2013 is set below:

	As at 31-Mar-14 In Numbers	As at 31-Mar-13 In Numbers
The (ESOS-III) : (Face value of ₹ 2/- each)		
Option outstanding, beginning of the year.	9,250	10,950
Less: Lapsed	–	1,700
Option outstanding, end of the year	**9,250**	**9,250**
The (ESOP-IV) : (Face value of ₹ 5/- each)		
Option outstanding, beginning of the Year.	–	5,000
Less: Lapsed	–	5,000
Option outstanding, end of the Year.	**–**	**–**
The (ESOP-V) : (Face value of ₹ 1/- each)		
Option outstanding, beginning of the Year.	1,408,500	2,047,750
Less: Lapsed	123,750	639,250
Option outstanding, end of the Year.	**1,284,750**	**1,408,500**
The (ESOP-VI) : (Face value of ₹ 1/- each)		
Option outstanding, beginning of the Year.	3,439,000	4,100,000
Add: Granted	1,948,450	–
Less: Lapsed	513,200	661,000
Option outstanding, end of the Year.	**4,874,250**	**3,439,000**

Employees' Stock Options Scheme (ESOS) :

During the year 19,48,450 Employee Stock Options have been granted under Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI to the employees of the company and its subsidiary Companies (Previous Year Nil).

90,000 stock options already granted under 'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme – V' and 4,97,800 stock options already granted under 'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme – VI' are re-priced from ₹ 208.70 per stock option to ₹ 165.00 per stock option, the same was approved by the board on 27.04.2013 and by the shareholders in AGM dated 27.07.2013."

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, 2014 over the balance vesting period is Nil (Previous year- ₹ 0.13 mn)

1.5 Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately proceeding March 31, 2014).

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

1.6 Buy Back of Equity Shares

The Company obtained approval from the shareholders, by way of Postal Ballot process on 21st June, 2013 and from SEBI on 2nd July, 2013 to buyback the shares of the Company at a price not exceeding ₹ 90/- per share of upto a maximum of 75,00,000, fully paidup equity shares of ₹ 1/- each. Persuant to this the Company has bought back 70,72,701 shares upto 31st March, 2014. The amount utilised for buyback is ₹ 560.1 mn. Out of the said equity shares bought back, 2,756 equity shares have not been extinguished upto 31st March, 2014.

Note 2 : Reserves & Surplus

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Capital Redemption Reserve		
Opening balance	0.00	0.00
Add:Transferred from Statement of Profit and Loss	7.07	–
Balance as at end of the year	**7.07**	**0.00**
Securities Premium		
Opening balance	4,245.06	4,233.49
Add: During the year	–	11.57
Less: Premium of Buyback of equity shares	552.79	–
Balance as at end of the year	**3,692.27**	**4,245.06**
ESOP Outstanding		
Opening balance	1.00	0.95
Add: During the year	0.01	0.05
Balance as at end of the year	**1.01**	**1.00**
Statutory Reserve (under Sec 45IC of RBI Act, 1934)		
Opening balance	487.30	409.81
Add: Transferred from Statement of Profit and Loss	78.62	77.50
Balance as at end of the year	**565.92**	**487.31**
General Reserve		
Opening balance	202.70	171.71
Add: Transferred from Statement of Profit and Loss	31.45	31.00
Balance as at end of the year	**234.15**	**202.70**

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Balance b/f		
Surplus balance in Statement of Profit and Loss		
Opening balance	600.03	623.36
Add: Net Profit During the Year	393.08	387.48
Less: Transfer to Statutory Reserve	(78.62)	(77.50)
Less: Transfer to General Reserve	(31.45)	(31.00)
Less: Transfer to Capital Redemption Reserve	(7.07)	–
Less: Interim dividend	(138.83)	(145.24)
Less: Proposed Dividend	(134.37)	(145.24)
Add: Credit of Dividend Distribution Tax on dividend from subsidiary	47.50	11.77
Less: Dividend Distribution Tax	(47.55)	(23.61)
Balance as at end of the year	**602.73**	**600.04**
TOTAL	**5,103.15**	**5,536.11**

Note 3 : Long Term Borrowings

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
2,500 Principal Protected Secured Redeemable Non-Convertible Debentures of ₹ 100,000/- each (Refer Note no.30)	188.31	250.00
TOTAL	**188.31**	**250.00**

Note 4 : Deferred Tax Liability (Net)

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Deferred tax Assets		
Gratuity provision	1.01	1.00
Provision on standard assets	26.55	27.50
Interest from IREF	1.04	0.95
Interest accrued on ORCDs	2.21	0.82
Interest on Debenture	10.44	–
Total (i)	**41.26**	**30.27**
Deferred tax Liability		
Written Down Value of Fixed Assets	74.50	66.79
Total (ii)	**74.50**	**66.79**
Net (Total (ii) - Total (i))	**33.25**	**36.51**

Note 5 : Long Term Provisions

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Provision for employee benefits		
Provision for Gratuity (Refer note 37)	1.79	1.89
TOTAL	**1.89**	**1.92**

Note 6 : Other Long Term Liability

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Security Deposit	21.23	–
Option Premium on Non Convertible Debenture	70.13	–
TOTAL	**91.36**	**–**

Note 7 : Short Term Borrowings

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured		
From Subsidiary (Repayable on demand)	1,560.78	1,253.00
TOTAL	**1,560.78**	**1,253.00**

Note 8 : Other Current Liabilities

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unpaid Dividend (Refer Note (a) below)	0.60	0.53
Interest Accrued and due	32.78	8.94
Other liabilities		
For Retention money	1.28	4.44
For capital expenses	3.67	3.03
For other expenses	17.05	12.32
Taxes Payable	3.47	2.58
Other Payables	28.23	5.73
Book overdraft	–	12.95
TOTAL	**87.08**	**50.53**

(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 9 : Short Term Provisions

Particular	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Provision for Leave Salary	0.41	0.47
Provision for Gratuity (Refer note 37)	1.18	1.19
Others		
Proposed Dividend	138.17	145.24
Provision for		
Ex-Gratia	2.98	2.08
Contingent Provisions against Standard Assets	58.21	10.34
Tax on Dividend	23.48	23.56
Provision for Taxation [Net of Advance Tax Current Year ₹ 8.49 Millions (Previous Year Nil)]	9.61	–
Provision for Sub standard & doubtful non performing assets	19.91	74.42
TOTAL	**253.95**	**257.31**

Note 10 : Tangible assets

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 1-Apr-13	Addition	Other Adjustments*	Disposal	As on 31-Mar-14	As on 01-Apr-13	For The Year ended 31-Mar-14	Other Adjustments*	Disposal	As on 31-Mar-14	As on 31-Mar-14	As on 31-Mar-13
Land	158.30	–	–	–	158.30	–	–	–	–	–	158.30	158.30
Buildings	1,370.61	3.28	165.12	–	1,539.02	69.59	72.97	8.92	–	151.48	1,387.54	1,301.02
Computer equipment	0.43	–	–	–	0.43	0.28	0.06	–		0.34	0.09	0.16
Plant and Machinery	51.96	0.24	–	–	52.20	7.09	6.22	–	–	13.27	38.94	44.87
Furniture and Fixtures	15.79	0.70	–	–	16.49	2.81	2.61	–	–	5.41	11.07	12.98
Vehicles	9.61	–	–	–	9.61	4.33	1.36	–	–	5.70	3.91	5.27
TOTAL	**1,606.70**	**4.22**	**165.12**	**–**	**1,776.04**	**84.10**	**83.22**	**8.92**	**–**	**176.20**	**1,599.85**	**1,522.60**

* Other Adjustments represents transfer of Investment Property to Building.

Previous Year

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 1-Apr-12	Addition	Other Adjustments*	Disposal	As on 31-Mar-13	As on 1-Apr-12	For the year ended 31-Mar-13	Other Adjustments*	Disposal	As on 31-Mar-13	As on 31-Mar-13	As on 31-Mar-12
Land	158.30		–		158.30	–	–	–	–	–	158.30	158.33
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 equipment	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	**1,642.47**	**129.35**	**(165.12)**	–	**1,606.70**	**9.39**	**75.40**	(0.70)	–	**84.10**	**1,522.60**	**1,633.07**

* Other Adjustments represents transfer of Building as Investment Property.

Note 11 : Non-Current Investments - At cost (Non Trade)

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-14	31-Mar-13		31-Mar-14	31-Mar-13
	Quated Investments						
(a)	Motilal Oswal MOSt Focused 25 Fund	Others	11,786,000	–		120.00	–
	Total (a)					**120.00**	**–**
	Unquoted Investments						
(b)	Investment Property*	Others				53.30	164.42
	Less : Depreciation on Investment Property					–	(8.22)
	Total (b)					**53.30**	**156.20**
(c)	Investment in Equity Instruments						
	Motilal Oswal Securities Ltd.	Subsidiary	1,318,218	1,318,218	Fully paid	13.18	13.18
	Motilal Oswal Commodities Brokers Pvt. Ltd.	Subsidiary	400,000	400,000	Fully paid	4.00	4.00
	Motilal Oswal Investment Advisors Pvt. Ltd.	Subsidiary	1,000,000	1,000,000	Fully paid	413.72	413.72
	MOPE Investment Advisors Private Ltd.	Subsidiary	50,000	50,000	Fully paid	0.50	0.50
	Motilal Oswal Insurance Brokers Pvt. Ltd.	Subsidiary	2,990,000	990,000	Fully paid	29.90	9.90
	Total (c)					**461.30**	**441.30**
(d)	Investment in Preference Instruments						
	Motilal Oswal Investment Advisors Pvt. Ltd.	Subsidiary	5,000,000	–		50.00	–
	Total (d)					**50.00**	**–**
	Investment in Private Equity Funds						
(e)	India Business Excellence Fund	Others	450	450	Partly paid-up	352.45	352.45
	India Reality Excellance Fund	Others	340	340	Fully paid-up	71.50	136.95
	India Business Excellence Fund II	Others	565,000	550,000	Partly paid-up	112.61	110.00
	Total (e)					**536.56**	**599.39**
	Total (a+b+c+d+e)					**1,221.16**	**1,196.89**

*During the year, the company has purchased under construction Residential flats of ₹ 53.30 mn.

Details of quoted and unquoted investments:	Cost (₹ In Millions)	Market Value (₹ In Millions)
Agreegate value of quoted investments and market value	120	132
Agreegate value of unquoted investments	1,048	NA
Agreegate provision for dimunition in value of investments	Nil	NA

Note 12 : Long Term Loans And Advances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured, considered good		
Loans to Others		
Capital Advances	–	0.26
Other loans and advances		
Balance with Government Authorities	19.93	27.25
Prepaid Expenses	1.03	0.90
Electricity and other deposits	3.69	0.33
Taxes recoverable [Net of provision for tax Current Year ₹ 157.14 mn (Previous Year ₹ 214.18 mn)]	6.93	0.19
TOTAL	**31.58**	**28.92**

Note 13: Cash and Bank Balances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Cash and Cash Equivalents		
Cheques on Hand	–	100.53
Bank Balances		
In Current Account	15.43	1.12
	15.43	**101.65**
Other Bank Balances		
Fixed Deposit with Banks (with maturity more than 3months)*	5.00	10.00
Unpaid Dividend Account	0.60	0.53
	5.60	**10.53**
TOTAL	**21.03**	**112.18**

* Fixed Deposit has been pledged against overdraft facility from HDFC Bank Ltd.

Note 14 : Short Term Loans And Advances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured, considered good		
Loans to Subsidiaries	132.92	132.33
Loans to Others		
Standard Assets	308.41	415.36
Sub Standard Assets		
Non Performing Assets (Debts outstanding for a period exceeding six months, but less than twenty four months)	14.41	–
Doubtful Assets		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	0.00	64.90
Other Loans & Advances		
Prepaid expenses	0.63	2.26
Balance with Government Authorities	4.47	3.57
Loans and Advances to employees	–	–
Others	7.06	6.23
Secured, considered good		
Loans to Others		
Standard Assets	4,073.18	3,542.39
Sub Standard Assets		
Non Performing Assets (Debts outstanding for a period exceeding six months, but less than twenty four months)	0.67	–
Doubtful		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	22.50	47.60
Taxes recoverable [Net of provision for tax Current Year Nil (Previous Year ₹ 360.18 mn)]	–	1.28
TOTAL	**4,564.24**	**4,215.92**

Note 15 : Other Current Assets

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured, considered good:		
Accrued interest	0.13	0.18
Other Receivable	18.02	453.90
TOTAL	**18.15**	**454.08**

Note 16 : Revenue from Operations:

	For the year ended 31-Mar-14 ₹ In Millions	For the year ended 31-Mar-13 ₹ In Millions
Interest	677.42	612.56
Loss from Arbitrage	(23.76)	(1.99)
Other operating revenue	43.50	117.46
TOTAL	**697.16**	**728.03**

Note 17 : Other Income

	For the year ended 31-Mar-14 ₹ In Millions	For the year ended 31-Mar-13 ₹ In Millions
Dividend Income		
On short term investments - Mutul funds, shares etc.	–	0.73
On long term investments - Units of Private Equity	–	2.50
On long term investments - Subsidiary Company	279.46	217.51
Other non operating income	0.74	0.26
Foreign Exchange Gain/(Loss)	–	(0.00)
TOTAL	**280.20**	**221.01**

Note 18 : Expenses

	For the year ended 31-Mar-14 ₹ In Millions	For the year ended 31-Mar-13 ₹ In Millions
Employee Benefits		
Salary, Bonus and Allowances	63.06	61.41
Expenses on Employee Stock Option Scheme	0.01	0.05
Contribution to provident and other funds	0.44	0.39
Staff welfare expenses	1.92	1.05
Gratuity (Refer note 37)	(0.11)	0.19
TOTAL	**65.30**	**63.08**
Finance Cost		
Interest Cost	190.09	134.50
TOTAL	**190.09**	**134.50**
Other Expenses		
Advisory & Referral Fees	18.29	–
Rents	0.19	0.46
Rates and taxes	12.46	6.23
Insurance	1.29	0.84
Legal & Professional Fees	10.51	8.74
Remuneration to auditors (Refer note. 22)	1.25	1.38
Advertisement Expenses	3.82	2.97
Marketing and Brand Promotion	2.72	2.26
Printing & Stationery	1.64	1.13
Communication expenses	0.26	0.93
Travelling Expenses & Conveyance Expenses	4.35	3.25
Electricity Charges	7.45	7.28
Repair and maintenance - Building	7.23	1.28
Bad Debts Written Off	34.48	1.04
Provision on Standard Assets & Provision on Sub-Standard Assets and Doubtful Assets	54.83	2.06
Computer Software charges	0.37	1.58
Donation	0.62	1.56
Miscellaneous Expenses	15.03	7.05
TOTAL	**176.77**	**50.03**

Significant Accounting Policies for the year ended March 31, 2014

Note 19 : 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 ₹ 78.62 in mn (Previous Year ₹ 77.50 in mn) to Reserve Fund, being 20% of the Profit After Tax.

