

25[★] years of Wealth Creation

Knowledge First



ANNUAL REPORT 2011-2012



25 years of Wealth Creation

2012 marks the completion of 25 years of Wealth Creation for Motilal Oswal. What began as a 3-member sub-broking firm in 1987 has today grown into a 1000 plus team and one of India's leading financial services companies; having successfully ventured into new lines of businesses.

The past 25 years has also seen Motilal Oswal Financial Services pioneer successful business models, build rewarding relationships with clients, introduce innovative products and develop valuable partnerships across multiple stakeholders. Our high-quality service, value-driven offerings and strong business ethics have helped us become one of the most recognizable and respected brands in India.

The guiding force behind our wealth creation journey of the past 25 years has been our 'Knowledge First' philosophy. This has been supported by employee friendly HR practices, effective planning, innovative technology applications, efficient operations, robust risk management, prudent financial systems and customer centric marketing.

While we look back at our past 25 years with pride, it only acts as a motivator for even bigger and better achievements over the next 25.

1987



Starts as a
Sub Broking Outfit
- Prudential
Portfolio Services

1996



Starts **Wealth Creation Study**
to identify the biggest, fastest and
the most consistent wealth creating
companies

2000



Promoters honoured with
Rashtriya Samman Patra



Receives the
Asiamoney Award
for the **Best Domestic
Equity House**

2006

Enters into **Investment Banking**,
Private Equity and **Wealth Management**

aban

Investment Banking Business advises
on one of the largest investment banking
deals of 2006 and tops **Bloomberg
M&A** league table for India



Places 10.75% with
**2 leading Private Equity
Investors- Bessemer
Venture and New Vernon**
Private Equity
valuing the company
@ ₹ 1200 Cr
(post money)

Issues about **13% of equity**
to employees as ESOPs

Private Equity business
launches its maiden fund of
USD 125 million

2008



Hits **Billion Dollar**
Market Capitalisation

Awarded '**Best Franchisor in Financial
Services**' by Franchising World Magazine for
the second time in succession



Mr. Oswal awarded the '**Excellent
Business Achiever in Financial
Services**' Award by the Institute of
Chartered Accountants of India



Awarded the
NASSCOM-CNBC TV18 IT
User Award

DP Assets cross ₹ 5,000 cr
Group Profits cross ₹ 100 cr and
Group revenues cross ₹ 500 cr

2010



Asset Management
business hosts
India's **1st Value
Investing Forum**

Asset Management launches its
maiden **mutual fund offering** –
India's first fundamentally enhanced ETF



Investment Banking Business wins the
"India M&A Investment Banker Award",
and "Asia Pacific Cross-Border Deal of the Year"
at the Asia-Pacific M&A Atlas Awards



Launched
Motilal Oswal Foundation

Wins QualTech Prize for
Improvement in the
Services Category at
QIMPRO



DP Assets cross ₹ 10,000 cr

2012



Awarded '**Best Equity Broker**' at
Bloomberg UTV Financial Leadership
Awards



Awarded the '**Retailer of the Year**'
(Banking & Financial Services)
at the 'Award for Retail Excellence'
organized by Asia Retail Congress



Adjudged '**Best Performing Equity
Broker (National)**'
at the CNBC TV18 Financial
Advisor Awards - two years in a row

Awarded the '**Best Public Relations
in the Financial Services Sector**'
at the India PR & Corporate
Communication Awards



MOST Shares Nasdaq 100 ETF bags the
'Most Innovative ETF - Asia Pacific 2011'
at the 8th Annual Global ETF Awards 2012



MOFSL shifts into its own
corporate headquarters spread
over 2,70,000 square feet

MOSL acquires
B.S.E. membership



1990



Gets **N.S.E.**
membership

MOTILAL OSWAL

Enters
**Institutional Equities
Business**

1994

Reach expands to over
100 business locations
Customer base crosses
10,000

FII Client
base crosses 100

2003

**2003
asia money
awards**

Awarded
Best Local Brokerage,
Most Independent Research
Brokerage and
Best in Sales & Service

