



## MOTILAL OSWAL FINANCIAL SERVICES LIMITED

(Incorporated on May 18, 2005 under the Companies Act, 1956 as a public limited company vide Registration No. 11 - 153397)

**Registered Office:** Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064, Maharashtra, India.

**Telephone No:** +91 22 3080 1000; **Fax No:** + 91 22 2844 9044.

**Email:** initialoffer @motilaloswal.com; **Website:** www.motilaloswal.com

**Contact Person:** Mr. Tarun Khurana, Company Secretary & Compliance Officer

(For details of changes in registered office and incorporation details please refer to the section titled "History and Other Corporate Matters" beginning on page 76 of this Red Herring Prospectus)

**PUBLIC ISSUE OF 2,982,710 EQUITY SHARES OF RS. 5/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] MILLION (HEREINAFTER REFERRED TO AS "THE ISSUE") BY MOTILAL OSWAL FINANCIAL SERVICES LIMITED ("THE COMPANY" OR "THE ISSUER"). THE FACE VALUE OF THE EQUITY SHARES IS RS. 5/- EACH. THE ISSUE INCLUDES A RESERVATION OF 142,310 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("THE EMPLOYEE RESERVATION PORTION") AT THE ISSUE PRICE. THE ISSUE WILL CONSTITUTE 10.50 % AND THE NET ISSUE WILL CONSTITUTE 10 % OF THE POST ISSUE PAID-UP CAPITAL OF THE ISSUER.**

**PRICE BAND: RS. 725 TO RS. 825 PER EQUITY SHARE OF RS. 5/- EACH**

**THE ISSUE PRICE IS 145 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 165 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") and by issuing a press release and also by indicating the change on the websites and terminals of the Book Running Lead Manager.

In terms of Rule 19(2)(b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIB's, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

### RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The Face Value of the Equity Shares is Rs. 5/-** and the Floor Price is 145 times and Cap Price is 165 times of the Face Value. The Price band (as determined by the Company in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares by the way of Book Building) should not be taken to be indicative of the Market Price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. The Issuer has not opted for IPO Grading.

### GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does the SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. **Specific attention of the investors is invited to the section titled Risk Factors beginning on Page No. xi of the Red Herring Prospectus.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for, and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Red Herring Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The in-principle approvals of the Stock Exchanges for listing the Equity Shares have been received pursuant to letter no. DSC/IPO/SC/IPO – IP/0134/2006-2007 dated April 25, 2007 and letter no. NSE LIST 48439 - 2 dated June 11, 2007 respectively. The BSE will be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <b>Citigroup Global Markets India Private Limited</b> 12th Floor, Bakhtawar, Nariman Point, Mumbai – 400 021, India. Tel: +91 22 6631 9999 Fax: +91 22 6631 9803 Email: mofsl ipo@citi.com Website: www.citibank.co.in Contact person: Rajiv Jumani Registration No: INM000010718	 <b>Intime Spectrum Registry Limited</b> C- 13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Tel: +91 22 2596 0320 Fax: +91 22 2596 0329 Email: mofsl ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar Registration Number: INR000003761
ISSUE PROGRAMME	
<b>BID/ISSUE OPENS ON: August 20, 2007</b>	<b>BID/ISSUE CLOSES ON: August 23, 2007</b>

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## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

In this Red Herring Prospectus, all references to “Motilal Oswal Financial Services Limited”, “MOFSL” and “Issuer” are to Motilal Oswal Financial Services limited, a company incorporated under the Companies Act, 1956, with its registered office at Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064, Maharashtra, India.

In this Red Herring Prospectus, all references to “we”, “us”, “our”, “Company”, “our Company” and “Group” are to MOFSL and its Subsidiaries.

In this Red Herring Prospectus, all references to “Subsidiaries” and “our Subsidiaries” mean collectively Motilal Oswal Securities Limited, Motilal Oswal Commodities Broker Private Limited, Motilal Oswal Venture Capital Advisors Private Limited and Motilal Oswal Investment Advisors Private Limited.

#### Company Related Terms:

Term	Description
Acquisitions	Acquisitions of customer rights and other assets of three broking entities as detailed on page 76 under the section titled “History and Other Corporate Matters”
Articles / Articles of Association / AOA	Articles of Association of Motilal Oswal Financial Services Limited
BCP	Business Continuity Plan
Board / Board of Directors	Board of directors of Motilal Oswal Financial Services Limited or a committee of the Board
Business Associates	Our sub-brokers registered with SEBI
Business Locations	A single premise in which we and/or our Business Associates operate one or more of our business activities
CMD	Chairman and Managing Director
DRS	Disaster Recovery Site
ESOS / ESOP	Collectively the employee stock option schemes framed by the Issuer being ESOS I, ESOS II, ESOS III and ESOS IV
Equity Shares	Equity Shares of the Issuer of face value Rs 5 each
Memorandum of Association	The Memorandum of Association of Motilal Oswal Financial Services Limited
MOCB	Motilal Oswal Commodities Broker Private Limited
MOFSL	Motilal Oswal Financial Services Limited
MOIA	Motilal Oswal Investment Advisors Private Limited
MOIB	Motilal Oswal Insurance Brokers Private Limited
MOPM	Motilal Oswal Portfolio Management Services Private Limited
MOSL	Motilal Oswal Securities Limited

<b>Term</b>	<b>Description</b>
MOVC	Motilal Oswal Venture Capital Advisors Private Limited
PCG	Private Client Group
PIMPL	Passionate Investment Management Private Limited
Promoters	Mr. Motilal Oswal, Mr. Raamdeo Agrawal and Passionate Investment Management Private Limited
Registered Office	The registered office of the Issuer, being Palm Spring Centre, 2 <sup>nd</sup> Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064, Maharashtra, India

**Conventional / General Terms:**

<b>Term</b>	<b>Description</b>
AGM	Annual General Meeting
AOA	Articles of Association
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year in accordance with Income-Tax Act
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CEPS	Cash Earning Per Equity Share
CY	Calendar Year
DIN	Director's Identification Number
DRHP	Draft Red Herring Prospectus
CEO	Chief Executive Officer
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
FII(s) / Foreign Institutional Investors	Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI
FIPB	Foreign Investment Promotion Board
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product

<b>Term</b>	<b>Description</b>
GIR Number	General Index Registry Number
GoI	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IPO	Initial Public Offer
I. T. Act	The Income Tax Act, 1961
MAPIN	Market Participant and Investor Database
MD	Managing Director
MIS	Management Information System
MNC	Multi National Company
MOA	Memorandum of Association of the Issuer
NAV	Net Asset Value
NRE Account	Non-Resident External Account
NRI	Non Resident Indian
NSE	National Stock Exchange of India Limited
OCRPS	Optionally Convertible Redeemable Preference Shares
PAN	Permanent Account Number
PAT	Profits After Taxation
PBT	Profits Before Taxation
P/E Ratio	Price/Earnings Ratio
RBI	The Reserve Bank of India
RHP	Red Herring Prospectus of the Issuer
ROC	Registrar of Companies, located at 100, Everest, Marine Drive, Mumbai 400 002, Maharashtra, India
RONW	Return on Net Worth
Rs. / Rupees / INR	Indian Rupees
RTGS	Real Time Gross Settlement System
SBI	State Bank of India
SCRR	Securities Contract Regulations Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time

<b>Term</b>	<b>Description</b>
SEBI DIP Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
UIN	Unique Identification Number
YOY	Year on Year

**Issue Related Terms:**

<b>Term</b>	<b>Description</b>
Allotment / Allotment of Equity Shares	Issue of Equity Shares of the Issuer pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares would be issued.
Auditors	The statutory auditors of the Issuer, M/s Haribhakti & Co., Chartered Accountants
Banker (s) to the Issue and Escrow Collection Bank (s)	ICICI Bank, Standard Chartered Bank, HDFC Bank and Citibank
Bid	An indication to make an offer made by a prospective investor to subscribe for Equity Shares of the Issuer at a price within the Price Band, during the Bidding Period and includes all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid / Issue Closing Date	The date after which the BRLM to the Issue will not accept any Bids for the Issue; any such date shall be notified through a notice in an English national newspaper, a Hindi national newspaper and a regional newspaper
Bid / Issue Opening Date	The date on which the BRLM to the Issue shall start accepting Bids for the Issue; any such date shall be notified through a notice in an English national newspaper, a Hindi national newspaper and a regional news paper
Bid-cum- Application Form	The form in terms of which the Bidder shall Bid for the Equity Shares in the Issuer and shall, upon allocation of the Equity Shares by the BRLM and filing of the Prospectus with the ROC, be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus
Bidder(s)	Any prospective investor who makes a Bid for Equity Shares in terms of this Red Herring Prospectus through the Book Building Process
Bidding / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is made

<b>Term</b>	<b>Description</b>
BRLM	Book Running Lead Manager, in this case being Citigroup Global Markets India Private Limited
CAN / Confirmation of Allocation Note	The note, advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalised and above which no bids will be accepted
Citigroup	Citigroup Global Markets India Private Limited, a company incorporated under the Companies Act and having its registered office at 12th Floor, Bakhtawar, Nariman Point, Mumbai 400 021
Companies Act/ The Act	The Companies Act, 1956, as amended from time to time
Cut-off / Cut-off Price	The Issue Price finalized by the Issuer in consultation with the BRLM
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
DP / Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of Motilal Oswal Financial Services Limited, unless otherwise specified
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated March 30, 2007 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. Upon filing with ROC at least three days before the Bid/Issue Opening Date it will become the Red Herring Prospectus. It will become a Prospectus upon filing with ROC after the determination of Issue Price
Eligible Employee	Eligible Employee means a permanent employee and directors of our Company, whether a whole time director, part time director or otherwise, excluding the Promoter Directors, who are Indian nationals based in India and are physically present in India on the date of submission of the Bid cum-Application Form. In addition, such person should be an employee or director during the period commencing from the date of filing of the Red Herring Prospectus with the ROC upto the Bid/Issue Closing Date
Employees Reservation Portion	The portion of the Issue being upto 142,310 Equity Shares available for allocation to Eligible Employees
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the BRLM