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, 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 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.

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 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/currency held as stock-in-trade and profit/loss on related derivative instruments.

1. Profit/loss on sale of securities/currency is determined based on the Weighted Average cost of the securities/ currency sold.
2. The company has designated the securities/currency as financial assets at "fair value through Statement of Profit or loss". Such designations are considered by the Company to eliminate / significantly reduce measurement / recognition inconsistency that would otherwise arise. These instruments are measured at fair value and changes therein are recognised in the Statement of Profit or Loss. Directly attributable transaction costs are recognised in Statement of Profit or Loss as incurred.

   Fair value for quoted instruments is determined with reference to the last traded price for the respective instruments while for unquoted instruments, fair value is determined based on appropriate valuation methodologies.

   Derivative

   The company holds derivative instruments to hedge exposure to price risk associated with equity and/or for trading. The derivative instruments entered into by the Company are mainly in the nature of futures and options.

   Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit and loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in Statement of Profit and Loss account. Specifically with respect to futures contracts, in addition to the fair value changes being recognised in the Statement of Profit and Loss account, the Company recognises margin money paid as a separate asset in the balance sheet till such amounts are settled/ squared off over the tenure of the future contract.

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

19.7 Benchmarked Linked Debentures:

The Company has issued certain non-convertible debentures, the return of which is linked to performance of specified indices over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the profit and loss account. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

19.7 Stock In Trade:

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

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.

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.

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 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 depreciable historical cost.

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

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Capital goods	–	0.61
TOTAL	–	0.61

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

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
As Auditors:		
Audit Fees	0.83	0.83
Tax Audit Fees and Arrears	0.09	0.05
Out of pocket expenses	0.02	0.02
In any other capacity, in respect of:		
Other Certification	0.25	0.40
Service Tax	0.15	0.16
TOTAL	**1.32**	**1.46**

Note 23 : Basic & Diluted Earnings per share:

	As at 31-Mar-14	As at 31-Mar-13
Net Profit attributable to equity shareholders [A] (₹ in Millions)	393.08	387.48
Weighted Average number of equity shares issued [B] (face value of ₹ 1 each) (No. in Millions)	140.81	145.20
Basic Earnings per share [A/B] (₹)	2.79	2.67
Weighted Average Number of equity shares outstanding for Diluted EPS [C] (No. in mn)	140.81	145.20
Diluted Earnings per share [A/C] (₹)	2.79	2.67

Note 24 : Reconciliation of Basic And Diluted Shares Used In Computing Earning Per Share

	As at 31-Mar-14 In Numbers	As at 31-Mar-13 In Numbers
Number of shares considered as basic weighted average shares outstanding.	140,808,377	145,195,253
Add: Effect of dilutive issues of shares/stock options	–	965
Number of shares considered as weighted average shares and potential shares outstanding	140,808,377	145,196,218

Note 25 : Provisions made for the year ended 31st March, 2014 comprises of:

(₹ In Millions)

	Opening balance as on 01-Apr-13	Provided during the Year Ended 31-Mar-14	Provision reversed / paid for the Year Ended 31-Mar-14	Closing balance as on 31-Mar-14
Ex-gratia	2.08	2.98	2.08	2.98
Provision for Gratuity	3.08	(0.11)	–	2.97
Leave Encashment	0.47	0.41	0.47	0.41

Note 26: Operating Lease

During the year, ₹ 0.19 mn (P.Y ₹ 0.46 mn) has been recognised as Lease Payments in the Statement of Profit and Loss under the head "Rents".

During the year, ₹ 35.85 mn (P.Y ₹ 27.98 mn) has been recognised as Rent income in the Statement of Profit and Loss under the head "Other operating revenue".

Minimum Future Lease receivables:

Particulars	₹ In Millions
Not later than 1 year	48.14
Later than 1 Year and not later than 5 years	192.56
Later than 5 years	–
Total	**240.70**

NOTE 27 :

Exceptional items comprises of amount of ₹ 12.95 mn provided by the company in respect of its Loan given to client in respect of the client's exposure to commodities transactions on National Spot Exchange Limited (NSEL).

The Exceptional items for the previous year ended 31st March, 2013 represents 'Provision and write off for doubtful non performing assets of ₹ 51.30 mn & ₹ 112.50 mn respectively.

NOTE 28 :

During the year, the Company has mortgaged its Immovable property "Motilal Oswal Tower" to HDFC Bank Limited for the banking facilities availed by its subsidiary Motilal Oswal Securities Limited.

NOTE 29 :

In the previous year, company had 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 Millions

and are secured in favor of debenture trustees by way of loans receivables of the company."

NOTE 30 :

During the year, the Company has started applying principles of Accounting Standard -30 "Financial Instruments : Recognition and Measurement" to the arbitrage / proprietary trading transactions entered into as against earlier accounting policy of recognizing these transactions on the principles of prudence as enunciated in Accounting Statndard-1 "Disclosure of Accounting Policies." Accordingly in respect of these transactions, the company has designated the Financial assets of Equity / Currency and Commodities, and its Corresponding Derivatives positions entered at "fair value through Profit or loss". Such designations are considered by the Company to eliminate / significantly reduce measurement / recognition inconsistency. These instruments and all other derivative contracts including embedded derivatives are measured at fair value and changes therein are recognized in the statement of profit or loss. As a result of this change, profit before tax for the current year has increased by ₹ 8.54 mn.

NOTE 31 :

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 32 :

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 ₹ 1500 mn 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 mn of the company. The rating indicates very strong degree of safety regarding timely servicing of financial obligations.

NOTE 33 :

There is no amount outstanding for more than thirty days to any Small Scale Industrial Undertaking as at the Balance Sheet date. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than forty five days as at the Balance Sheet date. The Micro, Small and Medium Enterprises have been identified on the basis of the information provided by the vendors to the Company.

NOTE 34 :

During the current year, Company has made a provision ₹ 0.94 mn (Previous Year ₹ 2.06 mn) being 0.25% of Standard Assets as per the Notification No DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.

NOTE 35 :

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.

There is no impairment loss recognised on fixed assets.

Note 36 : Contingent Liability and Commitment (To the Extent Not Provided For)

36.1 Contingent Liabilities:

The company has given corporate guarantees of ₹ 110 mn (Previous Year: ₹ 51.25 mn Net of Margins) 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 ₹ 19.94 mn (Previous Year ₹ 10.30 mn). This is disputed by the Company and hence not provided for in the books of accounts.The Company has paid demand of ₹ 5.03 mn till date.

36.2 Capital Commitment (to the extent not provided for)

1. The company has given capital commitment of 10% (subject to maximum limit of ₹ 450 mn) in respect of total capital commitment of Business Excellence Trust, the Trust sponsored by the Company under the Indian Trust Act, 1982. Till date, the Company has contributed an amount of ₹ 438.75 mn (Previous year: ₹ 438.75 mn) towards its capital contribution as per the draw down intimations received from the Fund. During the year, company has received back Nil (Previous Year: 28.95 mn) towards the capital return from the fund.
2. The company has given a capital commitment of ₹ 565 mn (Previous Year: ₹ 550 mn) 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 ₹ 114.05 mn (Previous Year: ₹ 110 mn) as per the draw down intimations received from the Fund.
3. The Company has given a capital commitment of an amount of ₹ 170 mn (Previous Year: 170 mn) to India Realty Excellence Fund launched by Realty Excellence Trust. In respect to this, the Company has contributed an amount of ₹ 170 mn (Previous Year: ₹ 170 mn) as per the draw down intimations received from the Fund. During the year company has received back ₹ 65.45 mn (Previous Year: ₹ 33.05 mn) towards the capital return from the fund.
4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 75.90 mn (Previous Year: ₹ 24.89 mn).

Note 37 :

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-14	31-Mar-13
I	**Assumptions as at**		
	Mortality	LIC (1994-96) Ult.	LIC (1994-96) Ult.
	Interest / Discount Rate	8.75%	8.00%
	Rate of increase in compensation	2.00%	13.00%
	Rate of return (expected) on plan assets		
	Employee Attrition Rate(Past Service (PS))	PS: 0 to 37 : 7.87%	PS: 0 to 37 : 12.04%
	Expected average remaining service	6.60	4.79
II	**Changes in present value of obligations**	(₹ in Millions)	(₹ in Millions)
	PVO at beginning of Year	3.08	2.89
	Interest cost	0.25	0.23
	Current Service Cost	0.24	0.35
	Past Service Cost- (non vested benefits)	–	–
	Past Service Cost -(vested benefits)	–	–
	Benefits Paid	–	–
	Actuarial (Gain)/Loss on obligation	(0.60)	(0.39)
	PVO at end of Year	2.97	3.08
III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of year	–	–
	Expected Return on Plan Assets	–	–
	Contributions	–	–
	Benefit Paid	–	–
	Actuarial Gain/(Loss) on plan assets	–	–
	Fair Value of Plan Assets at end of year	–	–
IV	**Fair Value of Plan Assets**		
	Fair Value of Plan Assets at beginning of year	–	–
	Actual Return on Plan Assets	–	–
	Contributions	–	–
	Benefit Paid	–	–
	Fair Value of Plan Assets at end of year	–	–
	Funded Status (including unrecognised past service cost)	(2.97)	(3.08)
	Excess of actual over estimated return on Plan Assets	–	–
V	**Experience History**		
	(Gain)/Loss on obligation due to change in Assumption	(0.60)	(0.12)
	Experience (Gain)/ Loss on obligation	0.00	(0.27)
	Actuarial Gain/(Loss) on plan assets	–	–

		31-Mar-14	31-Mar-13
VI	**Actuarial Gain/(Loss) Recognized**		
	Actuarial Gain/(Loss) for the year (Obligation)	0.60	0.39
	Actuarial Gain/(Loss) for the year (Plan Assets)	–	–
	Total Gain/(Loss) for the year	0.60	0.39
	Actuarial Gain/(Loss) recognized for the year	0.60	0.39
	Unrecognized Actuarial Gain/(Loss) at end of year	–	–
VII	**Past Service Cost Recognized**		
	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	–	–
VIII	**Amounts to be recognized in the balance sheet and statement of profit & loss account**		
	PVO at end of year	2.97	3.08
	Fair Value of Plan Assets at end of year	–	–
	Funded Status	(2.97)	(3.08)
	Unrecognized Actuarial Gain/(Loss)	–	–
	Unrecognised Past Service Cost - non vested benefits	–	–
	Net Asset/(Liability) recognized in the balance sheet	(2.97)	(3.08)
IX	**Expense recognized in the statement of P & LAIC**		
	Current Service Cost	0.24	0.35
	Interest cost	0.25	0.23
	Past Service Cost- (non vested benefits)	–	–
	Past Service Cost - (vested benefits)	(2.97)	(3.08)
	Unrecognised Past Service Cost- non vested benefits	–	–
	Expected Return on Plan Assets	–	–
	Net Actuarial (Gain)/Loss recognized for the year	(0.60)	(0.39)
	Expense recognized in the statement of P & L AIC	(0.11)	0.19
X	**Movements in the Liability recognized in Balance Sheet**		
	Opening Net Liability	3.08	2.89
	Expenses as above	(0.11)	0.19
	Contribution paid	–	–
	Closing Net Liability	2.97	3.08
XI	**Revised Schedule VI**		
	Current Liability	1.18	1.19
	Non-Current Liability	1.79	1.89

As the Company's Employee benefits plan is unfunded, disclosures required in terms of para 120(n) of AS - 15 issued by ICAI is not applicable.

NOTE 38 : Related Party Disclosure :

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

A) Holding Company:
- Passionate Investment Management Private Limited

B) Enterprises where control exists
Subsidiary companies:
- Motilal Oswal Securities Limited
- Motilal Oswal Investment Advisors Private Limited
- MOPE Investment Advisors Private Limited (Formerly known as Motilal Oswal Private Equity Advisors Private Limited)
- Motilal Oswal Commodities Broker Private Limited
- Motilal Oswal Capital Markets Private Limited
- Motilal Oswal Wealth Management Limited (Formerly known as 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
- Motilal Oswal Real Estate Investment Advisors Private Limited
- Motilal Oswal Real Estate Investment Advisors II Private Limited
- Aspire Home Finance Corporation Limited
- India Business Excellence Management Company

C) Enterprises in which Key Managerial Personnel exercises Significant Influence:
- Motilal Oswal Foundation
- Motilal Oswal-HUF
- Raamdeo Agarwal (HUF)

D) Key Management Personnel:
Mr. Motilal Oswal – Chairman & Managing Director
Mr. Raamdeo Agarawal – Joint Managing Director

E) Relatives of Key Management Personnel:
a) Sunita Agrawal – Spouse of Joint Managing Director
b) Vimla Oswal – Spouse of Chairman & Managing Director

II. Transactions with related parties: 31-03-2014 **(₹ In Millions)**

Transaction	Name of the related Party	Subsidiaries		Holding		Enterprise in which Key Managerial person are interested/Key Managerial Personnel/Relative of Key Managerial Personnel		Total	
		2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Business Support Service	Motilal Oswal Securities Limited	0.64	0.60					0.64	0.60
Business Support Service	Motilal Oswal Securities Limited	(0.90)	(0.90)					(0.90)	(0.90)
Interest	Motilal Oswal Wealth Management Ltd	(0.32)	(0.54)					(0.32)	(0.54)
	Motilal Oswal Securities Limited	177.25	116.15					177.25	116.15
	Motilal Oswal Commodities Broker Private Limited	(7.44)	(63.16)					(7.44)	(63.16)
	Motilal Oswal Asset Management Co. Ltd.	(0.02)	(0.03)					(0.02)	(0.03)
	Motilal Oswal Insurance Brokers Private Limited	(0.18)	(0.08)					(0.18)	(0.08)
	Motilal Oswal Capital Markets Pvt. Ltd.	(0.00)	(0.00)					(0.00)	(0.00)
	Motilal Oswal Investment Advisors Private Limited	(10.81)	(4.03)					(10.81)	(4.03)
	MOPE Investment Advisors Private Limited	(0.09)	(0.11)					(0.09)	(0.11)
	Motilal Oswal Real Estate Investment Advisors II Private Limited	(0.00)	–	–	–	–	–	(0.00)	–