DP assets
cross ₹ 1,000 crore

2005



Features as a case study in
Harvard Business School



Goes public.
The IPO was
oversubscribed
26.4 times

2007



Rated as **No. 1 Broker**
at the ET Now-Starmine
Analyst Awards



Enters the
Limca Book of
Records for creating
India's **Largest
Dealing Room**

Reach expands to over **1,000**
business locations Customer
base crosses 5,00,000

2009



Mr Agrawal honoured with an award
for Special Contribution to Indian
Capital Market at '**India's
Best Market Analyst Awards**



Asset Management Business
organises **India's first
ETF Conclave**



Wins '**Best Capital Markets &
Related NBFC**' Award at CNBC TV18
India Best Banks and Financial
Institutions Awards



Asset Management
Company (AMC) becomes
India's **1st AMC to ring the
NASDAQ Stock Market
Opening Bell**

2011

Reach expands to over **1,500 business**
locations **Customer base** crosses 7,00,000
Group net worth **crosses ₹ 1,000 crore**



Bags two awards for
'**Excellence in HR through
Technology**' & '**Managing Health
at Work**' at the 2nd Asia's Best
Employer Brand Awards



Awarded '**Best Equity
Broking House**' at BSE – Dun
& Bradstreet Equity Broking Awards



Maiden mutual fund offering bags the
'Most Innovative Fund of the Year'
at the CNBC TV18-CRISIL
Mutual Fund Awards

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Board of Directors

Mr. Motilal Oswal
Chairman & Managing Director
Chief Executive Officer

Mr. Raamdeo Agrawal
Joint Managing Director

Mr. Navin Agarwal
Director

Mr. Balkumar Agarwal
Independent Director

Mr. Vivek Paranjpe
Independent Director

Mr. Praveen Tripathi
Independent Director

Chief Financial Officer
Mr. Sameer Kamath

Company Secretary and Compliance Officer
Mr. Samrat Sanyal

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

Auditors
M/s Haribhakti & Co., Chartered Accountants

Registrars and Share Transfer Agent
Link Intime India Private Limited
C- 13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai – 400 078.

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



Dear Shareholders,

Over the past year, we have been put to the test through a very challenging business environment. The India growth story faced tough macro and global headwinds which put corporate earnings under pressure and impacted investor sentiments towards equities. While the markets saw negative returns in the first three quarters, a rebound in the fourth saw it decline by a moderate 10% for the fiscal. FIIs remained net sellers for most part of the year, in contrast to the strong inflows seen in the prior two years. Retail participation remained depressed due to the market performance and lackluster showing of many recent IPO stocks post-listing. Market volatility and muted investor sentiments saw a number of primary issues being deferred, which put pressure on demat account growth and investment banking business. Although average daily equity market volumes touched a high of ₹ 1.43 tn in FY12, high-yield cash volumes continued to decline, which put broking revenues under pressure this year too.

Our consolidated revenues declined 22.5% to ₹ 4.66 bn in FY12, and reported PAT declined 24% to ₹ 1.04 bn. Broking-related revenues fell 26% to ₹ 3.20 bn, in line with the 24% decline in cash market volumes. With an increase in the loan book, fund based income grew 8% to ₹ 822.2 mn. Asset management fees increased 17% to ₹ 503.5 mn on the back of our new mutual funds and private equity fund launched this year. Investment banking business was adversely impacted by lackluster market performance, high borrowing costs and slow down in corporate expansion plans. Investment banking fees saw a 78% decline to ₹ 86.3 mn. However, strong focus on efficiency and costs helped your company maintain EBITDA and Net Profit margins in line with the long term trends.

