

Knowledge First



ANNUAL REPORT 2010-2011



It's all about Knowledge.

If you know that there's a pitfall a few steps ahead, you've as good as built a bridge over it. If you know that you are going to hit a roadblock, you've already circumvented it. Knowing is everything.

It's your peek into seeing the future. It's your map out of a labyrinth. Most importantly, it's money.

But knowledge is much larger than what books can fit into themselves. It's also things that can't be written and learnt by rote. Like observation, experience and sensitivity.

Everybody at Motilal Oswal learns to put 'Knowledge First' from day one. With over 1500 employees and more than 24 years in the business of investing; that's a lot of observations, experience and in-depth study of how to make investments grow.

Since diversifying from broking to various other financial services like Wealth Management, Investment Banking, Private Equity and Asset Management; our knowledge has only increased.

It's this wealth of knowledge that helps us create wealth for our clients and partners. After all, the more knowledge we have, the richer we get.

BOARD OF DIRECTORS

Mr. Motilal Oswal

Chairman & Managing Director
Chief Executive Officer

Mr. Raamdeo Agrawal

Joint Managing Director

Mr. Navin Agarwal

Director

Mr. Ramesh Agarwal

Independent Director

Mr. Balkumar Agarwal

Independent Director

Mr. Madhav Bhatkuly

Independent Director

Mr. Vivek Paranjpe

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
IDBI Bank
State Bank of India
HSBC
ICICI Bank
Yes Bank

Auditors

M/s Haribhakti & Co., Chartered Accountants

Registered Office

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

Corporate Office

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

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Why does the salmon start to go against the flow, swim upriver, at times even leap over a waterfall; when every other fish are swimming towards the sea? Because it knows that the best place for its young to survive, is near the source of the river.

MESSAGE FROM CHAIRMAN

Dear Shareholders,

I write to you at the close of this roller-coaster year. The growth rate of the Indian economy saw some headwinds with rising input costs and high interest rates. The Indian markets delivered a moderate performance in FY11, as compared to the high returns last year. Although strong FII inflows boosted the markets, the DII's remained net sellers. Average daily market volumes were ₹1.33 lakh crores in FY11, up 40% YoY. However, this was attributable to the disproportionate growth in the low-yield options segment of the market, while the high-yield cash segment saw year on year decline. Lack of a sustained, directional trend in the markets resulted in muted retail participation, which saw some traction only during a few PSU public issues. Thus, the growth in overall market volumes did not result in a corresponding growth in the overall brokerage revenue pool.

On a consolidated basis, our revenues declined 7% to ₹600.4 crores in FY11, and reported PAT declined 20% to ₹137.1 crores. Broking-related revenues fell 5% to ₹433.4 crores this year owing to the decline in the cash volumes in the market. The strategy of diversifying across business segments saw ~30% revenues being contributed by non-broking businesses. Fund based income grew 14% to ₹73.8 crores with an increase in the loan book. Asset management fees increased 7% to ₹42.7 crores with the launch of the new mutual funds, which saw active investor interest.

Investment banking fees saw a 39% decline at ₹39.8 crores due to revenue booking of some large deals in advanced stage of execution getting postponed due to delays in obtaining certain regulatory approvals. FY11 EBITDA and Net Profit margins, at 38% and 23% respectively, were in line with the long term trend. Our Pan-India expansion is on track with total customers increasing to 709,041 and retail distribution at 1,644 outlets across 611 cities.

We remain a focused player in the capital markets space and continue to invest into building a strong franchise in this space. True to our philosophy of Knowledge First, we introduced several innovative products during the year, many of which were India's First. We continue to expand our client base and be a financial intermediary of choice for our clients. The approach of utilizing capital judiciously and a variable cost structure was successful in maintaining a healthy balance sheet and consistent profit margins in challenging times. A strong, unleveraged balance sheet with a net worth of ₹1,060 crores and a time tested business model, gives us the headroom to capture all viable opportunities in this space.

Our efforts to create a superior, value-driven business were recognized through various industry accolades this year:

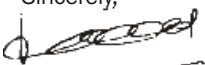
- Motilal Oswal was adjudged the 'Best Performing Equity Broker' at the CNBC TV18 Financial Advisors Awards, 2010.
- We won 4 awards at the ET-Now Starmine Analyst Awards 2010-11, placing us amongst the Top 3 award winning brokers
- Motilal Oswal was also ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category
- The M&A transaction of Shree Renuka Sugars (Brazil's Equipav SA acquisition) advised by our investment banking business won the "Asia Pacific Cross-Border Deal of the Year" award and our CEO won the "India M&A Investment Banker" award at the Asia Pacific M&A Atlas Awards, 2010
- We bagged the QualTech Prize for Improvement 2010 in Services for a DMAIC project on reducing account opening turnaround time
- Our M50 ETF, bagged the 'Most Innovative Fund of the Year' award at the CNBC TV18 CRISIL Mutual Funds Awards 2011

India's growth story remains intact and its GDP is expected to reach US\$5 trillion by 2020. With the consequent growth in discretionary income and savings pool, there is a favourable opportunity for the financial intermediation space over the medium to long term. Our focus remains strong in our value-driven research approach, increasing distribution reach across India and growing our related business segments, together with maintaining a risk-free balance sheet. Due to these factors, we firmly believe that we are favourably poised to tap the resultant opportunities.