Transaction	Name of the related Party	Subsidiaries		Holding		Enterprise in which Key Managerial person are interested/Key Managerial Personnel/Relative of Key Managerial Personnel		Total	
		2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Managerial Remuneration	Motilal Oswal	–	–			24.00	24.00	24.00	24.00
	Raamdeo Agrawal	–	–	–	–	24.00	24.00	24.00	24.00
Referal Fees/Advisory Fees	Motilal Oswal Investment Advisors Private Limited	17.29	–					17.29	–
	Motilal Oswal Real Estate Investment Advisors II Private Limited	(0.47)	–					(0.47)	–
Rent	Motilal Oswal Securities Limited	0.19	0.18	–	–	–	–	0.19	0.18
	Motilal Oswal Investment Advisors Private Limited	(10.86)	(10.86)					(10.86)	(10.86)
	MOPE Investment Advisors Private Limited	(6.98)	(6.98)					(6.98)	(6.98)
	Motilal Oswal Asset Management Co. Ltd.	(9.20)	(9.20)					(9.20)	(9.20)
	Motilal Oswal Insurance Brokers Private Limited	(1.01)	(0.93)					(1.01)	(0.93)
Donation	Motilal Oswal Foundation					–	0.35	–	0.35
Brokerage	Motilal Oswal Securities Limited	0.08	0.39					0.08	0.39
Dividend	Motilal Oswal Investment Advisors Private Limited	–	–					–	–
	Motilal Oswal	–	–			24.22	24.22	24.22	24.22
	Raamdeo Agarwal	–	–			23.66	23.66	23.66	23.66
	Motilal Oswal-HUF	–	–			0.00	0.00	0.00	0.00
	Raamdeo Agarwal (HUF)	–	–			1.30	1.30	1.30	1.30
	Suneeta Agrawal	–	–			0.59	0.59	0.59	0.59
	Vimla Oswal	–	–			0.25	0.25	0.25	0.25
	Passionate Investment Management Private Limited.	–	–	153.58	153.66			153.58	153.66
	Motilal Oswal Securities Limited	(279.46)	(217.51)					(279.46)	(217.51)
Loans (Maximum balance)	Motilal Oswal Securities Limited	(2,381.13)	(2,688.20)					(2,381.13)	(2,688.20)
	Motilal Oswal Real Estate Investment Advisors II Private Limited	4.50	–					4.50	–
	Motilal Oswal Commodities Broker Private Limited	402.30	835.00					402.30	835.00
	Motilal Oswal Asset Management Co. Ltd.	5.00	13.60					5.00	13.60
	Motilal Oswal Insurance Brokers Private Limited	5.87	3.32					5.87	3.32
	Motilal Oswal Capital Markets Pvt. Ltd.	0.15	0.02					0.15	0.02
	Motilal Oswal Investment Advisors Private Limited	190.34	80.03					190.34	80.03
	MOPE Investment Advisors Private Limited	105.00	10.50					105.00	10.50
	Motilal Oswal Wealth Management Ltd	10.69	23.48					10.69	23.48
Outstanding Balances:									
Loans & Advances	Motilal Oswal Securities Limited	(1,560.78)	(1,253.00)					(1,560.78)	(1,253.00)
	Motilal Oswal Commodities Broker Private Limited	60.05	48.97					60.05	48.97
	MOPE Investment Advisors Private Limited	0.04	–					0.04	–
	Motilal Oswal Investment Advisors Private Limited	66.28	80.03					66.28	80.03
	Motilal Oswal Asset Management Co. Ltd.	0.00	–					0.00	–
	Motilal Oswal Wealth Management Ltd	2.04	–					2.04	–
	Motilal Oswal Real Estate Investment Advisors II Private Limited	4.50	3.32					4.50	3.32
Other receivables/Payable	Motilal Oswal Investment Advisors Private Limited	1.27	1.22					1.27	1.22
	Motilal Oswal Securities Limited	10.05	–					10.05	–
	Motilal Oswal Securities Limited	(188.47)	–					(188.47)	–
	MOPE Investment Advisors Private Limited	0.61	0.82					0.61	0.82
	Motilal Oswal Wealth Management Ltd	0.44	–					0.44	–
	Motilal Oswal Commodities Broker Private Limited	0.22	–					0.22	–
	Motilal Oswal Real Estate Investment Advisors II Private Limited	0.48	–					0.48	–
	Motilal Oswal Asset Management Co. Ltd.	0.80	1.18					0.80	1.18

Note: Income/Liability figures are shown in brackets.

NOTE 39 :

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

CRAR

Particulars	2013-2014	2012-2013
CRAR %	65.41	72.58
CRAR - Tier I Capital %	65.55	72.45
CRAR - Tier II Capital %	0.14	0.13

Note 39 (a) 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;	417.44	NIL
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	NIL	NIL
b. Commercial Real Estate.	NIL	NIL
b) Indirect Exposure		
Fund based and non-fund based exposures on National	NIL	NIL
Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

Note:

i. The Company has exposure of ₹ 170.00 mn (Previous Year ₹ 136.95 mn) in Realty Excellence Trust.

ii. The Company has loan exposure to certain clients of ₹ 282.61 mn (Previous Year ₹ 65.17 mn) which is partly secured by charge against property.

iii. During the year, the company has purchased Residential flats of ₹ 53.30 mn (Previous year Nil) which has been classified as Investment in Property under Non Current Investment.

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 months to 3 Months	Over 3 months 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*	24.00	–	181.50	–	1,355.28	188.31	–	–	1,749.09
Assets									
Advances	106.06	235.00	263.00	1,565.00	2,352.51	–	15.08	22.50	4,559.15
Investments	–	–	–	–	–	–	–	1,221.16	1,221.16

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

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 outstanding	Amount overdue
	(a) Debentures : Secured	188.31	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	1,560.78	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	4096.35	
	(b) Unsecured	455.73	
		4,552.08	
(3)	**Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities**		
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease	NIL	
	(b) Operating lease	NIL	
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	NIL	
	(b) Repossessed Assets	NIL	
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	NIL	
	(b) Loans other than (a) above	NIL	
(4)	**Break-up of Investments :**		
	Current Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity	NIL	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	NIL	
	(iii) Units of mutual funds	NIL	
	(iv) Government Securities	NIL	
	(v) Others (please specify)	NIL	
	2. Unquoted :		
	(i) Shares : (a) Equity	NIL	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	NIL	
	(iii) Units of mutual funds	NIL	
	(iv) Government Securities	NIL	
	(v) Others (Please specify)	NIL	

	PARTICULARS		
	Long Term investments :		
	1. Quoted :		
	(i) Share : (a) Equity	NIL	
	(b) Preference	NIL	
	(ii) Debentures and Bonds	NIL	
	(iii) Units of mutual funds	120.00	
	(iv) Government Securities	NIL	
	(v) Others (Please specify)	NIL	
	2. Unquoted :		
	(i) Shares : (a) Equity	461.30	
	(b) Preference	50.00	
	(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)	589.86	
	Total	**1221.16**	
(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	4096.35	322.81	4419.16
	Total	**4096.35**	**455.73**	**4552.08**
(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	7005.43	511.30
	(b) Companies in the same group	Nil	Nil
	(c) Other related parties	Nil	Nil
	2. Other than related parties (Investment in Private Equity Funds)		656.56
	(a) Investment in Private Equity Funds	#	536.56
	(b) Motilal Oswal MOSt Focused 25 Fund	132.15	120.00
	Total	**7137.58**	**1167.86**
	# The investment is unquoted and the NAV of the units is not available. ** As per Accounting Standard of ICAI (Please see Note 3)		
(7)	Other information	Amount (₹ in Millions)	
	(i) Gross Non-Performing Assets	37.58	
	(a) Related parties	Nil	
	(b) Other than related parties	37.58	
	(ii) Net Non-Performing Assets	17.66	
	(a) Related parties	Nil	
	(b) Other than related parties	17.66	
	(iii) Assets acquired in satisfaction of debt	Nil	

Notes:

1. As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
3. 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 40 : Proposed Dividend

The final dividend proposed for the year is as follows

Particulars	31-Mar-14	31-Mar-13
On Equity Shares of ₹ 1 each		
Amount of dividend proposed (₹ in mn)	138.17	145.24
Dividend per Equity Share (₹)	1.00	1.00

NOTE 41 : Quantitative information is respect of income from arbitrage

Cash Segment	31-Mar-14		31-Mar-13	
	Quantity	₹ In Millions	Quantity	₹ In Millions
Opening (A)	–	–	–	–
Purchase (B)	–	–	1,019,991	583.32
Sales (C)	–	–	1,019,991	585.87
Closing (D)	–	–	–	–

NOTE 42 : Corporate Social Responsibility

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

NOTE 43 :

Previous year figures have been regrouped/reclassified wherever necessary to make them comparable.

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

Sameer Kamath	**Samrat Sanyal**	**Motilal Oswal**	**Raamdeo Agarawal**
Chief Financial Officer	*Company Secretary*	*Chairman & Managing Director*	*Joint Managing Director*

Place : Mumbai
Date : 26th April, 2014

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, 2014, the Consolidated Statement of Profit and Loss and the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 Standard (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, 2014;

(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.

Emphasis of Matter

We draw attention to the following

Note no. 27.30 of the consolidated financial statement. During the year the Company has adopted the principles of Accounting Standard 30 "Financial Instruments Recognition and Measurement" for designating stock in trade of securities and corresponding derivative position at "fair value through Profit and Loss" and all other derivative contracts at fair value. As a result of this change profit before tax for the year is higher by ₹ 26.04 mn.Our report is not qualified in respect of the above matters.

Other Matter

We did not audit the financial statements of eleven subsidiaries, whose financial statements reflect total assets (net) of ₹ 3,809.03 mn as at March 31, 2014, total revenues of ₹ 1,040.18 mn and net cash inflow amounting to ₹ 263.37 mn 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 26, 2014

Consolidated Balance Sheet

	Note	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
I. EQUITY & LIABILITIES			
(1) Sources & Funds :			
Share Holders' Funds :			
Share Capital	1	138.17	145.24
Reserves and Surplus	2	11,564.75	12,033.38
(2) Minority Interest	3	50.81	30.40
(3) Non-Current Liabilities :			
(a) Deferred tax liabilities (Net)	4	116.66	179.06
(b) Other long term liabilities	5	21.23	–
(c) Long term provisions	6	43.77	48.65
(4) Current Liabilities :			
(a) Short term borrowings	7	0.81	–
(b) Trade payables	8	5,477.10	4,591.69
(c) Other current liabilities	9	335.61	257.72
(d) Short-term provisions	10	513.45	442.73
TOTAL		**18,262.36**	**17,728.87**
II ASSETS			
(1) Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		3,014.02	3,052.46
(ii) Intangible assets		56.45	58.15
(iii) Capital work-in-progress		1.82	–
(b) Non-current investments	12	2,225.93	1,225.46
(c) Long term loans and advances	13	277.88	156.80
(d) Other non current assets	14	24.22	0.81
(2) Current assets			
(a) Current Investments	15	704.38	255.07
(b) Inventories	16	606.31	1,455.67
(c) Trade receivables	17	4,643.86	4,358.85
(d) Cash and bank balances	18	1,677.76	2,143.76
(e) Short-term loans and advances	19	5,001.04	4,999.10
(f) Other current assets	20	28.69	22.74
TOTAL		**18,262.36**	**17,728.87**

Notes referred to above form an integral part of the Consolidated Financial Statements 27.1 to 27.43

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

Sameer Kamath
Chief Financial Officer

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 26th April, 2014

Consolidated Statement of Profit and Loss

	Note	For the year ended31-Mar-14 ₹ In Millions	For the year ended 31-Mar-13 ₹ In Millions
REVENUE			
Revenue from Operations	21	4,568.38	4,646.29
Other Income	22	114.27	82.49
Total Revenue (A)		**4,682.64**	**4,728.77**
EXPENDITURE			
Employee Benefits	23	1,273.25	1,079.63
Finance Cost	24	28.61	48.03
Depreciation and amortisation	11	242.65	258.55
Administrative & Other Expenses	25	1,987.52	1,905.15
Total Expenses (B)		**3,532.03**	**3,291.36**
Profit before Taxation and Exceptional Item (C) = (B) - (A)		**1,150.61**	**1,437.41**
Exceptional Items Income/(Expense) (Refer note 27.29)		(555.86)	180.77
Profit before Taxation		**594.75**	**1,618.18**
Less: Provision for Taxation			
i) For current year			
Current tax		235.94	390.29
Deferred tax (Refer note 4)		(62.41)	132.41
Minimum Alternate Tax		(0.89)	(8.30)
ii) For Previous year(s)		6.60	3.97
		179.24	**518.37**
Profit after Tax before Minority Interests		**415.51**	**1,099.81**
Less : Minority interests		(20.51)	(8.95)
Profit after Tax & Minority Interests		**395.01**	**1,090.86**
Consolidated Earnings Per share(₹) (Refer note 27.17)			
Basic Earnings per share (Face Value of share ₹ 1 each)		2.95	7.57
Diluted Earnings per share (Face Value of share ₹ 1 each)		2.95	7.57
Notes referred to above form an integral part of the Consolidated Financial Statements	27.1 to 27.43		