Despite this difficult operational environment in FY12, we worked actively to strengthen our position further in the market by focusing on following key areas, so that we can tap the opportunities once the market tide turns favourable :-

- Building our distribution reach by focusing on quality business partners and untapped pools of wealth across India
- Given our emphasis on Knowledge, we introduced innovative funds and equity strategies, as well as conducted investor education seminars
- Leveraging technology to provide an enhanced service experience to our clients across the entire customer engagement process
- Using our funds and strategies, a wide product bouquet, trading platforms and strong on-ground relationships across all our verticals to build client assets
- Effectively managing those costs that can be controlled and deliver consistent profit margins despite these challenging times
- Using capital judiciously to ensure a strong, risk-free balance sheet, which gives us the ability to tap any viable opportunities that arise

These efforts and initiatives saw us deliver on many fronts. Our cash market share – our main focus area, continues to hold firm despite the pressures on cash market volumes. Our flagship PMS strategy – Value, continues to outperform the benchmark across short and long time periods. All our new mutual funds and private equity fund launched this year have seen good investor interest. Some holdings of our existing private equity fund are evincing good interest for subsequent rounds of financing. We successfully created synergies across our business segments to cross-sell products and source deals and investor monies.

In recognition of our value-driven services and customer-centric approach, we won several industry accolades this year as well. Each of these is testimonial to the hard work put in by our employees. The awards included 'Best Performing National Equity Broker' at the CNBC TV18 Financial Advisor Awards 2012; 'Best Equity Broker' at the Bloomberg UTV Financial Leadership Awards 2012; 'Retailer of the Year (Banking & Financial Services)' at the Retail Excellence Awards 2012 and 'Best Equity Broking House' at the BSE IPF-D&B Equity Broking Awards 2011.

Despite the near-term headwinds, there is a clear, long-term opportunity for financial intermediation as the growth in Indian GDP and savings pans out. During the year, we continued our efforts in laying a strong foundation in our businesses to scale up and grab a meaningful share of these opportunities. We remain focused on building a customer focused organization with low financial leverage, which has helped us deliver reasonable performance across market cycles.

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

With best wishes,

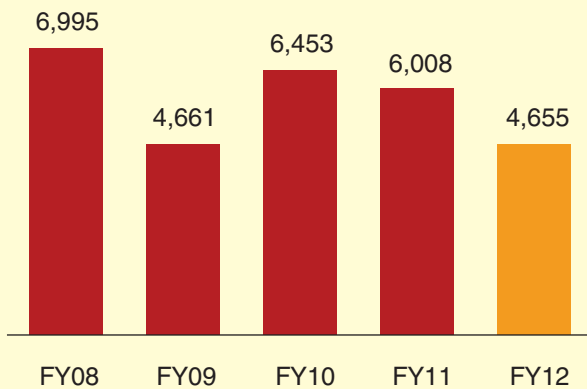
Sincerely,



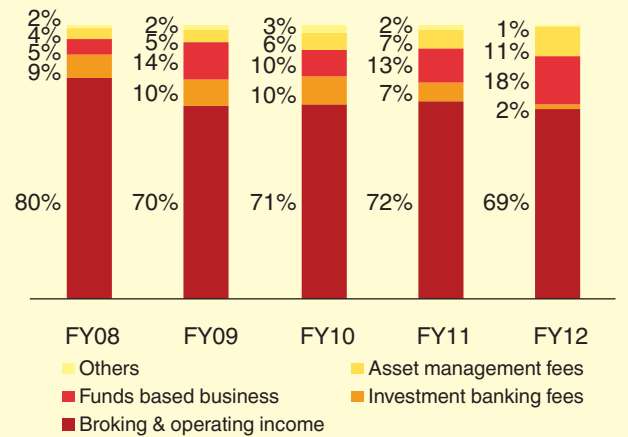
Motilal Oswal
Chairman and Managing Director
Mumbai, 20 June, 2012

Performance at a Glance

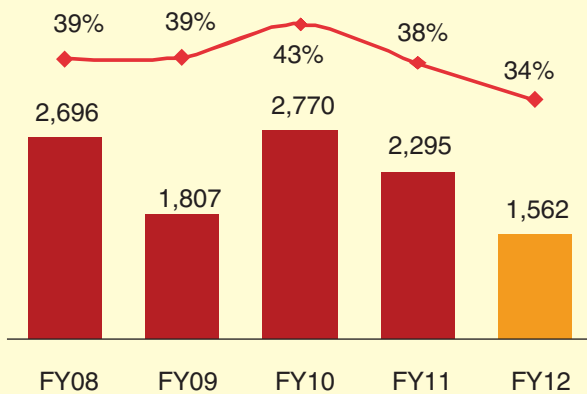
Consolidated Revenues (₹ Mn)