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 – customers, business associates, employees, vendors and shareholders, who have reposed their trust in us and given us constant support.

With best wishes,

Sincerely,



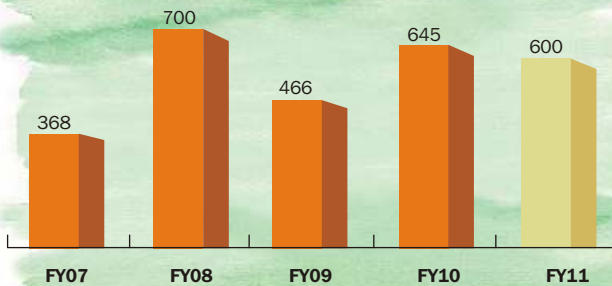
Motilal Oswal
Chairman and Managing Director
Mumbai, 20 June, 2011



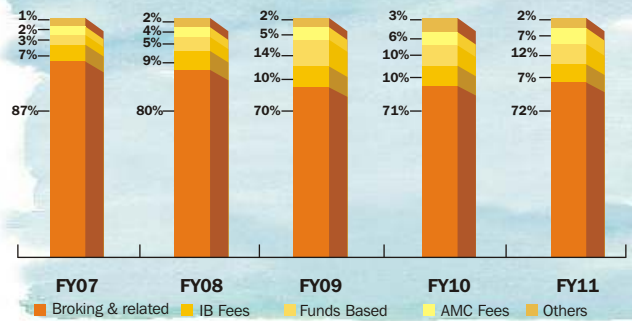
The giant anteater raids termite and ant colonies for food. But why does it never eat up the entire colony and instead stops just short of that? Because it knows that in a very short time the ants and termites will rebuild and repopulate their colonies. This means, it ends up having a sustainable food supply.

PERFORMANCE AT A GLANCE

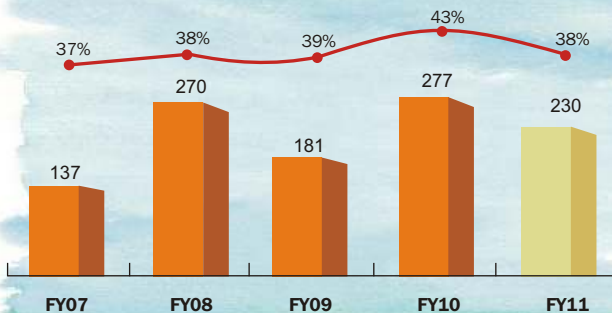
Consolidated Revenues ₹Cr (CAGR 13%)



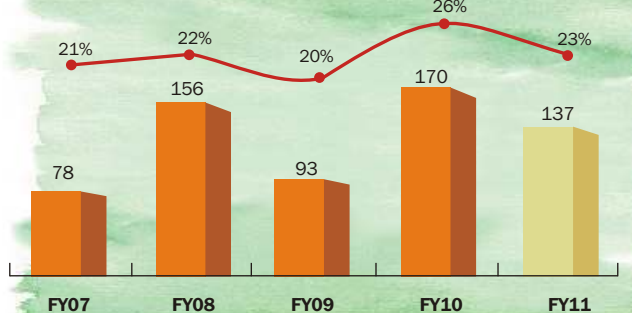
Revenue Composition %



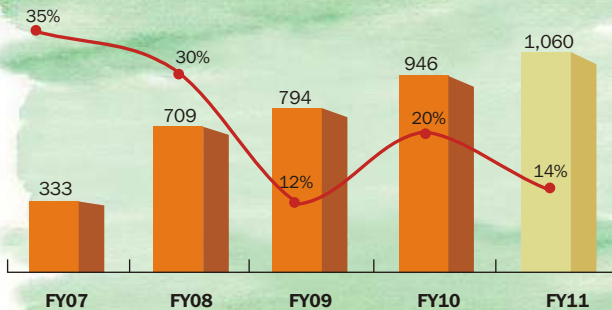
EBITDA ₹Cr (CAGR 14%); EBITDA Margin %



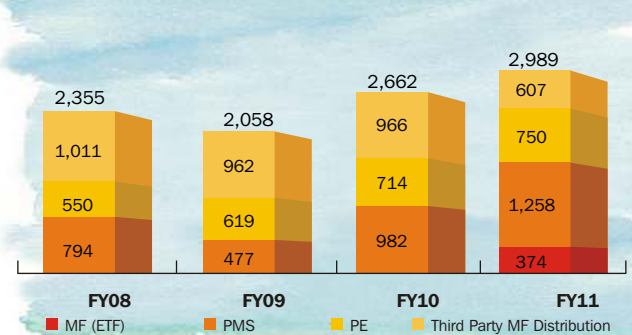
Profit After Tax ₹Cr (CAGR 15%); PAT Margin %