<b>Term</b>	<b>Description</b>
Escrow Agreement	Agreement entered into between the Issuer, the Registrar and the BRLM for collection of the Bid Amounts and refunds of the amounts collected from the Bidders
Financial Year/ Fiscal/ FY	The twelve months or period ended March 31 of a particular year
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue/ Issue Size	Public Issue of 2,982,710 new Equity Shares for cash at the Issue Price of Rs. [●] aggregating to Rs. [●] million by the Issuer in terms of this Red Herring Prospectus
Income Tax Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
Issue Price	Price determined by the Issuer in consultation with the BRLM on the Pricing Date after the Bidding Period and which shall be set forth in the Prospectus to be filed with ROC
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts on the Designated Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Mutual Funds Portion	5% of the QIB Portion or upto 85,212 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue	The Issue less the Employee Reservation Portion amounting to 2,840,400 Equity Shares
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non-Institutional Portion	The portion of the Issue being 284,040 Equity Shares available for allocation to Non-Institutional Bidders
OCB / Overseas Corporate Body	Overseas corporate body, is a company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Pay-in-Period means the period commencing on the Bid Opening Date and extending till the Bid Closing Date, during which the Bidders have to pay the maximum Bid Amount into the Escrow Account, unless such requirement is waived by the BRLM for Bidders. In case of requirement of payment during the Bidding Period is waived by the BRLM for Bidders, the closure of the Pay-in-Period for such Bidders, for payment into the Escrow Account, shall be within four calendar days of

<b>Term</b>	<b>Description</b>
	communication of the allocation list by the BRLM
Price Band	The price band of Rs. 725 to Rs. 825 including revisions thereof
Pricing Date	The date on which the Issuer in consultation with the BRLM finalizes the Issue Price
Promoter Group	Unless the context otherwise requires, refers to those companies and individuals mentioned in the section titled “Our Promoters and Promoter Group” beginning on page 92 of this Red Herring Prospectus
Prospectus	The Prospectus to be filed with the ROC containing, inter-alia, the Issue Price that is determined at the end of the Book Building Process, the Issue size and certain other information
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account
Qualified Institutional Buyers (QIBs)	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law
QIB Portion	The portion of the Issue being 1,704,240 Equity Shares available for allocation to QIB Bidder(s)
Red Herring Prospectus	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the Issue size. The Red Herring Prospectus will be filed with the ROC at least 3 days before the opening of the Issue and will become a Prospectus after filling with ROC after the pricing and allocation
Registrar	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs.100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 852,120 Equity Shares available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any
Stock Exchanges	BSE and NSE
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the BRLM to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this this Red Herring Prospectus

<b>Term</b>	<b>Description</b>
Trading Volumes	Traded value of equities including both cash and derivatives on the Stock Exchanges
Underwriters	The BRLM
Underwriting Agreement	The agreement between the BRLM and the Issuer to be entered into on or after the Pricing Date

#### **Technical and Industry Terms**

<b>Term</b>	<b>Description</b>
CDSL	Central Depositories Services (India) Limited
ECS	Electronic Clearing System
F&O	Futures and Options
FMC	Forward Markets Commission
IT	Information Technology
NBFC	Non Banking Finance Company
MCX	Multi Commodity Exchange of India Limited
NCDEX	National Commodity and Derivatives Exchange Limited
NEFT	National Electronic Funds Transfer
NSCCL	National Stock Clearing Corporation Limited
NSDL	National Securities Depositories Limited
PCM	Professional Clearing Members
RMS	Risk Management Systems
SENSEX	Bombay Stock Exchange Sensitive Index
Nifty	National Stock Exchange Sensitive Index

All other words and expressions used but not defined in this Red Herring Prospectus, but defined in the Companies Act, the SEBI DIP Guidelines or in the Securities Contracts (Regulation) Act and/ or the Rules and the Regulations made thereunder, shall have the meanings respectively assigned to them in such Acts or the Rules or the Regulations or any statutory modification or re-enactment thereto, as the case may be.

## **CERTAIN CONVENTIONS; USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. The Issuer's fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular Fiscal Year are to the twelve- month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependant on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your advisers regarding such differences and their impact on our financial data.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Red Herring Prospectus, unless in this Red Herring Prospectus otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India, all references to the "US", "USA" or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

For definitions, see the section titled "Definitions and Abbreviations" beginning on page i of this Red Herring Prospectus. In the section titled "Main Provisions of Articles of Association", defined terms have the meaning given to such terms in the Articles.

### **Use of market data**

Unless stated otherwise, industry/ market data used throughout this Red Herring Prospectus has been obtained from internal Company reports, and other industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry / market data used in this Red Herring Prospectus is reliable, it has not been independently verified.

### **Currency of presentation**

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "US\$", "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI DIP Guidelines. These convenience transactions should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Rupees, at any particular rate, the rates stated below or at all. Except as otherwise stated in this Red Herring Prospectus, all translations from Rupee to U. S. Dollars contained in this Red Herring Prospectus have been based on the noon buying rate in the City of New York on March 31, 2007 for cable transfers in Rupees as certified for customs purposes by the federal Reserve of New York. The noon buying rate on March 31, 2007 was Rs. 43.10 per US\$ 1.00.

## FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that could be considered to be “forward-looking statements”. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- our ability to successfully implement our strategy, growth and expansion plans, technological initiatives;
- our ability to retain our current employees;
- market fluctuations and industry dynamics beyond our control;
- our ability to manage the third party risks;
- our ability to successfully launch new services;
- any adverse outcome in legal proceedings in which we are involved;
- potential mergers, acquisitions or restructuring;
- changes in monetary and/ or fiscal policies of the Government of India, inflations, deflation, foreign exchange rates, unanticipated turbulence in interest rates;
- occurrence of natural disasters or calamities affecting the areas in which we have operations;
- changes in political and social conditions in India;
- the performance of the financial markets in India and globally; and
- competition in the industry.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page xi of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated. Neither the Issuer, nor the BRLM nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition or differ from actuality. In accordance with SEBI requirements, the Issuer and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## SECTION II: RISK FACTORS

*An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the sections titled “Business” beginning on page 55 of this Red Herring Prospectus and “Management’s Discussion and Analysis of Financial Condition and Results Of Operations of Motilal Oswal Securities Limited (Unconsolidated)” and “Management Discussion and Analysis of Financial Condition and Results of Operations of the Group (Consolidated)” beginning on page 236 and 256, respectively, of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. Occurrence of any one or a combination of the following risks, as well as the other risks and uncertainties discussed in this Red Herring Prospectus, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of the Equity Shares to decline, which could result in the loss of all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.*

### Internal Risk Factors

- 1. *We are involved in a number of legal proceedings which, if determined against us, could adversely affect our business and financial condition.***

The Issuer, the Directors, the Promoters, and the Promoter Group are parties to certain legal proceedings. No assurances can be given as to whether these matters will be settled in our favour or against us. A summary of the pending proceedings is set forth below:

#### **A. Proceedings filed against Motilal Oswal Securities Limited (MOSL)**

<b>Type of cases</b>	<b>Number of cases</b>	<b>Quantum involved (Rs. in million)</b>	<b>Nature of dispute</b>
Securities Laws	Two (2) matters pending	N.A.	In one of these proceedings, SEBI had passed a general ad interim ex parte order which was served on various depository participants including MOSL, in connection with “Know Your Client” norms and other matters. MOSL responded to the DP Enquiry notice wherein it demonstrated how it has complied with applicable SEBI Guidelines, instructions and directions and presented detailed findings of an independent auditor empanelled with SEBI. In the other proceeding, SEBI has served an Enquiry Notice and an adjudication notice on MOSL in connection with certain broking transactions. MOSL has tendered a detailed response to SEBI in these proceedings. For further details of the ongoing proceedings by SEBI against MOSL, please refer to the section titled “Outstanding

			Litigations and Other Material Developments” beginning on page 273 of this Red Herring Prospectus.
Notices	Twenty two (22) notices issued	26.51	The notices are diverse in nature, which includes, <i>inter alia</i> , complaints by the clients of MOSL, alleging irregularities in respect of certain transactions carried out by MOSL on their behalf, show cause notices by the Income Tax Department and so on. For further details, please refer the section titled “Outstanding Litigations and other Material Developments”, beginning on page 273 of this Red Herring Prospectus.
Civil (including arbitrations)	Eighteen (18) cases pending	257.34	Cases are diverse in nature which includes, <i>inter alia</i> , claims made by clients of MOSL that MOSL has acted in contravention to their instructions.
Consumer Court complaints	Seven (7) cases pending	5.43*	In connection with claims made alleging deficiency of service.

\* This claim amount does not include the claim filed by Ms Sunita Golacha. For further details, please refer to the section titled “Outstanding Litigations and Other Material Developments” beginning on page 273 of the Red Herring Prospectus.

There are nine (9) investor grievance complaints pending against MOSL for a total approximate claim of Rs 6.13 million.

All grievances, disclosed hereinabove, are pending hearing and final disposal.