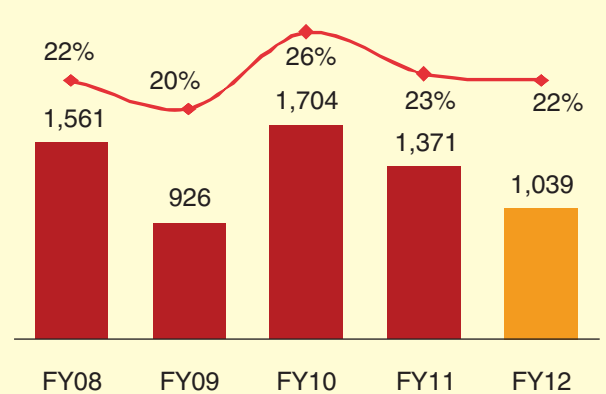
Revenue Composition %



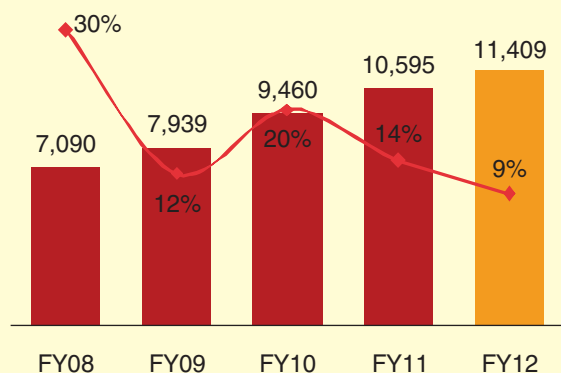
EBITDA (₹ Mn); EBITDA Margin %



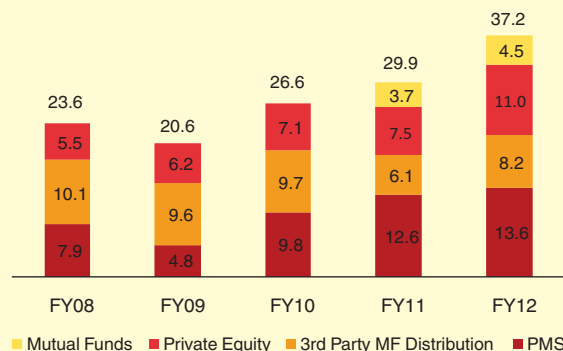
Profit After Tax (₹ Mn); PAT Margin %



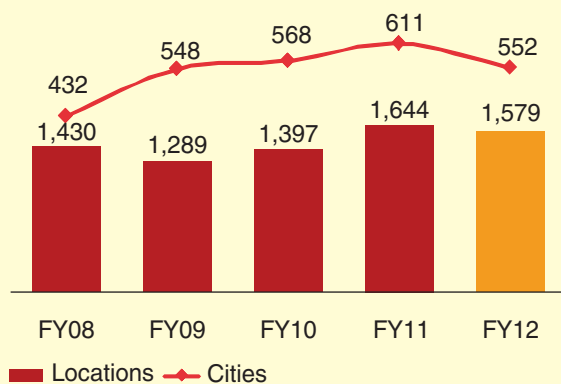
Net Worth (₹ Mn); Return on Avg Net Worth%



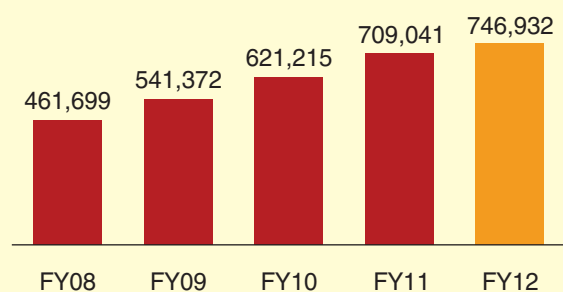
Assets under Management/Advice/Distribution (₹ Bn)