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

Sameer Kamath
Chief Financial Officer

Samrat Sanyal
Company Secretary

Motilal Oswal
Chairman & Managing Director

Raamdeo Agarawal
Joint Managing Director

Place : Mumbai
Date : 26th April, 2014

Consolidated Cash Flow Statement

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**594.75**	**1,618.18**
Add : Employee Stock Option Compensation Cost	0.01	0.05
Depreciation	242.65	258.55
Provison on standard & sub standard Assets	62.50	55.47
Loss in Partnership	1.47	3.45
Loss on sale of Fixed Assets	–	1.98
Bad debts written off	–	142.89
Interest Paid/Borrowing cost	28.61	18.78
Less : Profit on sale of Investments	(9.54)	(10.48)
Profit on Sale of Fixed Assets (Net)	(2.31)	(389.39)
Interest Received	(24.23)	(8.74)
Dividend Received	(64.21)	(61.41)
Foreign Currency Translation Reserve	(4.84)	4.86
	824.87	**1,634.20**
Adjustment for working capital changes:		
(Increase)/Decrease In Trade receivables	(285.01)	(2,505.76)
(Increase)/Decrease In Stock-in-trade	849.36	118.21
(Increase)/Decrease Short Term In Loans & Advances	(42.36)	(607.06)
(Increase)/Decrease In Long Term Loans & Advances	2.25	150.15
(Increase)/Decrease In Interest Accrued/ Other Current Assets	(5.96)	23.50
Contribution to PE Funds	–	(41.99)
Increase/(Decrease) in Other Trade Payable	884.91	1,848.13
Increase/(Decrease) in Other Current Liabilities	77.88	(542.26)
Increase/(Decrease) in Short Term Borrowing	0.81	–
Increase/(Decrease) in Other Long Term Liabilities	21.23	–
Increase/(Decrease) in Long Term Provision	(4.88)	(1.95)
Increase/(Decrease) in Short Term Provision	4.77	(46.42)
CASH GENERATED FROM OPERATIONS	**2,327.89**	**28.75**
Taxes Paid (Net of Refunds)	(335.12)	(362.16)
Net Cash generated/(used) from operations	**1,992.77**	**(333.41)**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Fixed Deposit (More than 3 months) / Non cash & cash equivalents	992.71	(619.66)
Purchase of investment	(2,212.73)	(299.16)
Sale of investment	629.69	–
Purchase of Assets (including CWIP)	(1.82)	–
Purchase of Fixed Assets	(78.06)	(251.81)
Sale of Fixed Assets	35.33	508.41

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Interest received	24.23	8.81
Dividend Received	64.21	61.33
Net Cash used in Investing Activities	**(546.45)**	**(592.08)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/Repayment of Borrowing	(28.61)	–
Premium on Buy back of shares	(552.79)	–
Buy back of shares	(7.07)	–
Dividend Paid	(284.13)	(241.28)
Interest Paid/Borrowing cost	–	(18.78)
Dividend Distribution Tax Paid	(23.61)	–
Net Cash used in Financing Activities	**(896.20)**	**(260.06)**
Net Cash Flow for the year ended 31st March 2014	550.12	(1,185.55)
Cash & Cash Equivalents as at beginning of 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 beginning of year	**1,067.50**	**2,253.06**
Cash & Cash Equivalents as at end of year		
Cash Balance on Hand	11.17	1.73
Fixed Deposit with Banks (less than 3 month Maturity)	1,130.35	841.72
Cheques on hand	–	111.12
Schedule Bank - Current accounts	476.10	112.93
Total Cash & Cash Equivalents as at end of year	**1,617.61**	**1,067.50**

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

Sameer Kamath *Chief Financial Officer*
Samrat Sanyal *Company Secretary*
Motilal Oswal *Chairman & Managing Director*
Raamdeo Agarawal *Joint Managing Director*

Place : Mumbai
Date : 26th April, 2014

Note 1 : Share Capital

	As at 31-Mar-14		As at 31-Mar-13	
	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				
Equity Shares of ₹ 1/- each fully paid up	138,165,831	138.17	145,235,776	145.24
Of the above, 27,86,676 (Previous Year 27,86,676) equity shares, Fully paid up have been issued for consideration other than cash				
TOTAL	**138,165,831**	**138.17**	**145,235,776**	**145.24**

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.

Dividend for the year ended March 31, 2014 includes ₹ 1/- Per share for final dividend (previous year ₹ 1 per share) & ₹ 1/- per share for interim dividend (previous year ₹ 1 per share). The total dividend appropriated amounts to ₹ 273.20 mn (Previous Year: ₹ 290.48 mn) and corporate dividend tax of ₹ 47.57 mn (Previous year: ₹ 58.91 mn).

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 prefrential amounts. However no such prefrential 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 31.03.2014 and 31.03.2013.

1.2 Reconciliation of number of shares outstanding

	As at 31-Mar-14		As at 31-Mar-13	
	In Numbers	₹ In Millions	In Numbers	₹ In Millions
Number of share at beginning of the year	145,235,776	145.24	145,122,869	145.12
Add: Share issued to employees of subsidiary	–	–	112,907	0.11
Less: Buy Back of shares	7,069,945	7.07	–	–
Number of Share at the end of the year	**138,165,831**	**138.17**	**145,235,776**	**145.24**

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

Share Holder	As at 31-Mar-14		As at 31-Mar-13	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Passionate Investment Management Private Limited	76,792,394	55.58%	76,453,550	52.64%
Mr. Motilal Oswal	12,110,476	8.77%	12,110,476	8.34%
Mr. Raamdeo Agrawal	11,828,100	8.56%	11,828,100	8.14%
HDFC Trustee Company Limited - HDFC Mutual Fund	9,284,450	6.72%	10,145,380	6.99%
Mr. Navin agarwal	7,804,010	5.65%	7,804,010	5.37%
New Vernon Private Equity Limited	–	–	6,660,217	4.59%

1.4 Shares reserved for issue under options

The company has seven Stock option plans

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.

Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme -III'(ESOP-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 09.07.2007and is for issue of 200,000 options representing 200,000 Equity shares of ₹ 5 each

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

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

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

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

Motilal Oswal Wealth Management Limited - Employees' Stock Option Scheme

During the year the Board of Directors on 24.04.2013 and shareholders in EGM dated 15.07.2013 has approved employee stock option scheme for issue of 19,200 options representing 19,200 Equity shares of ₹ 10/- each.

The activity in the (ESOS-I), (ESOS-II), (ESOS-III), (ESOS-IV), (ESOS-V) and (ESOS-VI), during the year ended March 2014 and March 2013 is set below:

Equity Shares :	**As at 31-Mar-14 In Numbers**	**As at 31-Mar-13 In Numbers**
The MOAMC (ESOS-I) : (Face value of ₹ 10/- each)		
Option outstanding, beginning of the year.	345,000	1,365,000
Add Granted		–
Less: Exercised		–
Less: Lapsed	175,000	1,020,000
Option outstanding, at the end of the year.	**170,000**	**345,000**

Equity Shares :	**As at 31-Mar-14 In Numbers**	**As at 31-Mar-13 In Numbers**
The MOAMC (ESOS-II) : (Face value of ₹ 10/- each)		
Option outstanding, beginning of the year.	–	2,000,000
Add Granted	–	–
Less: Exercised	–	–
Less: Lapsed	–	2,000,000
Option outstanding, at the end of the year.	**–**	**–**
The (ESOP-III) : (Face value of ₹ 2/- each)		
Option outstanding, beginning of the year.	9,250	10,950
Less: Exercised	–	–
Less: Lapsed	–	1,700
Option outstanding, at the end of the year.	**9,250**	**9,250**
The (ESOP-IV) : (Face value of ₹ 5/- each)		
Option outstanding, beginning of the year.	–	5,000
Less: Exercised	–	–
Less: Lapsed	–	5,000
Option outstanding, at the end of the year.	**–**	**–**
The (ESOP-V) : (Face value of ₹ 1/- each)		
Option outstanding, beginning of the year.	1,408,500	2,047,750
Add Granted	–	–
Less: Exercised	–	–
Less: Lapsed	123,750	639,250
Option outstanding, at the end of the year.	**1,284,750**	**1,408,500**
The (ESOP-VI) : (Face value of ₹ 1/- each)		
Option outstanding, beginning of the year.	3,439,000	4,100,000
Add Granted	1,948,450	–
Less: Exercised	–	–
Less: Lapsed	513,200	661,000
Option outstanding, at the end of the year.	**4,874,250**	**3,439,000**
The MOWMPL (ESOP) : (Face value of ₹ 10/- each)		
Option outstanding, beginning of the year.	–	–
Add Granted	19,200	–
Less: Exercised	–	–
Less: Lapsed	–	–
Option outstanding, at the end of the year.	**19,200**	**–**

Employees' Stock Options Scheme (ESOS) :

During the year 19,48,450 Employee Stock Options have been granted under Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - VI to the employees of the company and its subsidiary Companies (Previous Year Nil).

90,000 stock options already granted under 'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme – V' and 4,97,800 stock options already granted under 'Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme – VI' are re-priced from ₹ 208.70 per stock option to ₹ 165.00 per stock option, the same was approved by the board on 27.04.2013 and by the shareholders in AGM dated 27.07.2013.

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, 2014 over the balance vesting period is ₹ Nil (Previous year- ₹ 0.13 mn)

Share allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2014).

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

Buy Back of Equity Shares

The Company obtained approval from the shareholders, by way of Postal Ballot process on 21st June, 2013 and from SEBI on 2nd July, 2013 to buyback the shares of the Company at a price not exceeding ₹ 90/- per share of upto a maximum of 75,00,000, fully paid up equity shares of ₹ 1/- each. Pursuant to this the Company has bought back 70,72,701 shares upto 31st March, 2014. The amount utilised for buyback is ₹ 560.10 mn. Out of the said equity shares bought back, 2,756 equity shares have not been extinguished upto 31st March, 2014.

Note 2: Reserves & Surplus

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Statutory Reserve				
Opening balance	487.30		409.81	
Add : Transfer from Statement of Profit & Loss for the year	78.62	565.92	77.50	487.30
Capital Redemption Reserve				
Opening balance	96.00		96.00	
Add : Transfer from Statement of Profit & Loss for the year	7.07		–	
Less: Prior period adjustment	(0.15)	102.92	(0.15)	95.85
Securities Premium				
Opening balance	4,245.06		4,233.49	
Addition during the year	–		11.57	
Less : Utilised for buy back of Equity Shares	(552.79)	3,692.27	–	4,245.06
Translation reserves				
Opening balance	1.69		(3.17)	
Addition during the year	4.84	6.53	4.86	1.69
ESOP Outstanding				
Opening balance	1.00		0.95	
Addition during the year	0.01	1.00	0.05	1.00

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Capital Reserve				
Opening balance	505.38		509.68	
Addition / (Deduction) during the year	5.11	510.49	(4.30)	505.38
General Reserve				
Opening balance	533.45		420.37	
Addition during the year	48.52	581.97	113.08	533.45
Profit & Loss Account				
Opening balance	6,163.65		5,597.06	
Add:- Profit for the Current year	395.01		1,090.86	
Less:- Proposed Dividend	(134.43)		(145.24)	
Less:- Interim Dividend	(138.89)		(145.30)	
Less:-Dividend Distribution Tax	(47.57)		(58.91)	
Less:- Transfer to Statutory Reserve	(78.62)		(77.50)	
Less:- Transfer to Capital Redemption Reserve	(7.07)		–	
Less:- Transfer to General Reserve	(48.52)		(113.08)	
Add:- Prior Year dividend, dividend distribution and other adjustments	0.10		15.75	
Less:- Current Year dividend, dividend distribution and other adjustments	–	6,103.65	–	6,163.65
TOTAL		**11,564.75**		**12,033.38**

Note 3: Minority Interest

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Motilal Oswal Securities Limited				
Opening Balance	3.28		3.01	
Add: Share of Profit for the year	0.08		0.38	
Less: Shares of Minority in dividend paid & tax thereon	(0.12)	3.24	(0.12)	3.28
Motilal Oswal Commodities Broker Private Limited				
Opening Balance	4.36		2.65	
Add: Share of Profit for the year	0.33	4.69	1.71	4.36
MOPE Investment Advisors Private Limited				
Opening Balance	22.60		14.58	
Add: Investment by Minority	–		–	
Add: Share of Profit for the year	20.08	42.67	8.02	22.60
Motilal Oswal Investment Advisors Private Limited				
Opening Balance	0.00		24.07	
Add: Share of Profit/(Loss) for the year	(0.00)		(1.16)	
Add/(Less) : Investment/(sale) by Minority	–		(7.38)	
Less : Preaquisition Profits transferred on acquisition of minority investment	–		(0.28)	
Less: Shares of Minority in dividend paid & tax thereon	–	(0.00)	(15.25)	0.00

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Motilal Oswal Capital Markets Private Limited				
Opening Balance	0.01		0.01	
Add: Investment by Minority	–		–	
Add: Share of Profit for the year	0.00	0.01	0.00	0.01
Motilal Oswal Wealth Management Limited				
Opening Balance	0.03		0.01	
Add: Investment by Minority	–		0.02	
Add: Share of Profit for the year	0.01	0.04	0.00	0.03
Motilal Oswal Asset Management Company Limited				
Opening Balance	0.09		0.07	
Add: Share of Profit/(Loss) for the year	(0.00)	0.09	0.02	0.09
Motilal Oswal Insurance Brokers Private Limited				
Opening Balance	0.00		0.04	
Add: Share of Profit/(Loss) for the year	(0.00)	(0.00)	(0.04)	0.00
Motilal Oswal Securities International Private Ltd.				
Opening Balance	0.02		(0.00)	
Add: Share of Profit/(Loss) for the year	0.00		0.02	
Add: Investment by Minority	0.02	0.04	–	0.02
Motilal Oswal Capital Markets (Hongkong) Private Limited				
Opening Balance	0.02		(0.00)	
Add: Share of Profit/(Loss) for the year	(0.00)	0.01	0.02	0.02
Motilal Oswal Capital Markets (Singapore) Pte Limited				
Opening Balance	0.00		(0.00)	
Add: Share of Profit/(Loss) for the year	0.01	0.01	0.00	0.00
Motilal Oswal Trustee Company Limited				
Opening Balance	0.00		–	
Add: Share of Profit/(Loss) for the year	0.00	0.00	0.00	0.00
Motilal Oswal Real Estate Investment Advisors Private Limited				
Opening Balance	0.00		(0.00)	
Add: Share of Profit/(Loss) for the year	–		–	
Add: Investment by Minority	0.02	0.02	–	–
Aspire Home Finance Corporation Limited				
Opening Balance	0.00		(0.00)	
Add: Share of Profit/(Loss) for the year	–		–	
Add: Investment by Minority	0.00	0.00	–	–
TOTAL		**50.81**		**30.40**

Note 4 : Deferred Tax Liabilities (Net)