#### **B. Proceedings initiated/ filed by MOSL**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of dispute
Notices	Fifty (58) notices issued	7.22	The notices are diverse in nature, which includes, <i>inter alia</i> , notices served on the clients of MOSL for the recovery of the liabilities incurred by the clients in the course of business and so on. For further details, please refer the section titled “Outstanding Litigations and other Material Developments”, beginning on page 273 of this Red Herring Prospectus.
Criminal	Twenty four (24) cases	5.37	Cases filed under section 138 of

complaints under the Negotiable Instruments Act, 1881	pending.(which includes matters which have been withdrawn but MOSL has not received a copy of the order)		the Negotiable Instruments Act.
Tax	Six (6) cases pending	17.39	In connection with the claim for refund of service tax paid under the Finance Act and the returns filed by MOSL under the Income Tax Act.
Civil	Thirteen (13) cases pending	3.09	In connection with liabilities incurred by the clients of MOSL in the ordinary course of business.
Consumer Cases	One (1) case pending	0.01	Appeal filed by MOSL against the order of the District Consumer Redressal Forum. MOSL had prevented the respondent from trading as he had failed to maintain the required margins.
Others	One (1) FIR filed by MOSL	3.59	FIR filed by MOSL against its some of its clients for misappropriation of funds

**C. Proceedings initiated against Motilal Oswal Commodities Broker Private Limited (MOCB)**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of dispute
Civil	Four (4) cases pending,	1.26	The cases being appeals against the awards passed by the Arbitral Tribunals of the Stock Exchanges.
Notices	One (1) notice issued	0.11	NCDEX has served a notice on MOCB on behalf of one of MOCB's client, who had alleged that MOCB had traded on his behalf without his consent.

MCX had imposed a penalty of Rs 0.012 million on MOCB for increase in the open interest.

**D. Proceedings initiated/ filed by the Promoter/s**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of disputes
Criminal complaints under the Negotiable Instruments Act 1881	One (1) case pending,	0.94	Filed by Passionate Investment Management Private Limited (PIMPL), under Section 138 of the Negotiable Instruments Act, 1881, against one of its clients.
Income Tax	Eight (8) cases pending, of which two	20.01 (Out of which the Promoters have	In connection with the return of income filed and exemptions/

	(2) cases have been filed by Mr Motilal Oswal, two (2) cases have been filed by Mr Raamdeo Agrawal and four (4) cases have been filed by PIMPL	deposited an amount of Rs 12 million with the Income Tax Department and have appealed against the payment of the same).	deductions claimed under the Income Tax Act.
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#### **E. Notices filed against our Promoters**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of disputes
Income Tax Notices	Three (3) show cause notices	N.A.	The Income Tax Department has issued notices under section 274 of the Income Tax Act, 1961 read with section 271 of the Income Tax Act to show cause why an order imposing penalty should not be made under section 271 of the Act, in relation to the return of income filed with the Income Tax Act.

#### **F. Proceedings involving the Directors, other than the Promoters**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of disputes
Income Tax	Two (2) cases	7.7	In connection with a claim by Mr Madhav Bhatkuly for expenses disallowed by Commissioner of Income Tax (Appeals).

#### **G. Proceedings involving Group companies**

Type of cases	Number of cases	Quantum involved (Rs. in million)	Nature of dispute
Income Tax	Six (6) cases pending	5.28 out of which an amount of 2.64 has already been deposited	In connection with the return of income filed by the Group companies.
Notice	Six (6) cases pending	NA	Notice served on the Group companies asking them show cause as to why an order imposing penalty should not be imposed.

**Note:** The amounts indicated in the column above are approximate amounts, wherever quantifiable.

For further details, please refer to the section titled “Outstanding Litigations and Other Material Developments” beginning on page 273 of this Red Herring Prospectus.

**2. *Restrictive and or penal order/s may be passed against us by the market regulator in ongoing and or future proceedings.***

The market regulator, may, in ongoing and or future proceedings, pass an order that could restrict, stop or hamper our operations, or a part thereof, or levy penalties in connection therewith. This would in turn adversely affect our operations and profitability. There are two ongoing proceedings by SEBI against MOSL. In one of these proceedings, SEBI had passed a general ad interim ex parte order which was served on various depository participants including MOSL, in connection with “Know Your Client” norms and other matters. MOSL has replied to an enquiry notice in this matter. In the other proceeding, SEBI has served an Enquiry Notice and an Adjudication Notice on MOSL in connection with certain broking transactions. MOSL has tendered a detailed response to SEBI in these proceedings. For further details of the ongoing proceedings by SEBI against MOSL, please refer to the section titled “Outstanding Litigations and Other Material Developments” beginning on page 273 of this Red Herring Prospectus.

**3. *MOSL is involved in certain tax cases, which if determined against MOSL, could have adverse impact on us.***

MOSL has appealed against five assessment orders served on it by the Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, for AY 2001-2002, AY 2002-2003, AY 2003-2004, AY 2004-2005 and AY 2005-2006, which disallow MOSL’s computed depreciation on its BSE membership card, computer software and VSAT. The matter is pending hearing and final disposal before the Commissioner of Income Tax (Appeals) Central-IV, Mumbai.

Should MOSL’s appeal be disallowed or unsuccessful, MOSL could be held liable to pay an aggregate sum of approximately Rs. 17.39 million. Furthermore, MOSL would no longer be able to claim any such depreciation in the future. This would adversely and materially affect our profitability.

MOSL has appealed against an assessment order served on it by the Assistant Commissioner, Division – I, Service Tax, Commissionerate, Mumbai in respect of the refund claimed for the period December 2003 to December 2004, which disallows MOSL’s claim that receipt of convertible foreign exchange was exempt from service tax. For details please refer to the section titled “Outstanding Litigations and Other Material Developments” beginning on page 273 of this Red Herring Prospectus.

**4. *We face intense competition in our businesses, which may limit our growth and prospects.***

Our Company faces significant competition from companies seeking to attract clients’ financial assets. In particular, we compete with other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we are present. In recent years, large international banks have also entered these markets. For further details, please refer to the section titled “Competition” beginning on page 69 of this Red Herring Prospectus.

We compete on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation and price. Our competitors may have advantages over us, including, but not limited to:

- Substantially greater financial resources;
- Longer operating history than in certain of our businesses;
- Greater brand recognition among consumers;
- Larger customer bases in and outside India; or
- More diversified operations which allow profits from certain operations to support others with lower profitability.

In addition, it is possible that certain Indian commercial banks may decide to begin offering services that we currently provide, such as broking. This will further increase competition in the brokerage and other markets.

These competitive pressures may affect our business, and our growth will largely depend on our ability to respond in an effective and timely manner to these competitive pressures.

**5. *Downturns or disruptions in the securities markets could reduce transaction volumes, and could cause a decline in the business and impact our profitability.***

A significant portion of our revenue (79.91%), in the year ended March 31, 2007, is derived from equity broking for both retail and institutional clients. Our revenues, level of operations and, consequently, our profitability are dependent on favourable capital market conditions, a conducive regulatory and political environment, investor sentiment, price levels of securities and other factors that affect the volume of stock trading in India and the level of interest in Indian business developments.

In recent years, the Indian and world securities markets have fluctuated considerably and a downturn in these markets could adversely affect our operating results. For example, the Sensex declined significantly in May and June 2006 and had risen sharply thereafter, accompanied by significant volatility. When markets are highly volatile, we run the risk of bad debts and losses and also litigation. Revenues are likely to decline during sustained periods of reduced trading volumes and our profit margins may be adversely affected if we are unable to reduce our expenses at the same pace as the decline in revenues. When trading volume is low, our profitability will be adversely affected because our revenues will be reduced and some of our operating costs are fixed. Decreases in equity prices or decreased trading activity could have an adverse effect on our business, financial condition and operating results.

**6. *The limited operating history of the Issuer, Motilal Oswal Venture Capital Advisors Private Limited (MOVC) and Motilal Oswal Investment Advisors Private Limited (MOIA) makes it difficult to evaluate our Company's financial statements.***

The Issuer, MOVC and MOIA have a limited operating history and, consequently, consolidated financial information is available only for the Financial Years 2006 and 2007.. It is therefore not possible to compare the historical financial results for the Issuer and the subsidiaries period on period. To assist the reader to evaluate our results of operations and financial condition, the historical financial results of MOSL have been included in this Red Herring Prospectus for the Financial Years 2003, 2004, 2005 and 2006 and 2007 and the cash flows for the Financial Years 2004, 2005, 2006 and 2007.

**7. *The Issuer is substantially dependent on Motilal Oswal Securities Limited (MOSL) and on our equity brokerage business.***

MOSL contributed 99.99% and 88.50 % of our total consolidated revenues for the Financial Years 2006 and 2007, respectively. We are substantially dependent on MOSL and any decline in MOSL's revenues and profit margins will adversely affect our consolidated results.

In addition, we are dependent on our equity brokerage business, which contributed 87.42% and 79.91 % of our total consolidated revenues for the Financial Years 2006 and 2007, respectively. Although our strategy is to actively grow our other lines of business including investment banking and venture capital management, our brokerage business will continue to constitute a significant portion of our revenues and operating profit and any decline in our brokerage business will have a material adverse affect on our financial condition and operating results.

**8. *Our growth will depend on our ability to develop our brand and failure to do so will have a negative impact on our ability to compete in this industry.***

We believe that continuing to build our brand, particularly in our new businesses, like investment banking and venture capital management will be critical to achieving widespread recognition of our services. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide high quality services. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand. If we fail to promote and maintain our brand, our business, financial condition and results of operations could be adversely affected.

**9. *Our inability to manage growth could disrupt our business and reduce our profitability.***

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our businesses, as well as the development of our new business streams. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Any inability on our part to manage such growth could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

**10. *Material changes in the regulations that govern us could cause our business to suffer and the price of the Equity Shares to decline.***

We are regulated by the Companies Act and our activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, FMC, RBI, CDSL, NSDL, OTCEI and the Stock Exchanges and commodity exchanges. For more information see the section titled “Regulations and Policies” beginning on page 71 of this Red Herring Prospectus. In addition, we are subject to changes in Indian law, as well as to changes in regulation, government policies and accounting principles.