Number of Locations and Cities



Total number of Registered Clients



BROKING & DISTRIBUTION

- Distribution reach at 1,579 business locations across 552 cities
- More than 746,000 total registered customers
- Depository assets at ₹ 115.4 bn
- About 400 training and investor education seminars conducted in FY12; including the multi-city seminar series - 'Investor Ki Kahani Usi Ki Zubani'

INSTITUTIONAL EQUITIES

- Over 500 institutional clients
- Research covering over 200 companies in over 20 sectors and 25 commodities
- Research products across the entire spectrum - India Strategy, Thematic (Eco Scope, Expert Speak, Policy Maker); Sector (mPower, Auto Dashboard, Tele Talk Time, Industry Updates) and Company (ICR, Company Updates, InSites) research

INVESTMENT BANKING

- 88 deals in 6 years across the sector and product spectrum
- Cumulative revenues since inception of ₹ 2.6 bn
- Lead Sponsor for the 'Latin America India Investors Forum' in Mumbai
- Won the 'Asia Pacific Cross-Border Deal of the Year' and Mr Ashutosh Maheshvari, CEO - Investment Banking won the 'India M&A Investment Banker' award at the Asia Pacific M&A Atlas Awards 2010 for the transaction of Shree Renuka Sugar's acquisition of Brazil's Equipav SA

ASSET MANAGEMENT

- PMS AUM of ₹ 13.6 bn
- Mutual Funds AUM of ₹ 4.5 bn across 5 products
- Launched MOST 10Year Gilt Fund in Dec 2011 - India's 1st fund providing access to 10Year benchmark Government Bond
- Launched MOST Shares Gold ETF in March 2012 - India's 1st Gold ETF of its kind which seamlessly enables investment as well as consumption of pure gold for retail investors
- Organized the 1st edition of the Motilal Oswal MOST Shares ETF Conclave in June 2011
- MOST Shares Nasdaq 100 ETF won the 'Most Innovative ETF - Asia Pacific 2011' award at the 8th Annual Global ETF Awards 2012 in USA
- MOST Shares M50 ETF was adjudged the 'Most Innovative Fund of the Year' at the CNBC TV18-CRISIL Mutual Fund Awards 2011

PRIVATE EQUITY

- India Business Excellence Fund has funds under management of US\$ 125 million (₹ 5.5 bn) and has committed ~83% across 13 companies
- India Realty Excellence Fund has funds under management/advice of ₹ 2 bn and has committed ~74% of its funds under management across 6 deals
- Announced the first closing of its 2nd growth capital PE fund - India Business Excellence Fund-II. Achieved an equivalent of ₹ 3.5 bn raised through a combination of domestic and offshore investors

WEALTH MANAGEMENT

- AUM of ₹ 14.7 bn
- Presence in Mumbai, Delhi, Kolkata, Pune and Ahmedabad
- Unique Wealth Management offering (Purple) based on financial profiling and client need analysis
- Launched FA Workstation - an online platform for advisors to track wealth portfolios, research etc and improve operational efficiency

All data as of March 31, 2012



Motilal Oswal
Chairman and Managing Director



Raamdeo Agrawal
Joint Managing Director



Navin Agarwal
Director & CEO, Institutional Equities



Ashutosh Maheshvari
CEO, Investment Banking Business



Vishal Tulsyan
CEO, Private Equity Business



Nitin Rakesh
CEO, Asset Management Business



Vijay Kumar Goel
CEO, Broking and Distribution Business



A V Srikanth
CEO, Private Wealth Management Business



Srikanth Iyengar
CEO, Principal Strategies Group



Rajat Rajgarhia
Head, Research



Ajay Kumar Menon
Chief Operating Officer &
Whole - time Director (MOSL)



Sameer Kamath
Chief Financial Officer



Harsh Joshi
Head, Corporate Affairs &
Whole-time Director (MOSL)



Sudhir Dhar
Head, HR & Administration



Ramnik Chhabra
Head, Marketing

Financial Statements