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Deferred Tax Liability		
Difference in Closing Net Block of fixed Assets.	277.76	268.09
Sign on Bonus Pending Write off	–	0.13
Deferred Tax Assets	–	–
Disallowance under Section 43 B of the Income tax Act, 1961	–	(0.32)
Business Loss	(60.40)	(36.66)
Provision for Standard, Sub-standard, Doubtful Assets and Doubtful Debts	(54.97)	(28.19)
Provision for Stock in trade / doubtful debts	(2.57)	–
Preliminary Expenses	(0.11)	(0.00)
Short Term Capital Loss on sale of Investments	(3.28)	–
Long Term Capital Loss on sale of Investments	(2.09)	–
Gratuity Provision	(22.06)	(21.14)
Interest accrued on ORCDs	(15.00)	
Interest on late payment of call money	(0.62)	–
On income from Private Equity fund	–	(2.85)
DEFERRED TAX (ASSETS)/LIABILITY	**116.66**	**179.07**

Note 5 : Other Long Term Liabilities

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Deposits	21.23	–
TOTAL	**21.23**	**–**

Note 6 : Long Term Provisions

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Provision for Employee Benefits		
-Gratuity Obligation (Refer note 27.26)	43.77	48.65
TOTAL	**43.77**	**48.65**

Note 7 : Short Term Borrowings

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Secured		
Loans repayable on demand	–	–
Bank Overdraft	0.81	–
TOTAL	**0.81**	**–**

Note 8 : Trade Payables

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Margin Money	574.00	583.55
Creditors	2,806.35	4,008.14
Other trade payables (Refer note 27.35)	2,096.75	–
TOTAL	**5,477.10**	**4,591.69**

Note 9 : Other Current Liabilities

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Advance received from customers		7.09		7.23
Interest accrued and due on borrowings		–		0.98
Accrued salaries & benefits		26.55		20.40
For other Liabilities				
– Withholding and other taxes payable		60.98		41.26
– for expenses		44.39		51.76
– for capital expenses		3.67		3.03
– Book overdraft from Banks		9.62		29.22
– Rent Deposit		3.74		–
– Retention money		1.28		4.44
– Unpaid Dividend		0.60		0.53
– Other Payables (Refer note 27.14)				
– Due to SMEs	0.57		–	
– Due to Others	177.11	177.68	93.57	93.57
– Mark to Market Margin - Equity Index/Stock Futures		–		5.30
TOTAL		**335.61**		**257.72**

Note 10 : Short Term Provisions

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Provision for Employee Benefits		
– Ex-Gratia Payable	187.13	117.65
– Gratuity Obligation (Refer note 27.26)	24.33	20.15
– Leave Salary	2.70	3.30
Others		
– Provision for Contingent Provisions against Standard Assets	58.21	10.34
– Provision for Taxation (Net of Advance Tax of ₹ 111.32 mn (Previous year ₹ 81.71 mn))	19.03	8.49
– Proposed Dividend	138.23	145.24
– Provision for Proposed Dividend Distribution Tax	47.02	47.10
– Provision for bad & doubtful debts on non performing assets	19.91	74.42
– Provision for expenses	16.89	16.04
TOTAL	**513.45**	**442.73**

Note 11 : Fixed Assets

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 01.04.2013	Additions	Deductions	Other Ajustments*	As on 31.03.2014	As on 01.04.2013	During the year	Deductions	Other Ajustments*	As on 31.03.2014	As on 31.03.2014	As on 31.03.2013
Tangible Assets				–								
Computer	389.94	23.39	142.87	–	270.46	327.00	23.20	139.60	–	210.60	59.86	62.94
Furniture & Fittings	158.00	0.83	7.62	–	151.21	88.16	13.32	5.77	–	95.71	55.50	69.84
Office Equipments	292.54	2.37	10.57	–	284.34	139.14	21.53	7.94	–	152.73	131.61	153.40
Office Premises	2,632.20	18.01	24.67	165.12	2,790.66	199.61	137.34	(8.92)	2.68	343.19	2,447.47	2,432.58
Electrical Equipments	51.96	0.24	–	–	52.20	7.09	6.22	–	–	13.31	38.90	44.87
Land	266.74	–	–	–	266.74	–	–	–	–	–	266.78	266.74
Vehicles	49.43	1.83	9.74	–	41.53	27.35	5.26	4.98	–	27.62	13.90	22.09
Total (A)	**3,840.81**	**46.67**	**195.47**	**165.12**	**3,857.14**	**788.35**	**206.87**	**149.37**	**2.68**	**843.16**	**3,014.02**	**3,052.46**
Intangible Assets												
Membership Cards	66.33	0.10	–	–	66.43	65.81	0.15	–	–	65.96	0.46	0.52
Customer Rights	68.35	–	–	–	68.35	68.35	–	–	–	68.35	–	–
Licences	0.42	0.10	–	–	0.52	0.09	0.11	–	–	0.20	0.32	0.33
Software	211.53	31.18	–	–	242.71	154.23	32.78	–	–	186.76	55.67	57.30
Goodwill	9.00	–	–	–	9.00	9.00	–	–	–	9.00	–	–
Total (B)	**355.63**	**31.38**	**–**	**–**	**387.01**	**297.48**	**33.04**	**–**	**–**	**330.27**	**56.45**	**58.15**
Total (A+B)	**4,196.44**	**78.05**	**195.47**	**165.12**	**4,244.15**	**1,085.83**	**239.91**	**149.37**	**2.68**	**1,173.43**	**3,070.47**	**3,110.61**

* Other Adjustments Represents Transfer of Investment Property to Building.

Previous Year 2012-2013

(₹ In Millions)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 01.04.2012	Additions	Deductions	Other Ajustments*	As on 31.03.2013	As on 01.04.2012	During the year	Deductions	Other Ajustments*	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	58.27	3.45	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
Total (A)	**4,007.47**	**237.58**	**189.09**	**215.15**	**3,840.81**	**640.53**	**214.74**	**63.48**	**3.45**	**788.35**	**3,052.46**	**3,366.91**
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 (B)	**341.42**	**14.23**	**0.02**	**–**	**355.63**	**263.21**	**34.29**	**0.01**	**–**	**297.48**	**58.15**	**78.21**
Total	**4,348.89**	**251.81**	**189.11**	**215.15**	**4,196.44**	**903.74**	**249.03**	**63.49**	**3.45**	**1,085.83**	**3,110.60**	**3,445.12**

* Other adjustments represents transfer of building as investment property

Note 12 : 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-Mar-14	31-Mar-13			31-Mar-14	31-Mar-13
(a)	**Investment Property (Refer note 27.31)**	–	–	–	–	–	118.43	214.45
	Less: Depreciation on Investment Property	–	–	–	–	–	(3.00)	(9.52)
							115.43	204.93
(b)	**Non Trade Investments**							
	Investment in equity instruments							
	Central Depository Services India Ltd	Others	100	100	Unquoted	Fully paid	0.00	0.00
	AU Finance (India) Limited	Others	546,966	–	Unquoted	–	188.70	–
	Investment in preference shares							
	Edelwiess Finance & Investment Limited	Others	4,190,000	–	Unquoted	–	63.85	–
(c)	**Investments in Debentures or Bonds**							
	Citicorp Finance (India) Limited	Others	1,000	1,000	Quoted	Fully paid	–	100.00
	CNF Nifty Index of ₹ 100,000/- each							
	Citicorp Finance (India) Limited	Others	170	170	Unquoted	Fully paid	17.00	17.00
	Shankheshwar Properties Private Limited	Others	12	–	Unquoted	Fully paid	112.45	–
	Sai Ashray Developers Private Limited	Others	20	–	Unquoted	Fully paid	200.00	–
	Gajra Home Makers Private Limited	Others	10	–	Unquoted	Fully paid	100.00	–
(d)	**Investments in Partnership Firm / LLP**							
	Emerging Manager Group LP	Partnership	–	–	–	–	13.35	15.58
	India Reality Excellance Fund II LLP	LLP	5,000	–	Unquoted	Partly paid-up	351.25	–
	India Reality Excellance Fund II LLP	LLP	2		Unquoted	Fully paid-up	0.20	–
(e)	**Investment in Private Equity Funds**							
	(i) Reliance Alternative Investments Fund - Private Equity Scheme I	Others	1,500,000	1,500,000	Unquoted	Fully paid up	15.00	15.00
	(ii) Aditya Birla Private Equity - Fund I	Others	150,000	150,000	Unquoted	Fully paid up	14.36	10.50
	(iii) India Business Excellence Fund	Others	450	450	Unquoted	Partly paid-up	352.45	352.45
	(iv) India Reality Excellance Fund	Others	540	540	Unquoted	Fully paid-up	113.55	217.50
	(vi) India Business Excellence Fund II	Others	725,500	668,000	Unquoted	Partly paid-up	143.34	133.60
(f)	**Investment in Mutual Funds**							
	Most Focused 25	Others	34,405,556	–	Quoted	–	350.00	–
	Most Focused Midcap	Others	7,500,000	–	Quoted	–	75.00	–
	Motilal Oswal MOSt 10 Year Gilt Fund	Others	15,000,000	15,000,000	Quoted	Fully paid	–	158.91
	Total (a+b+c+d+e+f)						**2,225.93**	**1,225.46**

Details of quoted and unquoted investments:	Cost (₹ In millions)	Market Value (₹ In millions)
Aggregate value of quoted investments and market value	425.00	466.34
Aggregate value of unquoted investments	1,800.93	NA
Aggregate provision for diminution in value of investments	Nil	NA

Note 13 : Long Term Loans and Advances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured, considered good		
Other Loans & Advances		
– Rent, Electricity, and other deposits	61.17	58.21
– Capital Advances	10.03	3.48
– Deposits with Exchange	14.05	14.05
– Prepaid Exp	1.55	1.58
– Balance with Government Authorities	19.93	27.25
– Loan to staff	2.98	7.40
– Advance Tax (Net of Provision of ₹ 1474.58 mn (Previous year ₹ 337.46 mn)"	168.17	44.83
TOTAL	**277.88**	**156.80**

Note 14: Other Non Current Assets

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Other Bank balances		
- Fixed deposits (maturity more than 12 months)	24.22	0.81
TOTAL	**24.22**	**0.81**

Note 15 : Current Investment

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Investment in Mutual Funds	704.38	9.00
Certificate of deposit	–	246.07
Other investments	0.00	–
Total	**704.38**	**255.07**

Note 16 : Inventories (At Cost)

	As at 31-Mar-14		As at 31-Mar-13	
	₹ In Millions	₹ In Millions	₹ In Millions	₹ In Millions
Equity Shares		573.67		1,159.07
Exhange Traded Funds		32.64		99.95
Stock in Trade - Commodities	45.92		196.66	
Less: Stock in trade written off (Refer note 27.27)	(45.92)	–	–	196.66
TOTAL		**606.31**		**1,455.67**
Aggregate value of Stock in trade				
At book value		606.31		1,455.67
At market value		641.11		1,460.53

Note 17 : Trade Receivables

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Unsecured, Considered Good		
a) Outstanding for a period less than six months from the date they are due for payment	1,580.45	1,079.23
b) Outstanding for a period exceeding six months from the date they are due for payment	2,075.65	48.94
Less: Provision for doubtful debts	(10.46)	(2.11)
Secured, Considered Good		
a) Outstanding for a period less than six months from the date they are due for payment	975.44	3,189.04
b) Outstanding for a period exceeding six months from the date they are due for payment (Refer note 27.35)	22.78	43.75
Total	**4,643.86**	**4,358.85**

Note 18 : Cash and Bank Balances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Cash and cash equivalents		
Cash on hand	11.17	1.73
Cheques on hand	–	111.12
Balance with banks		
In current accounts	476.10	112.93
In Fixed Deposit with maturity less than three months	1,130.35	841.72
Other Bank balance		
Fixed deposit with maturity more than three months but less than twelve months	59.55	1,075.73
Unpaid Dividend Account	0.60	0.53
Total	**1,677.76**	**2,143.76**

Note 19 : Short Term Loans and Advances

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Secured, considered good		
Loans to Others		
Standard Assets	4,073.18	3,542.39
Sub-Standard Assets		
Non Performing Assets (Debts outstanding for a period exceeding six months, but less than twenty four months)	0.67	–
Doubtful Assets		
Non Performing Assests (Debts outstanding for a period exceeding twenty four months)	22.50	47.60
Unsecured, considered good		
Loans to Others		
Standard Assets	308.41	415.36
Sub-Standard Assets		
Non Performing Assets (Debts outstanding for a period exceeding six months, but less than twenty four months)	14.41	–
Doubtful Assets		
Non Performing Assets (Debts outstanding for a period exceeding twenty four months)	0.00	64.90
Advances		
-Prepaid Exp	24.34	21.42
-For supply of services	10.87	20.32
-Loan & Advances to employees	3.16	7.43
-Fund based activity	–	340.15
-Tax/VAT Credit Receivable	72.39	42.00
-Option premium	144.89	317.25
Advance Tax (Net of Provision of ₹ 20.45 mn (Previous year ₹ 1894.35 mn)	19.03	59.45
MAT credit entitlement	9.13	8.30
Deposits with exchange	270.99	101.13
Other deposits	0.55	0.52
Others	26.51	10.89
TOTAL	**5,001.04**	**4,999.10**

Note 20 : Other Current Assets

	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Interest Accrued on Fixed Deposit	8.55	20.96
Stock of Stamps	1.14	1.33
Sign on bonus pending amortisation	–	0.41
Others	19.00	0.03
TOTAL	**28.69**	**22.74**

Note 21 : Revenue from Operations

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Brokerage and related activities	2,647.50	2,690.73
Investment Banking fees	67.52	78.01
Fund based income	832.65	896.72
Asset Management & Advisory Fees	756.07	581.63
Other Operating Revenue	264.63	399.19
TOTAL	**4,568.38**	**4,646.29**

Note 22 : Other Income

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Dividend Income	64.21	61.41
Profit on sale of Investments	9.54	10.48
Profit on sale of Fixed Assets	2.31	–
Interest Income	24.23	8.74
Prior year Income (Refer note 27.40)	5.61	–
Other non operating Income	7.88	1.85
Partnership Gain/(Loss)	0.50	–
TOTAL	**114.27**	**82.49**
Gross Revenue	4,682.64	4,728.77

Note 23 : Employee Benefits

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Salary, Bonus and Allowances	1,212.64	1,021.15
Expenses on Employee Stock Option Scheme	0.01	0.05
Gratuity	6.38	9.95
Contribution to provident & other Funds	18.23	16.50
Staff Welfare Expenses	35.99	31.97
TOTAL	**1,273.25**	**1,079.63**

Note 24 : Finance Cost

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Interest Cost	16.44	37.13
Bank Guarantee Commission and Other charges	12.17	10.90
TOTAL	**28.61**	**48.03**

Note 25 : Other Expenses

	For the Year ended 31-Mar-14 ₹ In Millions	For the Year ended 31-Mar-13 ₹ In Millions
Brokerage / Fees sharing with Intermediaries	1,027.00	1,081.71
Depository Charges	19.07	24.35
Mutual Fund expenses	7.37	–
Rates & Taxes	25.82	14.78
Rent	45.25	51.37
Insurance	6.58	4.59
Repairs	19.58	18.34
Computer Repairs & Maintenance	51.04	45.08
Legal & Professional Charges	94.46	83.19
Remuneration to Auditors (Refer note 27.15)	4.74	3.55
Membership & Subscription	4.31	3.17
Data Processing Charges	37.30	34.16
Marketing & Brand Promotion Expenses	63.49	70.59
Advertisement Exp	52.65	42.89
Printing & Stationery	29.15	29.55
Power and Fuel	66.96	67.45
Communication Expenses	100.66	104.44
Travelling & Conveyance Expenses	110.06	90.97
Donations	18.58	20.86
Bad Debts Written Off / Trading Loss	44.38	30.39
Provision on Standard & Sub-Standard Assets and on Bad/Doubtful Debts	62.50	4.17
Entertainment Expenses	6.12	5.20
Loss on sale of fixed assets	–	1.98
Partnership (Gain)/Loss	1.47	3.45
Miscellaneous Expenses	87.11	68.43
Foreign Exchange Fluctuation (Gain)/Loss	(0.22)	0.50
Preliminary Expenses written/off	2.07	–
TOTAL	**1,987.52**	**1,905.15**

Note 26 : Consolidated Significant Accounting Policies:

26.1 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.