**11. *Our decision to enter into the businesses of venture capital management and investment banking exposes us to additional risks.***

We are expanding our business offerings to include venture capital management and investment banking and these additional product offerings may expose us to new business risks. We may not be able to leverage our current business relationships effectively to succeed in these new businesses and will face competition from established players. Also, we do not have a track record in operating these businesses and may require additional human and other resources to succeed. Our failure to develop a track record and acquire such resources may adversely affect our successful entry into these businesses.

**12. *We are subject to risks relating to our Business Associates.***

We deliver our products and services through Business Locations operated by us and by our Business Associates. As of March 31, 2007, we had 1,200 Business Locations operated by us and 815 Business Associates.

Our Business Associates receive strong support in the form of marketing support, training, back office process, cost effective depository services, IT and RMS as well as the ability to use the ‘Motilal Oswal’ brand name. MOSL has a dedicated team that disseminates research ideas to our Business Associates.

MOSL enters into a long-term contractual arrangement with each Business Associate. In the event of termination of the agreements with any of these Business Associates for any reasons whatsoever, we could lose of the business handled through the Business Associates.

In addition, the Company may suffer reputational damage if a Business Associate was not to conduct its business in accordance with good practice.

**13. *Our industry is experiencing consolidation that may intensify competition.***

The financial services industry, both domestically and internationally, is undergoing change that has resulted in increasing consolidation and a proliferation of strategic transactions.

This consolidation among our competitors could put us at a competitive disadvantage, which could cause us to lose customers, revenue and market share. They could force us to expend greater resources to meet new or additional competitive threats, which could harm our financial condition and operating results.

**14. *Our clients deal in securities and any default by a client could result in substantial losses.***

We require clients to deposit a minimum initial margin and then to pay the balance settlement amount by the pay-in date for the transaction undertaken by us on their behalf. If a client is unable to pay this balance amount before the pay-in date, we may be required to make the payment on behalf of the defaulting client, which may affect our profitability. In case of high market volatility or adverse movements in share price, it is possible that clients may not honour their commitment, and any inability on our part to pay the margins to the Stock Exchanges may be detrimental to our business, reputation and profitability.

**15. *Our business is dependent on the relationships formed by our relationship managers. Any events jeopardising these relationships including the loss of our relationship managers will lead to a decline in our sales and profits.***

Our business is dependent on our team of relationship managers who directly manage client relationships. We encourage dedicated relationship managers to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. Our business and profits would suffer materially if a substantial number of relationship managers either became ineffective or left the organisation.

**16. *We have reputational risks in respect of our distribution of third party products.***

We distribute financial products and services of third parties including mutual fund schemes and primary market equities. Whilst we are not contractually liable for the performance of such third parties and their products, in the event of any deficiency in service by such third party and/or non-performance of some of their products, the persons who avail of such products may incur losses. We may be subject to reputational risks in such instances and management time and costs may be incurred to address the situation.

**17. *We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including risks associated with identifying, completing and integrating such third parties with our business on favourable terms.***

We may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise. The general trend towards consolidation in the financial services industry increases the importance of our ability to successfully complete such acquisitions and investments.

We may not be able to identify suitable acquisition, investment or strategic partnership candidates, or if we do identify suitable candidates, we may not be able to complete those transactions on commercially acceptable terms or at all. If we acquire another company, we could have difficulty

in assimilating that company's personnel, operations, technology and software. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We have entered into a strategic alliance with SBI to provide an online trading platform to its retail client base. If SBI were to terminate this alliance or enter into similar agreements with other parties, we may lose an important prospective business opportunity.

- 18. *We may require further equity issuances to satisfy our capital needs, which we may not be able to procure. Further such issuances may lead to a dilution of equity and may affect the market price of the Equity Shares.***

We may need to raise additional capital from time to time, dependent on business requirements. Some of the factors that may require us to raise additional capital include (i) business growth beyond what the current balance sheet can sustain, (ii) additional capital requirements imposed due to changes in regulatory regime or new guidelines, and (iii) significant depletion in our existing capital base due to unusual operating losses. We may not be able to raise such additional capital at the time it is needed or on terms and conditions favourable to us or to the existing shareholders. Further, fresh issue of shares or convertible securities would dilute existing shareholders.

- 19. *Future sales of Equity Shares by our principal shareholders may adversely affect the market price of the Equity Shares.***

Sales of a large number of Equity Shares by MOFSL's principal shareholder(s) could adversely affect the market price of the Equity Shares. The perception that any such sale may occur could also adversely affect the market price of the Equity Shares.

- 20. *Our contingent liabilities could adversely affect our financial condition.***

As of March 31, 2007, we had a networth of Rs 3,331.63 million (US\$ 77.30 million) and contingent liabilities of Rs. 2,588.47 (US\$ 60.06) million, of which Rs. 2,563.00 (US\$ 59.47) million were contingent non-funded exposures including guarantees given by banks in respect of capital adequacy, daily margins and other contractual commitments in the normal course of business for which the company has given counter guarantees. If these contingent liabilities were to materialise, our resources may not be adequate to meet these liabilities or our financial condition could be adversely affected. For further details about our contingent liabilities, refer to the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations (Consolidated)" beginning on page 256 of this Red Herring Prospectus and the notes to our financial statements.

- 21. *We are subject to restrictive covenants under our credit facilities that could limit our flexibility in managing our business.***

There are restrictive covenants in the agreements we have entered into with our lenders. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks/financial institutions for various activities, including, amongst others, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion or taking up an allied line of business. Such restrictive covenants in our loan documents may restrict our operations or ability to expand and may adversely affect our business. Though we have received necessary approvals from our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends. For details of these restrictive covenants, see the section titled "Financial Indebtedness" beginning on page 272 of this Red Herring Prospectus.

**22. *The Issuer has issued Equity Shares at prices that may be lower than the Issue Price.***

The Issuer has issued Equity Shares during the last 12 months at a price that may be lower than the Issue Price., as disclosed hereinbelow:

<b>Date of Allotment</b>	<b>No. of equity shares allotted</b>	<b>Face Value (Rs.) per Equity Share</b>	<b>Issue Price (Rs.) per Equity Share</b>	<b>Nature of Consideration</b>	<b>Nature of Allotment/ particulars of consolidation / split</b>
December 28, 2006	2,404,904	5	518.90	Cash	Equity Shares allotted on conversion of the OCRPS
February 6, 2007	36	5	518.90	Cash	Equity Shares allotted on conversion of the OCRPS
March 23, 2007	1,044,000	5	13.75	Cash	Exercise of ESOS
March 23, 2007	1,772,850	5	47.50	Cash	Exercise of ESOS
March 23, 2007	195,500	5	518.90	Cash	Exercise of ESOS

Furthermore, the Issuer had allotted shares at differential prices to Promoters and third parties on the same date i.e. April 29, 2006. These shares were allotted to the Promoters pursuant to an earlier agreement dated June 6, 2005 by which MOFSL acquired MOSL's shares from the Promoters. As per the agreement, there was an option with the promoters i.e. Motilal Oswal, Raamdeo Agrawal and PIMPL to apply for additional shares amounting upto Rs. 100 million at par.

**23. *The Promoters will hold a majority of the Equity Shares after the Issue and therefore have significant influence over the outcome of shareholder voting and influence our operations.***

After the completion of this Issue, the Issuer's principal shareholders, being the Promoters, will hold approximately 69.09% of the Equity Shares. Consequently, they will be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote.

In addition, the Promoters have the ability to block any resolution by MOFSL's shareholders, including the alterations of the Articles of Association, issuance of additional shares of capital stock, commencement of any new line of business and similar significant matters. The Promoters will be able to control most matters affecting us, including the appointment and removal of officers, our business strategies and policies, dividend payouts and capital structure and financing.

The Promoters will also continue to have the ability to cause us to take actions that are not in, or may conflict with, our interests and or the interests of our minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our future financial performance and the price of the Equity Shares.

**24. *Currently we do not have any trademarks registered in our name.***

At present, we have 12 trademark applications pending for registration under the Trade Marks Act, 1999 before the Trade Marks Registry, Mumbai. These include applications for the trademarks "MOSSt Wealth Creation Award", "Mr. Market", "My Broker", "Motilal Oswal Solid Research Solid Advice", a logo in the form of a key and "Motilal Oswal World Class Research Broker" which are crucial to our business. We currently do not have any registered trademarks. For more details, please refer to the section titled "Licences and Approvals" beginning on page 304 of the

Red Herring Prospectus. Any failure to protect our intellectual property rights may adversely affect our business.

25. ***We are not party to any formal agreement in respect of the use of the Promoter's name in the name of the Issuer or in the names of the Issuer's Subsidiaries.***

The Issuer's name and the names of the Subsidiaries include the name of the Issuer's Promoter ("Motilal Oswal"). Neither the Issuer nor any of its Subsidiaries have entered into any binding agreement with the Promoter for the use of the "Motilal Oswal" name and are using this name on the basis of a No Objection Certificate from him.

Any failure to retain our Company name may deprive us of the associated brand equity which may have a material adverse effect on our business and operations.

26. ***The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. We have not entered into any definitive agreements to utilise a portion of the proceeds of the Issue.***

The deployment of funds as stated in the "Objects of the Issue" beginning on page 30 of this Red Herring Prospectus is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the project. We have not entered into any definitive agreements to utilise a portion of the Issue.