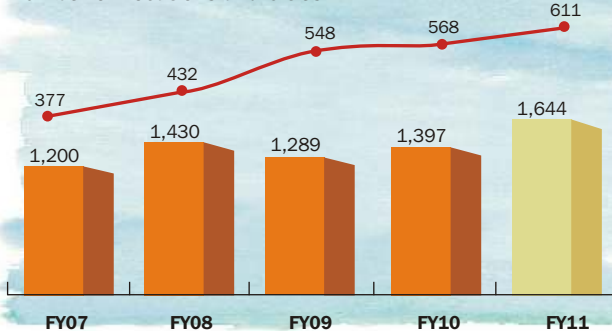
Net Worth ₹Cr; RONW (Average) %



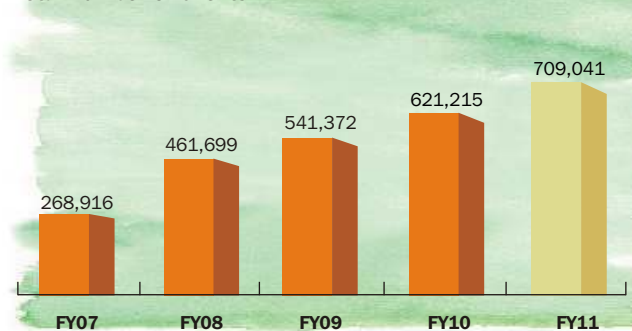
Assets under Management/Advice/Distribution ₹Cr



Number of Locations and Cities



Total Number of Clients



BUSINESS SNAPSHOT

BROKING & DISTRIBUTION

- Distribution expands to 1,644 business locations across 611 cities
 - More than 700,000 registered customers
 - Depository assets at ₹12,000 crores
 - India's largest dealing room (over 26,000 sq feet)
 - Over 175 investor education seminars conducted
-

INSTITUTIONAL EQUITIES

- Over 400 institutional clients, including over 300 FIIs
 - Research covering over 200 companies in over 20 sectors and 25 commodities
 - Introduced new research reports like 'The Policy Maker – Insights from Bureaucrats'; 'The Corner Office – Interactions With The CEO'; 'Wall Of Worry – The Whistleblower Series'; 'Gasoline – The Oil & Gas Monthly'; '3T Tele Talk Time – The Telecom Monthly'; 'The PORtrait – Monthly Picture of Indian Ports'; 'EcoScope – The Economy Observer' and many more
-

INVESTMENT BANKING

- 81 deals in 5 years across the product spectrum and sectors
 - Cumulative revenues since inception of ₹245 crores
 - Facilitated periodic thematic conclaves between corporates and investors
-

ASSET MANAGEMENT

- Portfolio Management Services had an AUM of ₹1,258 crores and the Mutual Funds business had an AUM of ₹374 crores across its three Exchange Traded Funds (ETFs)
 - Launched MOST Shares M50 ETF, India's 1st fundamentally weighted ETF; based on the Nifty Index
 - Launched MOST Shares Midcap 100 ETF, India's 1st midcap focused ETF; based on the CNX Midcap Index
 - Launched MOST Shares Nasdaq 100 ETF, India's 1st US equities based ETF
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PRIVATE EQUITY

- India Business Excellence Fund (IBEF) has funds under management of US\$ 125 million (₹550 crores), and has committed ~85% across 13 companies. Fund raising is currently underway for its 2nd growth capital fund - IBEF-II
 - India Realty Excellence Fund (IREF) has funds under management/advice of ₹200 crores. It has committed ~71% of its funds under management across 6 deals
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WEALTH MANAGEMENT

- AUM of ₹1,100 crores
 - Presence in Mumbai, Delhi, Kolkata, Pune and Ahmedabad
 - Unique Wealth Management offering (Purple Client Group) with advice on multi-asset classes including dedicated equity advisory services based on financial profiling and client need analysis
 - Launched Motilal Oswal Wealth Management System (WMS), an online portal for clients to track their wealth portfolios
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FUND-BASED BUSINESSES

- Margin Funding book of ₹296 crores
- Principal Strategies Group to optimize treasury yields

All data as of March 31, 2011