26.2 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.

26.3 Conversion To Indian Rupees

In case of financial statements of subsidiaries incorporated outside India, all income and expense items are converted at the average rate of exchange applicable for the period. All assets and liabilities are translated at the closing rate as on the balance sheet date. The exchange difference arising out of the year-end translation is debited or credited to Translation Reserve and is disclosed under Reserves and surplus. The share capital is carried forward at the rate of exchange prevailing on the transaction date.

26.4 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.

26.5 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.

26.6 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.

26.7 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.

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.

26.8 Stock In Trade:

Shares/commodities / Exchange Traded Funds 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.

26.9 Revenue Recognition:

a) Brokerage income is recognized on trade date basis and is exclusive of service tax and Securities Transaction tax (STT) / Commodities Transaction tax (CTT) 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 Transaction processing fee income is accounted for on an accrual basis in accordance with the terms of the respective agreements entered into between the Company and the counter party.

d) Portfolio management fees are billed as per the terms of the respective schemes/agreements 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 in accordance with the terms of the respective agreements entered into between the Company and the counter party.

f) Investment Management fees on mutual fund 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) The profit / loss on sale of investments are recognized in the Statement of profit and loss on the trade date. Profit or loss on sale of investments is determined on weighted average cost basis.

l) Profit and Loss from Partnership firm are accounted on accrual basis and as per terms of Partnership LLP agreement dated 29th January 2014, entered between IREF II LLP, Motilal Oswal Real Estate Investment Advisors Private Limited & Motilal Oswal Securities Limited.

m) Income from arbitrage/proprietary trading comprises profit/loss on sale of securities, commodities held as stock-in-trade and profit/loss on related derivative instruments.

   Profit/loss on sale of equities/commodities are determined based on the weighted average cost of the equities/ commodities sold.

   i. The company has designated the financial assets of these equities / commodities at "fair value through Profit and loss ". Such designations are considered by the Company to eliminate / significantly reduce measurement / recognition inconsistency that would otherwise arise. These instruments are measured at fair value and changes therein are recognised in the statement of profit and loss. Directly attributable transaction costs are recognised in the statement of profit and loss as incurred.

      Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, an appropriate valuation technique is used to determine the fair value.

   ii. Derivatives: The company holds derivative instruments to hedge exposure to price risk associated with equities / commodities/currencies instruments and/or for trading. The derivative instruments entered into by the Company are mainly in the nature of options and futures.

      Derivatives are measured at fair value, and resultant changes therein are recognised in the statement of profit and loss. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, an appropriate valuation technique is used to determine the fair value.

      In addition to the above, the Company also does following,

(a) Initial and additional margin paid over and above initial margin, for entering into contracts for Securities/ Currencies and Commodities Index/Stock Futures and/or Securities / Currencies and Commodities Index/ stock options which are released on final settlement/squaring-up of underlying contracts, are disclosed under Other Current Assets, Short term Loans and advances "Mark-to-market margin- Equity Index/Stock Futures" representing the amounts paid and amount received is shown under other current liabilities.

(b) "Option Premium Account" represents premium paid or received for buying or selling the options, respectively.

iii. In respect to the purchase and sale of commodities in spot exchange (NSEL),

Transactions are accounted as explained below:-

Purchase and corresponding liability is recognised in the financial statements on the date on which the transaction was executed on the exchange and Delivery allocation report were issued by the exchange confirming the identification/allocation of inventory on behalf of the Company.

Sale and corresponding receivable recognised in the financial statements on the date on which the transaction was executed on the exchange and the Delivery allocation report were issued by the exchange

The margin i.e. difference between the sale price and purchase price of the commodity was recognised entirely in the statement of profit and loss in the period in which the purchase and sale was completed and is presented as part of its operating income under "Income from Arbitrage/proprietary trading".

n) In respect of other heads of income, income from depository operations etc., the Company accounts the same on accrual basis.

26.10 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.

26.11 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.

26.12 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.

26.13 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.

26.14 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.

26.15 Preliminary Expenses:

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

26.16 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.

26.17 Mutual 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.

26.18 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.

26.19 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 depreciable historical cost.

Notes to consolidated accounts of Motilal Oswal Financial Services Ltd. and its subsidiaries (Collectively as "the Company")

Note 27 : Notes to Accounts:

27.1 Principles and assumpions used for consolidated financial statements and proforma adjustments:

a) The consolidated financial statements have been prepared substantially applying the principles laid in the Accounting Standard (AS) - 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India as considered appropriate for the purposes of these Consolidated Balance Sheet, and 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, 2014 and March 31, 2013 is as under:

Name of the Subsidiary Companies	31st March 2014			31st March 2013		
	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,	1,000,000	100	16th June, 06,
MOPE Investment Advisors Private Limited (Formerly known as Motilal Oswal Private Equity Advisors Private Limited).	50,000	85	18th May, 06	50,000	85	18th May, 06
Motilal Oswal Capital Markets Private Limited	1,250,000	99.95	18th December, 07	1,250,000	99.95	18th December, 07
Motilal Oswal Wealth Management Limited (Formerly known as Motilal Oswal Wealth Management Private Limited).	80000	99.95	29th September, 08	80000	99.95	29th September, 08
Motilal Oswal Insurance Brokers Private Limited	2,990,000	99.67	9th April, 09	990,000	99	9th April, 09
Motilal Oswal Asset Management Company Limited	35000000	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	4,569,200	99.95	7th June, 11

Name of the Subsidiary Companies	31st March 2014			31st March 2013		
	No. of Shares	% of Holding	Date of Becoming Subsidiary	No. of Shares	% of Holding	Date of Becoming Subsidiary
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
Motilal Oswal Real Estate Investment Advisors Private Limited	99,999	85	13th September, 13	–	–	–
Motilal Oswal Real Estate Investment Advisors II Private Limited	9,999	85	07th March, 14	–	–	–
Aspire Home Finance Corporation Limited	14,999,994	99.99	1st October, 13	–	–	–
India Business Excellence Management Company	40,000	85	21st March, 2014	–	–	–

27.2 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.

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.

27.3 With Effect from March 21, 2014 the subsidiary company Motilal Oswal Wealth Management Limited has converted from Private Limited company to Public limited company.

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

a) License from SEBI (Regn No. INA000000508 date of Regn December 12, 2013) for doing business of Investment Advisor Services in the subsidiary company MOPE Investment Advisors Private Limited.

b) License from IRDA (Regn No. IRDA/DB439/09 date of Regn August 20, 2013) for doing business of Insurance Broking in the subsidiary company Motilal Oswal Insurance Brokers Private Limited.

27.5 Details of partnership with Emerging Manager Group, LP

Name of partners	Units Outstanding	Capital Contribution	Percentage Ownership
Karan Trehan	3,615,940	$571,205	36.16%
Trehan Family Trust	2,341,917	$190,401	12.05%
Waddell & Reed Financial	1,205,318	$5,000,000	23.42%
Custodia Holding Inc.	668,147	$174,571	6.68%
White Williams Holdings	551,143	$396,000	5.51%
Viking One Corp	414,519	$145,392	3.71%
Vidya AG	296,958	$467	2.97%
Motilal Oswal Securities Ltd.	250,000	$500,000	2.34%
Robert Turner	234,200	$500,000	2.18%
Cross Ridge Capital LLC	217,738	$80,000	1.38%
Patrick Farrell	137,952	$80,000	1.38%
Christopher McHugh	137,952	$250,000	1.10%
Emerging Managers Capital Management LLC	109,572	$1,500	0.69%
The Chalice Fund LP	68,644	$100,000	0.43%

Note :- Emerging Manager Group follows accounting Year different from that of the company having year ended December 2013 and loss for the quarter ending March 2014 has been recognised based on unaudited financials.

27.6 a) The Company has provided bank guarantees aggregating to ₹ 1,162.50 mn (Previous Year : ₹ 1,062.50 mn) as on 31 March 2014 for the following purposes to:

i) Bombay Stock Exchange Limited - ₹ 130 mn (Previous year : ₹ 95 mn) for meeting margin requirements.

ii) National Stock exchange - ₹ 945 mn (Previous year ₹ 865 mn) for meeting margin requirements.

iii) The Multi Commodity Exchange of India Limited – ₹ 75 mn (Previous Year : ₹ 90 mn) for meeting margin requirements

iv) National Commodity & Derivatives Exchange Limited - ₹ 12.50 mn (Previous Year : ₹ 12.50 mn) for meeting margin requirements.

The Company has pledged fixed deposits with banks aggregating of ₹ 585.00 mn (Previous Year : ₹ 783.75 mn) for obtaining the above bank guarantees.

b) The company has also given corporate guarantees of ₹ 110 mn (Previous Year: ₹ 51.25 mn) to various banks for it's subsidiary Motilal Oswal Commodities Broker Private Limited.

27.7 Contingent liabilities not provided for

a) Demand of Income Tax matters for which appeal/rectifications are pending is ₹ 96.99 mn (Previous Year ₹ 73.61 mn). This is disputed by the Company and hence not provided for. The Company has paid demand of ₹ 65.74 mn till date (Previous Year ₹ 60.71 mn) under protest.

b) Claims against the Company, to the extent quantifiable, in respect of legal matters filed against the Company

Pending against forum	No. of Cases 2013-14	No. of Cases 2012-13	Amount 2013-14 (₹ In millions)	Amount 2012-13 (₹ In millions)
Civil / Consumer Court Cases	65	62	48.21	49.22
Arbitration Cases	13	6	42.63	23.68
Total	**78**	**68**	**90.85**	**72.90**

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

27.8 The subsidiary company Motilal Oswal Asset Management Company Limited has recognised MAT credit entitlement of Nil (Previous year ₹ 8.21 mn) in accordance with the provisions of the Guidance Note on Acounting for Credit available in respect of Minimum Alternate Tax under the Income Tax Act 1961 issued by the Institute of Chartered Accountants of India.

27.9 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.

27.10 During the current year, Company has made a provision ₹ 0.94 mn (previous year ₹ 2.06 mn) being 0.25% of its standard assets as per the Notification No DNBS.222/CGM(US)-2011 dated 17th January, 2011 issued by RBI.

27.11 A dividend of ₹ 138.48 mn (Previous Year ₹ 145.07 mn) 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.

27.12 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 ₹ 78.62 mn (Previous Year ₹ 77.50 mn) to Reserve Fund, being 20% of the Profit After Tax.

27.13 Balance of Trade Receivables and Trade Payables are subject to confirmation.

27.14 The Company has received intimations from below mentioned "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 only in the subsidiary company Motilal Oswal Securities Limited. There are no delays in payments to micro and small enterprises as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006. The above information regarding micro and small enterprises has been determined to the extent such parties have been identified on the basis of information provided to the Company and the same has been disclosed in Note 9.

a) TECHVED Consulting India Pvt. Ltd
b) Market Simplified India Limited
c) Liberty Process Works
d) Perfect Services
e) Quoinx Technologies Private Limited

27.15 Auditors' Remuneration (Inclusive of service tax):

Particulars	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
As Auditors:		
Audit Fees	4.27	2.46
Tax Audit Fees	0.27	0.26
Out of Pocket Expenses	0.08	0.05
Other matters	0.12	0.77
Total	**4.74**	**3.55**

27.16 Leases:

a) Operating Lease

Particulars	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Lease rentals recognized during the year	45.25	52.02

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.

e) Lease income

Lease income recognised in the Statement of Profit & Loss under the head other operating revenue amounts to ₹ 11.42 mn (Previous year Nil).

f) Minimum Future Lease receivables:

Particulars	₹ In Millions
Not later than 1 year	65.12
Later than 1 Year and not later than 5 years	265.57
Later than 5 years	–
TOTAL	**330.69**

27.17 Basic & Diluted Earnings per share:

Particulars	As at 31-Mar-14 ₹ In Millions	As at 31-Mar-13 ₹ In Millions
Net Profit attributable to equity shareholders [A] (₹ in mn)	415.51	1,099.81
Weighted average Number of equity shares for Basic EPS Face value ₹ 1 each [B]	140,808,380	145,195,253
Weighted average Number of equity shares outstanding for Diluted EPS Face Value ₹ 1 each[C]	140,808,380	145,196,218
Basic Earnings per share (EPS) (₹) [A/B]	2.95	7.57
Diluted Earnings per share (EPS) (₹) [A/C]	2.95	7.57

27.18 Related Party Disclosure:

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

Holding Company

Passionate Investment Management Private Limited

Enterprises in which Key Managerial Personnel exercises 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 Agarawal (HUF)
9. Motilal Oswal Foundation