27. ***We intend to use part of the proceeds of this Issue and we intend that our investments are meant to be invested in the Issuer's unlisted subsidiaries which may not be subject to same level of public scrutiny as the Issuer.***

Part of the net proceeds representing approximately [●] % of this Issue is going to be utilised to subscribe to the equity capital of or for providing debt to the Subsidiaries. This money would be utilised as per the discretion of the management of our Subsidiaries. These Subsidiaries are unlisted and as such their activities may not be subject to the same level of public scrutiny as the Issuer.

28. ***Financial services firms are subject to increased scrutiny concerning perceived conflicts of interest that increase the risk of financial liability and reputational harm resulting from adverse regulatory actions.***

Financial services firms are subject to numerous actual or perceived conflicts of interest and regulators may impose increased regulatory requirements for such firms to deal with potential conflicts of interest. Dealing appropriately with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with such conflicts. Our policies and procedures to address conflicts may also result in increased costs and the need for additional operational personnel. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

The research areas of investment banks are subject to heightened regulatory scrutiny that has led to increased restrictions on the interaction between equity research analysts and investment banking personnel.

29. ***Our risk management policies, procedures and methods may leave us exposed to unidentified or unanticipated risks, which could lead to material losses.***

Our risk management techniques and strategies may not be fully effective in mitigating our exposure to risks and may not cover risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical

market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. Our losses could therefore be significantly greater than the historical measures indicate. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses.

**30. *Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.***

We are highly dependent on our senior management, our directors and other key personnel. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our results of operations and financial condition.

We do not maintain keyman life insurance for our directors or the senior members of our management team or other key personnel.

Competition in the financial services industry for senior management and qualified employees is intense. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. Our inability to hire and retain such employees could adversely affect our business.

**31. *Dependency on third parties exposes us to losses caused by financial or other problems experienced by them.***

We are exposed to the risk that third parties that owe us money or have other obligations to us, or on whose systems we rely for transaction execution, may not perform. These parties include our customers, stock and commodity exchanges, clearing houses and other intermediaries. If any of these parties default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons, we may suffer a material adverse effect on our business and results of operations.

**32. *A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, damage our reputation and cause losses.***

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. We also face operational risk arising from mistakes made in the confirmation, punching or settlement of transactions or from transactions not being properly booked, evaluated or accounted for.

Shortcomings or failures in our internal processes, people or systems could lead to an impairment of our liquidity, financial loss, disruption to our businesses, liability to clients, regulatory intervention or reputational damage.

**33. *Security breaches could damage our reputation and result in a liability to us.***

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this could potentially jeopardise our or our clients' confidential and other information processed and stored

in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients' or third parties' operations, which could result in significant losses and/or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

**34. *Employee misconduct is difficult to detect and prevent and may have an adverse effect on our businesses.***

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity may not be effective in all cases.

**35. *We operate on leased premises.***

Most of the offices through which we operate our business are taken by us on lease through lease and license agreements with third parties. We may in the future enter into further such arrangements with third parties. Any adverse impact on the title, ownership rights and/or development rights of our landlords from whose premises we operate, or breaches of the contractual terms of such lease and license agreements, may impede our operations. Furthermore, there are certain irregularities in title in relation to some of our licensed/leased/owned properties in as much as some documents in relation to the properties have not been duly executed and/or adequately stamped and/or registered. In the event such leases or licenses are not renewed, or there is any disruption in our business activities due to deficiency of title, our operations and in turn profitability will be adversely impacted.

**36. *We have entered into a number of related party transactions.***

We have entered into a number of related party transactions. Such transactions or any future transactions with our related parties may potentially involve conflicts of interest and impose certain liabilities on our Company. For more detailed information on our related party transactions, please refer to the section titled "Related Party Transactions" beginning on page 110 of this Red Herring Prospectus.

**37. *Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.***

Our insurance policies currently consist of general fire, damage and flood coverage. We also have a stock brokers' indemnity policy in relation to incomplete transactions. There can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow could be adversely affected. For details of our insurance cover, please refer to the section titled "Business" beginning on page 55 of this Red Herring Prospectus.

**38. *We require certain regulatory approvals for conducting our business and failure to obtain or retain them in a timely manner, or at all, may adversely affect our operations.***

We require certain approvals, licenses, registrations and permissions for operating our business like SEBI registration, NBFC registration, registration with the Stock Exchanges, etc. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. In particular, we are required to obtain a certificate of registration for carrying on each of our business activities that are subject to numerous conditions. If we fail to comply, or a regulator claims we have not complied, with these conditions, our

certificate of registration for carrying on a particular activity may be suspended and/or cancelled and we shall not be able to carry on such activity. This may materially and adversely affect our business, financial condition and results of operations. For more information, please refer to the section titled “Licences and Approvals” beginning on page 304 of this Red Herring Prospectus.

**39. *Two of the Issuer’s Subsidiaries are loss making.***

Motilal Oswal Venture Capital Advisors Private Limited (MOVC) and Motilal Oswal Commodities Broker Private Limited (MOCB), two of our subsidiaries incorporated on April 13, 2006 and March 26, 1991 respectively, have incurred losses for the year ended March 31, 2007. In the event that these subsidiaries continue to incur losses or any of our other subsidiaries incur losses, the Company’s consolidated results of operations and financial condition will be adversely affected.

**40. *Some of the Issuer’s Group Companies have incurred losses during the last three years.***

Nagori Agro & Cattle Feeds Private Limited and Rishabh Securities Private Limited, two of the Issuer’s Group Companies, have incurred losses in the recent past. For further details, please refer to the section titled “Our Promoters and Promoter Group” beginning on page 92 of this Red Herring Prospectus.

**41. *Absence of comprehensive business continuity and disaster recovery plan may lead to a temporary disruption of our operations.***

We rely extensively on technology to carry on our business and have invested heavily in a new data centre, network components, application infrastructure and back-up. However, we have not implemented a comprehensive disaster recovery plan which may lead to a temporary disruption in connectivity with the Exchanges and between our data centre and our Business Locations affecting our business and possibly leading to loss of revenue, financial losses and damage to our reputation.

**42. *Possible Conflict of interest within our Promoter Group may affect implementation of our business strategy.***

A few of the constituents of our Promoter Group, namely Windwell Securities Private Limited, Motilal Oswal Portfolio Management Services Private Limited and Rishabh Securities Private Limited are authorised by their respective memorandum of associations to engage in businesses similar to that of our Company. Also, in the future, our Promoter Group may include other entities having businesses similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

**43. *The Finance Act 2007 has proposed certain changes which could have an adverse impact on our results of operations.***

The Finance Act 2007 has proposed certain changes to the applicable taxes. For instance, the dividend distribution tax has been increased from 12.5% to 15%, education cess has been increased from 2% to 3%, employee stock option has become subject to fringe benefit tax etc. These changes could have an adverse impact on our results of operations.

**External Risk Factors**

We are an Indian company and all of our assets and customers are located in India. Consequently, our financial performance will be influenced by political, social and economic developments in India and in particular by the policies of the Government of India.

**44. *A slowdown in economic growth in India could adversely impact our business.***

The Indian economy has grown at 8.5 per cent and 7.5 per cent, respectively, in fiscal 2004 and 2005. According to the Economic Survey of India for fiscal 2006, the advance estimate for growth of GDP in fiscal 2006 was 8.1 per cent, up 0.6 percentage points over the 7.5 per cent growth recorded in fiscal 2005. During fiscal 2006, the level of electricity generation grew by 5.1 per cent, compared to 5.2 per cent during fiscal 2005. Any slowdown in the Indian economy or in the growth of industries to which we provide financing to or future volatility in global commodity prices could adversely affect our borrowers and contractual counter parties. This in turn could adversely affect our business and financial performance and the price of the Equity Shares.

**45. *Political instability or changes in the government could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.***

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central government, which came to power in May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalisation could change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities could change as well. Any major change in government policies due to coalition constraint might affect the growth of Indian economy and thereby our growth prospects. Additionally, as economic liberalisation policies have been a major force in encouraging private funding of power sector development, any change in these policies could have a significant impact on power sector development, business and economic conditions in India, which could adversely affect our business, our future financial performance and the price of the Equity Shares.

**46. *Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of the Equity Shares to decline.***

We are exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial performance and the price of the Equity Shares.

**47. *Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which the Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and its neighbouring states might result in investor concern about stability in the region, which could adversely affect the price of the Equity Shares. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of the Equity Shares.

**48. *Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, Tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural and allied sector recorded a negative growth of 6.9%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of the Equity Shares.

**49. *Any downgrading of India's sovereign rating by an international rating agency could have a negative impact on our business.***

Any adverse revisions to India's sovereign credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, our ability to obtain financing for capital expenditures and the price of the Equity Shares.

**50. *You will not be able to immediately sell any of the Equity Shares you purchase in the Issue on the Stock Exchanges.***

Under the SEBI DIP Guidelines, we are permitted to allot Equity Shares within fifteen days of the closure of the public issue. Consequently, the Equity Shares you purchase in the Issue may not be credited to your book or demat account, with Depository Participants until approximately fifteen days after the issuance of the Equity Shares. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges.

Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

**51. *After this Issue, the price of the Equity Shares may be volatile, or an active trading market for the Equity Shares may not develop.***

Prior to this Issue, there has been no public market for the Equity Shares. The prices of the Equity Shares may fluctuate after this Issue due to a wide variety of factors, including:

- Volatility in the Indian and global securities markets
- Our operational performance, financial results and capacity expansion
- Developments in India's economic liberalisation and deregulation policies, particularly in the power sector
- Changes in India's laws and regulations impacting our business.

We cannot assure that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the price at which the Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

**Notes to Risk Factors:**

1. Public issue of 2,982,710 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million (the "Issue"). The Issue comprises a Net Issue to the public of 2,840,400 Equity Shares of Rs. 5 each ("the Net Issue") and a reservation of 142,310 Equity Shares of Rs. 5 each for

subscription by eligible employees (“the Employee Reservation Portion”) at the Issue Price. The Issue would constitute 10.50 % of the fully diluted post Issue paid-up capital of the Issuer and the Net Issue would constitute 10 % of the post Issue paid-up capital of the Issuer.

2. Average cost of acquisition of one Equity Share for the Promoters on the basis of the average amount paid by them to acquire the Equity Share is Rs.5.
3. The net worth of the Issuer as of March 31, 2007 was Rs. 3,331.63 million (on a consolidated basis) as per the restated financial statements included in this Red Herring Prospectus.
4. The net asset value per Equity Share as of March 31, 2007 was Rs 131.06 per Equity Share as per the restated financial statements included in this Red Herring Prospectus. We have not issued any Equity Shares for consideration other than cash.
5. Summary of “Related party transactions” of the Issuer (consolidated):

**Transactions with related parties for the period-ended March, 2007:**

Nature of Transactions with Group companies	(Rs. In million) Transactions during the year
Unsecured Loans taken by Motilal Oswal Venture Capital Advisors Pvt. Ltd from Passionate Investment Management Private Limited (o/s balance as on March 31, 2007 : Rs. NIL)	Maximum balance : 14.99
Unsecured Loans taken by Motilal Oswal Commodities Broker Pvt. Ltd. from Passionate Investment Management Private Limited (o/s balance as on March 31, 2007 : Rs. NIL)	Maximum balance : 66.50
Purchase of Equity shares (Passionate Investment Management Private Limited)	4.00
Remuneration paid to Key Managerial Personnel	101.94
Brokerage Received from Passionate Investment Management Private Limited	1.16
Compensation & Rent Paid to Nagori Agro & Cattle Feeds Private Limited	1.20
Compensation & Rent Paid to Rishabh Securities Private Limited	0.02
Compensation & Rent Paid to Windwell Securities Private Limited	0.01
Compensation & Rent Paid to Textile Exports Private Limited	0.02

Passionate Investment Management Private Limited has provided the shares towards margin for exposure limit in the Exchanges and Margin towards Bank Guarantee valuing Rs. 1,923.72 million as on March 31, 2007.

6. Investors are advised to refer to the section titled “Basis for Issue Price” beginning on page 35 of this Red Herring Prospectus before making an investment decision in respect of this Issue.
7. Investors should note that in case of oversubscription in the Issue, Allotment to our Eligible Employees, Retail Individual Investors, Non-Institutional Bidders and QIBs shall be made on a proportionate basis. For more information see the paragraph titled “Method of proportionate basis of allocation in the Issue” beginning on page 345 of this Red Herring Prospectus.
8. For disclosure of interests of Directors, please refer to the section titled “Our Management” beginning on page 82 of this Red Herring Prospectus.

9. Investors may contact the BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM and the Compliance Officer, please refer to the section titled “General Information” beginning on page 8 of this Red Herring Prospectus.

## SECTION III – INTRODUCTION

### SUMMARY OF OUR BUSINESS

#### Overview

The Issuer is a Non Banking Financial Company (“NBFC”), registered under the Reserve Bank of India Act, 1934. The Issuer offers a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services through its Subsidiaries as mentioned below:

<b>Name of the Company</b>	<b>Business</b>	<b>MOFSL's Shareholding</b>
Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail) and Retail Wealth Management	99.95%
Motilal Oswal Commodities Brokers Limited (MOCB)	Commodity Broking	97.55%
Motilal Oswal Venture Capital Advisors Private Limited (MOVC)	Venture Capital Management and Advisory	100.00%
Motilal Oswal Investment Advisors Private Limited (MOSL)	Investment Banking	75.00%

The Issuer Company derives its revenues from its subsidiaries and hence the term ‘We’ or ‘Our’ or ‘Us’ has been used in the Business Section to describe the activities of the Issuer and its Subsidiaries as a whole.

We are a well-diversified financial services firm offering a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services. As a leading Indian domestic brokerage house, we have a diversified client base that includes retail customers (including high-net worth individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. We are headquartered in Mumbai and as of March 31, 2007, had a network spread across 377 cities and towns comprising 1,200 Business Locations operated by our Business Associates and us.

The Issuer, Motilal Oswal Financial Services Limited, provides financing to various customers, including our retail broking customers, and is the holding company of the following four subsidiaries:

- Motilal Oswal Securities Limited (MOSL) – retail wealth management and institutional broking
- Motilal Oswal Commodities Brokers Private Limited (MOCB) – commodities broking
- Motilal Oswal Venture Capital Advisors Private Limited (MOVC) – private equity
- Motilal Oswal Investment Advisors Private Limited (MOIA) – investment banking

Since inception, our business has primarily focused on retail wealth management and institutional broking. In 2006, we diversified into investment banking and venture capital management.

Our principal business activities include:

- Retail wealth management – MOSL provides broking and financing services to our retail customers as well as investment advisory, financial planning and portfolio management services. As at March 31, 2007, we had 238,421 registered retail equity broking clients (as at March 31, 2006, we had 159,091

such clients) and 4,718 registered commodity broking clients (as at March 31, 2006, we had 1,536 such clients).

- Institutional broking – MOSL also offers equity broking services in the cash and derivative segments to institutional clients in India and overseas. As at March 31, 2007, we were empanelled with 251 institutional clients including 165 FIIs.
- Investment banking – MOIA offers financial advisory, capital raising and other investment banking services to corporate clients, financial sponsors and other institutions.
- Venture capital management and advisory – In 2006, MOVC was appointed as the investment manager and advisor of a private equity fund: the India Business Excellence Fund, aimed at providing growth capital to small and medium enterprises in India, was launched with a target of raising US\$100 million and as of January 2007, has total commitments of Rs. 1,859.28 million.

For the year ended March 31, 2007, our consolidated revenue and net profit was Rs. 3,791.24 million (US\$87.96 million) and Rs. 695.84 million (US\$ 16.14 million), respectively. As at March 31, 2007, we had consolidated total assets of Rs. 9,004.32 million (US\$208.92 million) and a consolidated net worth of Rs. 3,331.63 million (US\$ 77.30 million). As at March 31, 2007, we had 2,072 employees, including 741 on a contract basis.

## **Our Strengths**

***Large and diverse distribution network*** spread across 1,200 Business Locations operated by us and our Business Associates in 377 cities and towns. In addition to our geographical spread, we offer an online channel to service our customers. We have recently entered into a strategic alliance with State Bank of India (SBI) to offer our online brokerage services to SBI's retail banking clients. We expect to enter into similar strategic alliances in the future to cater to an even wider customer base.

***Strong research and sales teams*** focused on cash equities, equity derivatives and commodities. As at March 31, 2007, we had 25 equity research analysts covering 221 companies in 26 sectors and 9 analysts covering 26 commodities. The *Asiamoney* brokers poll has in the past recognised and rewarded us in various categories.

***Experienced top management*** comprising qualified and experienced professionals with a successful track record. Both our Promoters, Mr Motilal Oswal and Mr Raamdeo Agrawal, are qualified chartered accountants with over two decades of experience each in the financial services industry.

***Well-established brand*** among retail and institutional investors in India. We believe that our brand is associated with high quality research and advice as well as our corporate values, like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our businesses, build relationships and attract and retain talented individuals which is important in the financial services industry.

***Wide range of financial products and services*** enables us to build stronger relationships with, and increase business volumes from, our clients. In addition, our diverse portfolio reduces our dependence on any particular product, service or customer and allows us to exploit synergies across our businesses.

## **Our Core Purpose and Values**

Our mission is to be a well respected and preferred global financial services organisation enabling wealth creation for all our customers. Our key corporate values are: Integrity, Teamwork, Meritocracy, Passion and attitude, Excellence in execution.

## **Our Strategy**

We are focused on further increasing our market share in a profitable manner and capturing the significant growth opportunities across the Indian financial services spectrum.

## SUMMARY – FINANCIAL INFORMATION

### Motilal Oswal Financial Services Limited Summary of Consolidated Restated Assets and Liabilities

(Rupees in Millions)

	As at	
	31.03.2007	31.03.2006
<b>A. Fixed Assets :</b>		
Gross Block	966.32	670.11
Less : Depreciation	(297.45)	(191.62)
<b>Net Block</b>	668.87	478.49
Less : Revaluation Reserve	-	-
<b>Net Block After Adjustment For Revaluation Reserve</b>	668.87	478.49
Add: Capital Work in Progress	16.05	40.20
<b>Total</b>	<b>684.92</b>	<b>518.69</b>
<b>B. Investments</b>	856.25	79.20
<b>C. Current Assets, Loans and Advances :</b>		
Stock in Trade	0.04	18.43
Sundry Debtors	2,807.67	1,344.41
Cash and Bank Balances	2,164.79	1,240.92
Loans and Advances	2,409.90	1,209.34
Other Current Assets	80.75	11.53
<b>Total</b>	<b>7,463.15</b>	<b>3,824.63</b>
<b>D. Total (A+B+C)</b>	<b>9,004.32</b>	<b>4,422.52</b>
<b>E. Liabilities and Provisions :</b>		
Secured Loans	0.50	22.06
Unsecured Loans	-	-
Deffered Tax Liability	14.77	12.58
Minority Interest	30.30	0.49
<b>Current Liabilities and Provisions:</b>		
Current Liabilities	4,497.51	2,608.01
Provisions	1,129.61	677.31
<b>Total</b>	<b>(5,672.69)</b>	<b>(3,320.45)</b>
<b>F. Networth (D+E)</b>	<b>3,331.63</b>	<b>1,102.07</b>

		(Rupees in Millions)	
		As at	
		31.03.2007	31.03.2006
<b>G</b>	<b>Represented by</b>		
.			
	Paid up Share Capital		
	Equity Shares	127.11	56.18
	- Share Application Money	-	-
	Preference Shares	-	-
	Outstanding ESOP	-	47.95
	Reserves & Surplus	3,204.52	1,040.76
	Less : Revaluation Reserve	-	-
	Less: Miscellaneous Expenditure up to the extent not written off	-	(42.82)
<b>H</b>	<b>Net Reserves &amp; Surplus</b>	<b>3,204.52</b>	<b>997.94</b>
.			
	<b>Net Worth</b>	<b>3,331.63</b>	<b>1,102.07</b>

**Note:**

1. Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.
2. Reserves & Surplus includes Securities Premium of Rs. 1461.92 Million.
3. Miscellaneous Expenditure not written off consist of compensation cost to be deferred on account of ESOP.