Key Management Personnel:-

1. Mr. Motilal Oswal – Chairman & Managing Director
2. Mr. Raamdeo Agarawal – Joint Managing Director

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 P Mehta – Daughter of Chairman
3. Mr. Vaibhav Agarawal – Son of Joint Managing Director
4. Mrs. Vimla Oswal – Wife of Chairman
5. Mrs. Suneeta Agarawal – Wife of Joint Managing Director
6. Agarwal Portfolio – Enterprises of Brother of Joint Managing Director

II. Transactions with related parties: (₹ In Millions)

Transactions	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	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Managerial Remuneration	Motilal Oswal	–	–	24.00	24.00	24.00	24.00
	Raamdeo Agarawal	–	–	24.00	24.00	24.00	24.00
Donation	Motilal Oswal Foundation	–	–	3.28	0.35	3.28	0.35
Rent	Nagori Agro & Cattle Feeds Private Limited	–	–	0.86	3.43	0.86	3.43
	Rishabh Securities Private Limited	–	–	0.23	0.92	0.23	0.92
	Windwell Securities Private Limited	–	–	–	0.31	–	0.31
	Textile Exports Private Limited	–	–	1.59	1.59	1.59	1.59
Brokerage	Passionate Investment Management Private Limited.	(0.02)	(1.93)	–	–	(0.02)	(1.93)
	Agarwal Portfolios	–	–	–	(1.12)	–	(1.12)
	VISU Associates	–	–	(0.35)	(0.31)	(0.35)	(0.31)
	OSAG Enterprises LLP	–	–	(0.24)	(0.19)	(0.24)	(0.19)
	Motilal Oswal	–	–	(0.72)	(1.80)	(0.72)	(1.80)
	Raamdeo Agarawal	–	–	(1.63)	(2.64)	(1.63)	(2.64)
Dividend	Motilal Oswal	–	–	24.22	23.97	24.22	23.97
	Motilal Oswal (HUF)	–	–	0.00	0.00	0.00	0.00
	Raamdeo Agarawal	–	–	23.66	23.54	23.66	23.54
	Raamdeo Agarawal (HUF)	–	–	1.30	0.98	1.30	0.98
	Suneeta Agarawal	–	–	0.59	0.44	0.59	0.44
	Vimla Oswal	–	–	0.25	0.19	0.25	0.19
	Passionate Investment Management Private Limited.	153.58	102.69	–	–	153.58	102.69

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

27.19 Quantitative Information in respect of Income from Arbitrage Transactions (Securities) :

Cash Segment	31-Mar-14 Qty	31-Mar-14 (₹ In Millions)	31-Mar-13 Qty	31-Mar-13 (₹ In Millions)
Opening Stock	6,974,995	1,258.97	5,504,895	1,573.84
Purchase	78,195,449	29,884	92,810,073	27,516.39
Sales	82,776,575	30,662	91,339,973	27,833.81
Closing stock	2,393,869	606	6,974,995	1,258.97

Quantitative Information in respect of Income from trading in Commodities:

Cash Segment	31-Mar-14 Qty	31-Mar-14 (₹ In Millions)	31-Mar-13 Qty	31-Mar-13 (₹ In Millions)
Opening Stock	11,271	201.50	–	–
Purchase	577,360	3,372.64	2,110,319	6,828.64
Sales	575,151	3,011.35	2,094,652	6,409.03
Stock Written off	13,480	545.96	–	–
Closing stock	–	–	15,667	276.28

27.20 Open Interest in Individual Stock Futures / Commodities as on 31st March, 2014

a) Open Long Positions in Stock Futures:

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
AXISBANK	24-Apr-14	5	1,250
BANKNIFTY	24-Apr-14	41	1,025
HEROMOTOCO	24-Apr-14	336	42,000
NIFTY	29-May-14	565	28,250
ULTRACEMCO	24-Apr-14	48	6,000

b) Open Short Positions in Stock Futures:

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
ABIRLANUVO	24-Apr-14	11	2,750
ACC	24-Apr-14	10	2,500
ALBK	24-Apr-14	16	64,000
AUROPHARMA	24-Apr-14	21	42,000
BAJAJ-AUTO	24-Apr-14	23	2,875
BANKBARODA	24-Apr-14	81	40,500
BANKINDIA	24-Apr-14	38	76,000
BHARTIARTL	24-Apr-14	93	93,000
BPCL	24-Apr-14	10	10,000
CAIRN	24-Apr-14	15	15,000
CANBK	24-Apr-14	4	4,000
DLF	24-Apr-14	70	140,000
FEDERALBNK	24-Apr-14	5	20,000

Name of Equity Index/Stock Futures	Expiry Date	No. of Contracts	No. of Units
GRASIM	24-Apr-14	14	1,750
HCLTECH	24-Apr-14	6	1,500
HDFC	24-Apr-14	19	9,500
HDFCBANK	24-Apr-14	522	261,000
HINDUNILVR	24-Apr-14	20	10,000
ICICIBANK	24-Apr-14	168	42,000
IDFC	24-Apr-14	35	140,000
INDUSINDBK	24-Apr-14	2	2,000
INFY	24-Apr-14	62	7,750
ITC	24-Apr-14	31	31,000
JSWSTEEL	24-Apr-14	9	4,500
JUBLFOOD	24-Apr-14	13	3,250
KOTAKBANK	24-Apr-14	3	1,500
LICHSGFIN	24-Apr-14	13	26,000
LT	24-Apr-14	22	11,000
LUPIN	24-Apr-14	12	3,000
M&M	24-Apr-14	72	18,000
MARUTI	24-Apr-14	118	29,500
NIFTY	24-Apr-14	1051	52,550
ONGC	24-Apr-14	1	1,000
PNB	24-Apr-14	1	500
RELCAPITAL	24-Apr-14	47	47,000
RELINFRA	24-Apr-14	23	23,000
S&P500	17-Apr-14	13	3,250
SBIN	24-Apr-14	27	3,375
SSLT	24-Apr-14	23	46,000
SUNPHARMA	24-Apr-14	14	7,000
SUNTV	24-Apr-14	6	6,000
SYNDIBANK	24-Apr-14	19	76,000
TATAMOTORS	24-Apr-14	91	91,000
TCS	24-Apr-14	1	125
TITAN	24-Apr-14	103	103,000
UCOBANK	24-Apr-14	30	120,000
UNIONBANK	24-Apr-14	5	10,000
VOLTAS	24-Apr-14	12	48,000
WIPRO	24-Apr-14	2	1,000
YESBANK	24-Apr-14	6	6,000
ZEEL	24-Apr-14	35	35,000

c) Open Interest in Option:

Open Long/Short Positions:

Name of Equity Index / Stock Options	Total premium carried forward as at the year end net of provisions made	
	As At 31-Mar-14 ₹ In Millions	As At 31-Mar-13 ₹ In Millions
NIFTY	144.53	317.25
SBIN	–	(0.00)
RANBAXY	0.05	–
RCOM	0.23	–
UNITECH	0.09	–

27.21 Initial Margin:

Initial margin in respect of outstanding Derivative Instruments contracts at year end is ₹ 85.52 mn (Previous Year: ₹ 186.91 mn) and in commodities at the year end if Nil (Previous Year : ₹ 53.75 mn) which comprises of cash margin, fixed deposits, bank guarantees & collaterals.

27.22 Imports (Value on the Cost, Insurance and Freight basis)

Particulars	As At 31-Mar-14 ₹ In Millions	As At 31-Mar-13 ₹ In Millions
Capital goods	–	0.61

27.23 Provisions made comprises of:

Particulars	Opening balance as on 01-Apr-13	Provided during the year ended 31-Mar-14	Provision Paid / reversed during the year ended 31-Mar-14	Closing balance as on 31-Mar-14
Ex-gratia (Bonus)	117.65	187.32	117.85	187.13
Compensated absences	3.30	7.11	7.70	2.70
Gratuity	68.80	2.75	3.45	68.10

27.24 Details of Capital Commitments in Private Equity Funds (₹ in millions)

Sr. No.	Fund	Committed by	Total Commitment		Contribution till date		Capital Refund received till		Balance Commitment as on	
			31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013
1	India Business Excellence Fund	Motilal Oswal Financial Services Limited	450.00	450.00	438.75	438.75	–	28.95	11.25	11.25
2	India Business Excellence Fund - II	Motilal Oswal Financial Services Limited	565.00	550.00	114.05	110.00	–	–	450.95	440.00
3	India Reality Excellence Fund	Motilal Oswal Financial Services Limited	170.00	170.00	170.00	170.00	98.50	33.05	–	–
4	India Reality Excellence Fund	MOPE Investment Advisors Private Limited	100.00	100.00	100.00	100.00	57.95	19.45	–	–
5	India Business Excellence Fund - II	MOPE Investment Advisors Private Limited	135.50	118.00	27.10	23.60	–	–	108.40	94.40

Sr. No.	Fund	Committed by	Total Commitment		Contribution till date		Capital Refund received till		Balance Commitment as on	
			31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013
6	India Reality Excellence Fund - II	MOPE Investment Advisors Private Limited	200.00	–	140.00	–	–	–	60.00	–
7	Aditya Birla Private Equity Fund	Motilal Oswal Investment Advisors Private Limited	15.00	15.00	15.00	11.14	–	0.64	–	3.86
8	Reliance Alternative Investments Fund - Private Equity Scheme I	Motilal Oswal Investment Advisors Private Limited	15.00	15.00	15.00	15.00	–	–	–	–
9	India Business Excellence Fund - II	Motilal Oswal Securities Limited	25.00	–	5.00	–	–	–	20.00	–
10	India Reality Excellence Fund - II	Motilal Oswal Securities Limited	300.00	350.00	210.00	–	–	–	90.00	350.00

27.25 Segment Information: (₹ in millions)

Particulars	Equity Broking & Other related activities		Financing & Other activities		Asset Management & Advisory		Investment Banking		Unallocated		Elimination		Consolidated Total	
	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013
REVENUE:														
External Revenue	3,027.75	3,688.87	649.59	702.66	833.72	625.08	68.09	78.03	102.06	23.54	–	–	4,681.20	5,118.20
Inter-segment Revenue	133.91	141.62	48.31	28.88	62.42	35.10	16.22	–	172.63	184.11	(433.48)	(389.71)	–	–
Total Revenue	3,161.66	3,830.50	697.90	731.54	896.14	660.19	84.31	78.03	274.69	207.65	(433.48)	(389.71)	4,681.20	5,118.20
RESULT:														
Segment Result	38.36	1,232.19	162.00	236.50	171.40	119.62	(40.87)	(66.05)	250.18	116.80	–	–	581.07	1,639.06
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Operating Profit	–	–	–	–	–	–	–	–	–	–	–	–	581.07	1,639.06
Interest Expenses	–	–	–	–	–	–	–	–		–	–		(10.54)	(29.70)
Interest Income	–	–	–	–	–	–	–	–	–	–	–		24.23	8.82
Income Tax	–	–	–	–	–	–	–	–	–	–	–	–	(179.24)	(518.37)
Profit From Ordinary Activities	–	–	–	–	–	–	–	–	–	–	–	–	415.51	1,099.81
Extra-ordinary Item	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net Profit	–	–	–	–	–	–	–	–	–	–	–	–	415.51	1,099.81
Other Information:														
Segment Assets	8,847.27	10,448.47	7,461.04	7,529.13	601.40	210.94	60.33	95.48	5,229.60	2,859.85	(3,823.04)	(3,192.22)	18,376.60	17,951.65
Segment Liabilities	6,583.42	5,627.25	2,174.18	1,643.95	371.80	163.14	17.12	20.83	267.95	901.33	(2,740.81)	(2,583.47)	6,673.64	5,773.03
Capital Expenditure	67.34	109.80	6.31	129.35	6.14	12.44	0.09	0.21	–	–	–	–	79.88	251.80
Depreciation	143.79	160.65	83.25	83.62	12.27	10.37	4.10	4.40	–	–	(0.77)	(0.50)	242.65	258.54
Non-cash expenses other than depreciation	9.15	13.95	54.83	166.95	–	–	–	20.97	–	–	–	–	63.98	201.87

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

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

		31-Mar-14	31-Mar-13
I	**Assumptions as at**		
	Mortality	IALM(2006-08) Ult.	L1C (1994-96) Ult.
	Average Interest / Discount Rate	8.66%	8.00%
	Average Rate of increase in compensation	8.88%	11.75%
	Average Rate of return (expected) on plan assets		
	Average Employee Attrition Rate(Past Service (PS))	PS: 0 to 37 : 19.66%	PS: 0 to 37 : 14.43%
	Expected average remaining service	4.48	5.65
II	**Changes in present value of obligations**		
	PVO at beginning of year	68.80	65.93
	Interest cost	5.22	4.99
	Current Service Cost	14.09	17.18
	Past Service Cost - (non vested benefits)	–	–
	Past Service Cost - (vested benefits)	–	–
	Benefits Paid	(7.08)	(7.08)
	Actuarial (Gain)/Loss on obligation	(12.93)	(12.21)
	PVO at end of year	68.11	68.80
III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of year	–	–
	Expected Return on Plan Assets	–	–
	Contributions	7.08	7.08
	Benefit Paid	(7.08)	(7.08)
	Actuarial Gain/(Loss) on plan assets	–	–
	Fair Value of Plan Assets at end of year	–	–
IV	**Fair Value of Plan Assets**		
	Fair Value of Plan Assets at beginning of year	–	–
	Actual Return on Plan Assets	–	–
	Contributions	7.08	7.08
	Benefit Paid	(7.08)	(7.08)
	Fair Value of Plan Assets at end of year	–	–
	Funded Status (including unrecognized past service cost)	(67.99)	(68.80)
	Excess of actual over estimated return on Plan Assets	–	–
V	**Experience History**		
	(Gain)/Loss on obligation due to change in Assumption	(7.45)	0.33
	Experience (Gain) / Loss on obligation	0.78	(3.03)
	Actuarial Gain/(Loss) on plan assets	–	(9.18)
VI	**Actuarial Gain/(Loss) recognized**		
	Actuarial Gain/(Loss) for the year (Obligation)	12.93	12.38
	Actuarial Gain/(Loss) for the year (Plan Assets)	–	–
	Total Gain/(Loss) for the year	12.93	12.38
	Actuarial Gain/(Loss) recognized for the year	12.93	12.38
	Unrecognized Actuarial Gain/(Loss) at end of year	–	–