**Motilal Oswal Financial Services Limited**  
**Summary of Consolidated Restated Profit and loss**

(Rupees in Millions)

	<b>For the Year Ended 31.03.2007</b>	<b>For the Period Ended 31.03.2006</b>
<b>Income</b>		
Income from Operational Activities	3,587.49	2,576.50
Other income	203.75	148.68
<b>Total Income</b>	<b>3,791.24</b>	<b>2,725.18</b>
<b>Expenditure</b>		
Operating Expenses	947.95	788.37
Staff Costs	1,012.97	635.26
Administration Expenses	462.87	307.07
Interest	39.38	31.76
Depreciation	109.98	55.48
<b>Total Expenditure</b>	<b>2,573.15</b>	<b>1,817.94</b>
Net Profit before tax, exceptional, extraordinary items and Minority Interest	1,218.09	907.24
Exceptional Items	42.64	5.13
Net Profit before tax, extraordinary items and Minority Interest	1,175.45	902.11
<b>Provision for Taxation</b>		
Current Tax	(398.94)	(282.04)
Deferred Tax	(1.96)	(8.34)
Fringe Benefit Tax	(8.72)	(4.76)
Wealth Tax	(0.19)	(0.22)
For Previous Year	(0.63)	(2.85)
<b>Net Profit after Tax but before extraordinary Items and Minority Interest</b>	<b>765.01</b>	<b>603.90</b>
Extraordinary items (Net of Tax)	41.97	-
<b>Net Profit after Tax and before Minority Interest</b>	<b>723.04</b>	<b>603.90</b>
Less Minority interest in Profits	(27.20)	(0.50)
<b>Net Profit after Tax and Minority Interest (PAT)</b>	<b>695.84</b>	<b>603.40</b>
<b>Surplus as per Profit &amp; loss A/c Brought forward (including Rs. 5.81 million opening balance of subsidiary company 'MOCBPL')</b>	<b>120.73</b>	<b>435.94</b>

	For the Year Ended 31.03.2007	For the Period Ended 31.03.2006
<b>Appropriations:</b>		
Transfer to Statutory Reserve for the year	(1.90)	-
Transfer to Capital Redemption Reserve	-	-
Less Preacquisition Profits transferred to Capital Reserve	(24.19)	(924.42)
<b>Balance Carried to Balance sheet</b>	<b>790.48</b>	<b>114.92</b>
Note: Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.		

## THE ISSUE

<b>Issue of</b>	2,982,710 Equity Shares
<b>Employee Reservation Portion</b>	142,310 Equity Shares
<b>Net Issue to the Public</b>	2,840,400 Equity Shares
<b>Of which:</b>	
1. Qualified Institutional Buyers portion	Atleast 1,704,240 Equity Shares
a. Reservation for mutual funds	85,212 Equity Shares
b. Balance available for all QIBs including mutual funds	1,619,028 Equity Shares
2. Non-Institutional Bidders portion	Up to 284,040 Equity Shares
3. Retail Individual Bidders portion	Up to 852,120 Equity Shares
Equity Shares outstanding prior to the Issue	25,421,290 Equity Shares
Equity Shares outstanding after the Issue	28,404,000 Equity Shares
Objects of the Issue	For more information please see the section titled “Objects of the Issue” beginning on page 30 of this Red Herring Prospectus.

Allocation of Equity Shares to all categories shall be on proportionate basis

## GENERAL INFORMATION

### Registered Office of the Issuer:

***Motilal Oswal Financial Services Limited***

Palm Spring Centre, 2<sup>nd</sup> Floor,  
Palm Court Complex,  
New Link Road, Malad (West),  
Mumbai – 400 064.  
Tel: + 91 22 3080 1000  
Fax: + 91 22 2844 9044  
Website: www.motilaloswal.com

The Issuer was incorporated on May 18, 2005 under the Companies Act as a public limited company with the ROC, Mumbai. The Registration Number of the Issuer is 11 – 153397.

### Corporate Office of the Issuer:

***Motilal Oswal Financial Services Limited***

Hoechst House, 3<sup>rd</sup> Floor,  
Nariman Point, Mumbai 400 021  
Tel: + 91 22 3982 5500  
Fax: + 91 22 2282 3499

### Board of Directors:

The Board comprises of:

Sr. No.	Name	Designation
1.	Mr. Motilal Oswal	Chairman and Managing Director, Chief Executive Officer and Chief Financial Officer
2.	Mr. Raamdeo Agrawal	Non-Executive Director
3.	Mr. Navin Agarwal	Non-Executive Director
4.	Mr. Ramesh Agarwal	Independent Director
5.	Mr. Balkumar Agarwal	Independent Director
6.	Mr. Madhav Bhatkuly	Independent Director

For further details regarding the Board, see the section titled “Our Management” beginning on page 82 of this Red Herring Prospectus.

### Company Secretary and Compliance Officer:

***Mr. Tarun Khurana***

Company Secretary and Compliance Officer  
Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex,  
New Link Road, Malad (West),  
Mumbai – 400 064.  
Tel: +91 22 3080 1000  
Fax: +91 22 2844 9044  
E-mail: initialoffer@motilaloswal.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary account or credit of refund amounts or refund orders etc.

**Book Running Lead Manager to the Issue:**

***Citigroup Global Markets India Private Limited***

12<sup>th</sup> Floor, Bakhtawar,  
Nariman Point,  
Mumbai – 400 021, India.  
Tel: +91 22 6631 9999  
Fax: +91 22 6631 9803  
Email: mofsl.ipo@citi.com  
Website: www.citibank.co.in  
Contact person: Mr. Rajiv Juman  
Registration number: INM000010718

**Legal Advisors:**

**Domestic Legal Counsel to the Issuer:**

***Khaitan & Co.,***  
Meher Chambers,  
R. K. Marg, Ballard Estate,  
Mumbai-400038.  
Maharashtra, India.  
Tel : +91 22 6636 5000  
Fax : +91 22 6636 5050  
E-mail : bom@khaitanco.com

**Domestic Legal Counsel to Citigroup**

***J. Sagar & Associates,***  
Vakil's House, 18-Sprott Road,  
Ballard Estate,  
Mumbai 400 001,  
Maharashtra, India.  
Tel: +91 22 6656 1500  
Fax: +91 22 6656-1515  
E-mail: mumbai@jsalaw.com

**International Legal Counsel to Citigroup**

***Dorsey & Whitney,***  
21 Wilson Street,  
London,  
EC2M 2TD.  
Tel: +44 20 7588 0800  
Fax: +44 20 7588 0555  
Website: www.dorsey.com  
E – mail: london@dorsey.com

**Registrar to the Issue:**

***Intime Spectrum Registry Limited***

C- 13 Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai – 400 078.  
Tel: +91 22 2596 0320  
Fax: +91 22 2596 0329  
Email: mofsl.ipo@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Vishwas Attavar  
Registration number: INR000003761

**Bankers to the Issue and Escrow Collection Banks**

**HDFC Bank Limited**

**Citibank N.A**

2<sup>nd</sup> Floor, Process House,  
Kamala Mills Compound,  
Senapati Bapat Marg,  
Lower Parel, Mumbai – 400013  
Tel: + 91 22 2498 8484  
Fax: +91 22 2492 3411

**Standard Chartered Bank**  
90, Mahatma Gandhi Road, Fort,  
Mumbai – 400001  
Tel: + 91 22 2267 0162  
Fax: 91 22 2260 0232

**Bankers to the Issuer:**

**Citibank N.A.,**  
Citigroup Centre,  
6<sup>th</sup> Floor,  
Bandra Kurla Complex,  
Bandra (East),  
Mumbai – 400 051  
Tel: + 91 22 4001 5192  
Fax: +91 22 4006 5852  
Email: satish1.chandra@citigroup.com  
Website: www.citibank.co.in  
Contact Person: Mr. Satish Chandra

Citigroup Centre,  
6<sup>th</sup> Floor, Bandra Kurla Complex,  
Bandra (East),  
Mumbai - 400051  
Tel: + 91 22 4001 5192  
Fax: + 91 22 4006 5852

**ICICI Bank Limited**  
ICICI Bank Towers, Bandra Kurla Complex,  
Mumbai - 400051  
Tel: +91 22 2262 7600  
Fax: +91 22 2261 1138

**HDFC Bank Limited,**  
Trade World, “A” Wing, 2<sup>nd</sup> Floor,  
Kamla Mills Compound,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai – 400013  
Tel: + 91 22 2498 8484  
Fax: +91 22 2492 3411  
Email: chetan.shah@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Chetan Shah

**Statutory Auditors:**

**M/s Haribhakti & Co., Chartered Accountants**  
42, Free Press House, 4<sup>th</sup> Floor,  
215, Nariman Point,  
Mumbai – 400 021.  
Tel: +91 22 2287 1099  
Fax: +91 22 2287 6249  
Email: hbhakti@vsnl.com  
Website: www.haribhaktigroup.com

**Credit Rating**

As the Issue is of Equity Shares, credit rating is not required.