		31-Mar-14	31-Mar-13
VII	**Past Service Cost recognized**		
	Past Service Cost - (non vested benefits)	–	–
	Past Service Cost - (vested benefits)	–	–
	Average remaining future service till vesting of the benefit	–	–
	Recognized Past service Cost - non vested benefits	–	–
	Recognized Past service Cost - vested benefits	–	–
	Unrecognized Past Service Cost - non vested benefits	–	–
VIII	**Amounts to be recognized in the balance sheet and**		
	PVO at end of year	68.11	68.80
	Fair Value of Plan Assets at end of year	–	–
	Funded Status	(68.11)	(68.80)
	Unrecognized Actuarial Gain/(Loss)	–	–
	Unrecognized Past Service Cost- non vested benefits	–	–
	Net Asset/(Liability) recognized in the balance sheet	(68.11)	(68.80)
IX	**Expense recognized in the statement of Profit & Loss A/C**		
	Current Service Cost	14.09	17.18
	Interest cost	5.22	4.99
	Past Service Cost - (non vested benefits)	–	–
	Past Service Cost - (vested benefits)	–	–
	Unrecognized Past Service Cost- non vested benefits	–	–
	Expected Return on Plan Assets	–	0.08
	Net Actuarial (Gain)/Loss recognized for the year	(12.93)	(10.13)
	Expense recognized in the statement of P & L A/C	6.38	7.78
X	**Movements in the Liability recognized in Balance Sheet**		
	Opening Net Liability	68.80	66.00
	Expenses as above	6.38	9.95
	Contribution paid	(7.08)	(7.08)
	Closing Net Liability	68.11	68.80
XI	**Revised Schedule VI**		
	Current Liability	24.33	20.15
	Non-Current Liability	43.77	48.65

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

a) CRAR

Particulars	**2013-2014**	**2012-2013**
CRAR %	65.41	72.58
CRAR - Tier I Capital %	65.55	72.45
CRAR - Tier II Capital %	0.14	0.13

b) Exposure to real estate sector (₹ In Millions)

Category	2013-2014	2012-2013
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;	417.44	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	NIL	NIL
Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

Note:

i. The Company has exposure of ₹ 170.00 mn (Previous Year ₹ 136.95 mn) in Realty Excellence Trust.

ii. The Company has loan exposure to certain clients of ₹ 282.61 mn (Previous Year ₹ 65.17 mn) which is partly secured by charge against property.

iii. During the year, the company has purchased Residential flats of ₹ 53.30 mn (Previous year Nil) which has been classified as Investment in Property under Non Current Investment.

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 months to 3 Months	Over 3 months 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*	24.00	–	181.50	–	1,355.28	188.31	–	–	1,749.09
Assets									
Advances	106.06	235.00	263.00	1,565.00	2,352.51	–	15.08	22.50	4,559.15
Investments	–	–	–	–	–	–	–	1,221.16	1,221.16

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

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	188.31	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	1560.78	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	4096.35	
	(b) Unsecured	455.73	
		4,552.08	
(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	

	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		120.00	
	(iv) Government Securities		NIL	
	(v) Others (Please specify)		NIL	
	2. Unquoted :			
	(i) Shares : (a) Equity		461.30	
	(b) Preference		50.00	
	(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)		589.86	
	Total		**1221.16**	
(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	132.92	132.92
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	2. Other than related parties	4096.35	322.81	4419.16
	Total	**4096.35**	**455.73**	**4552.08**
(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		7005.43	511.30
	(b) Companies in the same group		Nil	Nil
	(c) Other related parties		Nil	Nil
	2. Other than related parties (Investment in Private Equity Funds)			656.56
	(a) Investment in Private Equity Funds		#	536.56
	(b) Motilal Oswal MOSt Focused 25 Fund		132.15	120.00
	Total		**7137.58**	**1167.86**
	# The investment is unquoted and the NAV of the units is not available.			
	** As per Accounting Standard of ICAI (Please see Note 3)			

	PARTICULARS	
(7)	**Other information**	Amount (₹ in millions)
	(i) Gross Non-Performing Assets	37.58
	(a) Related parties	Nil
	(b) Other than related parties	37.58
	(ii) Net Non-Performing Assets	17.66
	(a) Related parties	Nil
	(b) Other than related parties	17.66
	(iii) Assets acquired in satisfaction of debt	Nil

Notes:

1. As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
3. 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.

27.28 Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) is ₹ 110.31 mn (Previous Year : ₹ 50.11 mn.)

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

Particulars	**As At 31-Mar-14 ₹ In Millions**	**As At 31-Mar-13 ₹ In Millions**
Provision for doubtful/sub-standard assets (Non performing assets)	(12.95)	(51.30)
Write off of doubtful non performing asset	–	(112.50)
Profit on Sale of immovable property	–	389.39
Payment for settlement charges	–	(44.82)
Stock written/off on account of trading loss	(542.91)	–
Total	**(555.86)**	**180.77**

Exceptional items during the year comprises amount of ₹ 542.91 mn written off in respect of its trading loss on account of Stock-in-trade for commodities traded on National Spot Exchange Limited (NSEL) and ₹ 12.95 mn with respect to provision made in respect of the exposure to NSEL of its' funded position.

In the normal course of business of the company of purchase and sale of commodities through NSEL, NSEL could not provide commodities / complete the fund settlements and therefore company had to write-off the loss of stock-in-trade lying with NSEL. Motilal Oswal group has perused legal action against NSEL in this respect. Pending final outcome which is uncertain, the Company has fully written off the aforesaid amount.

27.30 During the year, the Company has started applying principles of Accounting Standard -30 "Financial Instruments : Recognition and Measurement" to the arbitrage / proprietary trading transactions entered into as against earlier accounting policy of recognizing these transaction on the principles of prudence as enunciated in Accounting Standard-1 "Disclosure of Accounting Policies." Accordingly in respect of these transaction, the company has designated the Financial assets of Equity/Currency and Commodities, and its Corresponding Derivatives positions entered at "fair value through Profit or loss". Such designations are considered by the Company to eliminate / significantly reduce measurement /recognition inconsistency. These instruments and all other derivative contracts are measured at fair value and changes therein are recognised in the statement of profit or loss. As a result of this change, profit before tax for the current year has increased by ₹ 26.04 mn.

27.31 During the year, assets of ₹ 156.20 mn (Previous Year: Nil) has been transferred from Investment property to Fixed Assets and assets of ₹ 16.40 mn (Previous Year: Nil) has been transferred from Fixed Assets to Investment Property. Further, the company has purchased under contruction residential flats of ₹53.30 mn (Previous year: Nil) which has been classified as Investment in Property under Non Current Investment.

27.32 During the year, the Company has mortgaged its Immovable property "Motilal Oswal Tower" to HDFC Bank Limited for the banking facilities availed by its subsidiary company Motilal Oswal Securities Limited.

27.33 a) The subsidiary company Motilal Oswal Securities International Private Ltd. 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 3000 USD per month.

b) The subsidiary company Motilal Oswal Securities International Private Ltd. 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 mn at the prevailing rates in force on a monthly basis.

c) 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.

d) 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.

e) As per section 309(1) of the Companies Act, 1956, the Company has made 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.

27.34 The remuneration paid to the Managing Director of the subsidiary company Aspire Home Finance Corporation Limited for the year ended 31st March, 2014 amounting to ₹3.18 mn is in excess of the limit prescribed under schedule XIII to the Act. The subsidiary company has made an application to the Central Government for seeking approval for payment of such remuneration. Pending Central Government approval, the excess amount paid has been shown as advance recoverable. The Managning Director has provided confirmation that in case the Central Government approval is not received he will refund the money to the Subsidiary Company.

27.35 Trade receivables in case of subsidiary company Motilal Oswal Commodities Broker Pvt. Ltd. includes ₹ 2,593.54 mn (Previous year Nil) receivable from National Spot Exchange Limited on behalf of customers and the same is also shown as Other / Trade payable to customers at ₹2,492.77 mn (Previous year Nil) which will become due only on receipt from National Spot Exchange Limited.

27.36 Foreign Currency Transactions:

a) Expenditure in Foreign Currency

Particulars	**As At 31-Mar-14 ₹ In Millions**	**As At 31-Mar-13 ₹ In Millions**
Travelling Expenses	11.78	5.73
Legal and Professional charges	6.18	15.52
Advisory Fees	13.26	–
Data Processing Charges	0.28	1.04
Marketing Commission	12.53	11.37
Communication Expenses	0.00	0.01
Membership Fees	0.37	1.50
Foreign Branch Expenses	–	6.07

Particulars	As At 31-Mar-14 ₹ In Millions	As At 31-Mar-13 ₹ In Millions
Software Charges	20.44	16.67
Meeting and event exp	2.12	1.26
Loadging and Boarding Exp	5.97	1.42
Client Entertainment exp	0.27	1.67
Training Exp	–	–
Filing Fees	0.23	0.17
Backup Charges	0.22	0.17
Examination Fees	0.18	0.08
Registration charges	0.27	–
Marketing & brand promotion expenses	–	1.10
Other expenditure incurred overseas	0.27	0.28
Total Expenditures	**74.37**	**64.05**

b) Income in Foreign Currency

Particulars	As At 31-Mar-14 ₹ In Millions	As At 31-Mar-13 ₹ In Millions
Royalty	0.48	0.44
Advisory Fees	245.99	189.77
Interest Received From Banks and Others	121.01	20.00
Investment Management Fees	4.85	1.33
Total Income	**372.32**	**211.54**

27.37 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 gain arising thereon of ₹ 0.22 mn (Previous year Loss of ₹ 0.50 mn) has been debited / credited to Statement of Profit and Loss and shown separately.

27.38 Proposed Dividend

The final dividend proposed for the year is as follows:

	As At 31-Mar-14	As At 31-Mar-13
On Equity Shares of ₹1 each		
Amount of dividend proposed (₹ in mn)	138.23	145.24
Dividend per Equity Share (₹)	1.00	1.00

27.39 Credit Ratings

a) During the year, Crisil Limited reaffirmed the Credit Rating of "CRISIL A1+" (pronounced 'CRISIL A One Plus') to the Short Term Debt Programme of ₹ 1500 mn of the Company.

b) During the year, ICRA Limited reaffirmed 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.

c) During the year, Crisil Limited reaffirmed the Credit Rating of "CRISIL A1+" (pronounced 'CRISIL A One Plus') to the Short Term Debt Programme of ₹ 1000 mn in case of subsidiary company Motilal Oswal Securities limited.

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

27.40 Prior Period Item [Income/(expenses)]during the year comprises of the following:

Particulars	As At 31-Mar-14 ₹ In Millions	As At 31-Mar-13 ₹ In Millions
Recovery of Mutual Fund distribution expenses	1.87	–
Investment advisory fees income	2.30	–
Reversal of expenses	1.44	–
TOTAL	**5.61**	**–**

27.41 Amount of margin money and shares received from clients and outstanding as on 31st March, 2014 are as 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 31.03.2014	7,267.83	156.93	571.78
Year ended 31.03.2013	6,698.62	57.03	583.55

*Margin money received in the form of securities from clients, as per the Regulations, is held by the Company. Out of this, securities worth ₹ 5,091.73 mn (Previous year ₹4,713.43 mn) are pledged with Exchange as on March 31, 2014.

27.42 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.

27.43 Previous year figures have been regrouped/rearranged where necessary to make them comparable.

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

Samrat Sanyal	**Motilal Oswal**	**Raamdeo Agarawal**	**Sameer Kamath**
Company Secretary	*Chairman & Managning Director*	*Joint Managning Director*	*Chief Financial Officer*

Place : Mumbai
Date : 26th April, 2014

Financial Highlights of Subsidiary For year ended 31st March 2014

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

(₹ in Millions)

Name of Subsidiary company	Capital (including Preference Shares)	Reserves and Surplus	Total Asset	Total Liability	Details of Investments (Excluding investment in Subsidiaries)	Gross Turnover	Profit / (Loss) Before Tax and Exceptional Item and prior period adjustments	Provision for Tax (Including Deferred Tax & MAT)	Profit/ (Loss) After Tax	Proposed Dividend & Tax thereon
Motilal Oswal Securities Limited	13.19	6,437.40	10,492.40	4,041.81	1,527.34	3,217.70	736.82	69.04	170.78	162.01
Motilal Oswal Investment Advisors Private Limited	60.00	37.49	180.89	83.40	29.36	85.94	(51.27)	(14.06)	(37.21)	–
MOPE Investment Advisors Private Limited (Formerly known as Motilal Oswal Private Equity Advisors Private Limited).	0.59	283.81	383.89	99.48	209.27	399.62	200.73	66.92	133.80	–
Motilal Oswal Commodities Broker Private Limited	4.10	187.32	3,043.32	2,851.90	–	161.56	62.62	3.42	13.27	–
Motilal Oswal Capital Markets Private Limited	12.50	3.19	15.79	0.10	–	0.91	0.71	0.24	0.46	–
Motilal Oswal Wealth Management Limited (Formerly known as Motilal Oswal Wealth Management Private Limited)	0.80	73.92	95.58	20.86	–	136.04	20.24	8.00	12.24	–
Motilal Oswal Insurance Brokers Private Limited	30.00	(12.59)	18.08	0.67	–	0.97	(5.33)	(4.90)	(0.43)	–
Motilal Oswal Asset Management Company Limited	350.00	(114.87)	325.27	90.13	–	349.92	(10.59)	–	(6.43)	–
Motilal Oswal Trustee Company Limited	1.00	0.04	1.14	0.09	–	0.44	0.06	0.02	0.04	–
Motilal Oswal Capital Market (Hongkong) Private Limited	41.20	(10.65)	31.10	0.55	–	0.00	(5.98)	–	(5.98)	–
Motilal Oswal Capital Markets (Singapore) Pte. Limited	9.89	(0.59)	10.55	1.26	–	13.13	1.71	0.09	1.62	–
Motilal Oswal Securities International Private Limited	45.69	(5.33)	44.97	4.61	–	13.82	4.69	1.29	3.39	–
Motilal Oswal Real Estate Investment Advisors Private Limited	1.00	(0.12)	1.01	0.12	0.10	–	(0.12)	–	(0.12)	–
Motilal Oswal Real Estate Investment Advisors II Private Limited	0.10	(15.01)	39.70	54.60	–	23.33	(21.88)	(6.87)	(15.01)	–
Aspire Home Finance Corporation Limited	150.00	(2.75)	147.76	0.51	–	4.81	(2.75)	–	(2.75)	–
India Business Excellence Management Company	1.83	11.49	80.12	66.80	–	273.56	3.31	0.10	3.21	–

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.

MOTILAL OSWAL FINANCIAL SERVICES

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