**IPO Grading**

The Issuer has not opted for grading of this Issue.

**Monitoring Agency**

There is no requirement to appoint a Monitoring Agency for the Issue in terms of clause 8.17 of the SEBI DIP Guidelines.

**Trustees**

As the Issue is of Equity Shares, the appointment of trustees is not required.

**Withdrawal of the Issue**

The Issuer, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime, including after the Bid/Issue Closing Date, without assigning any reason there for.

### **Book Building Process**

The Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus, within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

1. The Issuer;
2. The Book Running Lead Manager; and
3. The Registrar to the Issue.

In terms of Rule 19(2)(b) of the SCRR, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”) (the “QIB Portion”) 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, 142,310 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details, please see the section entitled “Terms of the Issue” beginning on page 317 of this Red Herring Prospectus.

**The process of Book Building under the SEBI DIP Guidelines is subject to change from time to time and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

### **Illustration of Book Building and Price Discovery Process**

*(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can Bid at any price within the Price Band. For instance, assume a Price Band of Rs. 20 to Rs. 24 per share, issue size of 3,000 Equity Shares and receipt of five Bids from Bidders. A graphical representation of the consolidated demand and price would be made available at the websites of the BSE and the NSE during the Bidding Period. The illustrative book as shown below shows the demand for the shares of the Issuer at various prices and is collated from Bids from various investors.

<b>Bid Quantity</b>	<b>Bid Price (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
500	24	500	27.77%
1,000	23	1,500	83.33%
1,500	22	3,000	166.67%
2,000	21	5,000	277.78%
2,500	20	7,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 22 in the above example. The Issuer, in consultation with the Book Running Lead Manager, will finalise the Issue Price at or below such Cut-off Price, i.e., at or below Rs. 22. All Bids at or above this Issue Price and cut-off bids are valid Bids and are considered for allocation in the respective categories.

Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see “Issue Procedure – Who Can Bid” on page 325 of this Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section titled “Issue Procedure” beginning on page 324 of this Red Herring Prospectus);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form; and
5. The Bidder should ensure the correctness of his or her Demographic Details (as defined in the section “Issue Procedure” beginning on page 324 of this Red Herring Prospectus) given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

**Bid/Issue Programme:**

BID/ISSUE OPENS ON	August 20, 2007
BID/ISSUE CLOSING ON	August 23, 2007

Bids and any revisions in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

The Issuer reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI DIP Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites and terminals of the BRLM.

**The Issuer shall comply with applicable guidelines issued by SEBI for this Issue. In this regard, the Issuer has appointed Citigroup Global Markets India Private Limited to manage the Issue and to procure subscription to the Issue.**

**Underwriting Agreement**

After the determination of the Issue Price but prior to filing of the Prospectus with ROC, the Issuer proposes to enter into an Underwriting Agreement with the Underwriters in respect of the Equity Shares proposed to be issued through this Issue. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are subject to certain conditions, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

<b>Name and Address of the Underwriter</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Indicative Amount Underwritten (Rs. million)</b>
<b>Citigroup Global Markets India Private Limited</b> Bakhtawar, 12 <sup>th</sup> Floor, Nariman Point, Mumbai 400 021. Tel: +91 1800 2299 96 Fax: +91 22 6631 9803 E – mail: mofsl.ipo@citigroup.com	[●]	[●]

The amounts mentioned above are indicative and this would be finalised after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●].

In the opinion of the Issuer's Board (based on a certificate given to them by the BRLM), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as brokers with the stock exchanges.

Notwithstanding the above table, the Underwriter shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount except in case where the allocation to QIB is less than 60% of the Net Issue in which case the entire subscription monies will be refunded.

## CAPITAL STRUCTURE

The share capital of the Issuer as of the date of filing of this Red Herring Prospectus with SEBI (before and after the issue) is set forth below:

Rs. in million			
	Particulars	Nominal Value	Aggregate value at Issue Price
<b>A</b>	<b>Authorised Capital</b>		
	174,000,000 Equity Shares of Rs 5 each	870.00	[●]
	5,000,000 Preference Shares of Rs 100 each	500.00	[●]
<b>B</b>	<b>Issued, Subscribed and Paid Up Capital before the Issue</b>		
	25,421,290 Equity Shares of Rs 5 each	127.10	[●]
<b>C</b>	<b>Present Issue in terms of this Red Herring Prospectus</b>		
	2,982,710 Equity Shares of Rs 5 each	14.91	[●]
<b>D</b>	<b>Out of which: -</b>		
	<b>a. Employee Reservation Portion</b>		
	Upto 142,310 Equity Shares of Rs 5 each	0.71	[●]
	<b>b. Net Issue</b>		
	2,840,400 Equity Shares of Rs 5 each	14.20	[●]
	<b>Of which:</b>		
	1. Qualified Institutional Buyers portion - Atleast 1,704,240 Equity Shares	8.52	
	2. Non-Institutional Bidders portion - Up to 284,040 Equity Shares	1.42	
	3. Retail Individual Bidders portion - Up to 852,120 Equity Shares	4.26	
<b>E</b>	<b>Paid Up Equity Capital after the Issue</b>		
	28,404,000 Equity Shares of Rs 5 each	142.02	[●]
<b>F</b>	<b>Share Premium Account</b>		
	Before the Issue	1461.92	
	After the Issue	[●]	

<b>Date of Shareholders' Approval</b>	<b>Changes in the Memorandum of Association</b>
EGM dated June 6, 2005	Splitting up of equity shares of Rs 10 each to equity shares of Rs 2 each
EGM dated December 26, 2006	Consolidation of equity shares of the face value of Rs 2 each into Equity Shares of Rs 5 each

The authorized share capital of the Issuer was increased from Rs. 120,000,000 (Rupees One Hundred and Twenty Million) consisting of 60,000,000 (Sixty Million) equity shares of face value of Rs.2 each to Rs. 1,370,000,000 (Rupees One billion three Hundred and Seventy Million consisting of 60,000,000 (Sixty Million) equity shares of face value of Rs 2 each and 12,500,000 (Twelve Million and Five Hundred Thousand) preference shares of face value Rs 100 each, pursuant to the resolution passed at the Extraordinary General Meeting of the Issuer on April 5, 2006.

The authorized share capital of the Issuer was reorganized by canceling 7,500,000 un-issued preference shares of face value Rs. 100 each and simultaneous creation of 150,000,000 Equity Shares of Rs. 5 each pursuant to resolution passed at the EGM held on February 14, 2007. Consequently, the authorized share capital of the Issuer is Rs. 1,370,000,000 (Rupees One thousand three hundred and Seventy million) divided into 174,000,000 (One hundred and seventy four million) Equity shares of Rs 5 each and 5,000,000 (Five million) preference shares of Rs.100 each.

**For further details of the reorganization, increase, splitting and consolidation of share capital of the Issuer, please refer to the section titled “History and Other Corporate Matters” beginning on page 76 of this Red Herring Prospectus.**

#### **Notes to the Capital Structure:**

##### **1. Equity Share Capital History of the Issuer**

<b>Date of Allotment</b>	<b>No. of equity shares</b>	<b>Face Value (Rs.)</b>	<b>Issue Price (Rs.)</b>	<b>Nature of Consideration</b>	<b>Nature of Allotment/ particulars of consolidation / split</b>	<b>Cumulative No. of equity shares</b>	<b>Cumulative Paid up Capital (Rs.)</b>	<b>Cumulative Share Premium (Rs.)</b>
May 23, 2005	50,100	10	10	Cash	Subscribers to the Memorandum	50,100	501,000	0
June 6, 2005	250,500	2	N.A.	N.A.	50,100 equity shares were split into 250,500 equity shares of face value Rs 2 each	250,500	501,000	0
January 18, 2006	19,091,090	2	2	Cash	Further allotment of equity shares to the Promoters and the Promoter Group	19,341,590	38,683,180	0
January	8,750,00	2	2	Cash	Further	28,091,590	56,183,180	0

<b>Date of Allotment</b>	<b>No. of equity shares</b>	<b>Face Value (Rs.)</b>	<b>Issue Price (Rs.)</b>	<b>Nature of Consideration</b>	<b>Nature of Allotment/ particulars of consolidation / split</b>	<b>Cumulative No. of equity shares</b>	<b>Cumulative Paid up Capital (Rs.)</b>	<b>Cumulative Share Premium (Rs.)</b>
20, 2006	0				allotment of equity shares to PIMPL, one of the Promoter			
April 29, 2006	21,908,410	2	2	Cash	Further Allotment of equity shares to the Promoters	50,000,000	100,000,000	0
April 29, 2006	10,000	2	207.56	Cash	Allotment of equity shares to New Vernon Private Equity Limited and Bessemer Venture Partners Trust	50,010,000	100,020,000	2,055,600
December 26, 2006	20,004,000	5	N.A.	N.A.	Consolidation of 50,010,000 equity shares of face value Rs 2 each to 20,004,000 Equity Shares of face value Rs 5 each	20,004,000	100,020,000	2,055,600
December 28, 2006	2,404,904	5	518.9	Cash	Equity Shares allotted on conversion of the OCRPS	22,408,904	112,044,520	1,237,935,766
February 6, 2007	36	5	518.9	Cash	Equity Shares allotted on conversion of the OCRPS	22,408,940	112,044,700	1,237,954,266
March 23, 2007	1,044,000	5	13.75	Cash	Exercise of ESOS	23,452,940	117,264,700	1,247,089,266
March 23, 2007	1,772,850	5	47.50	Cash	Exercise of ESOS	25,225,790	126,128,950	1,322,435,391
March 23, 2007	195,500	5	518.90	Cash	Exercise of ESOS	25,421,290	127,106,450	1,422,902,841

***Particulars of OCRPS***

Date / Year of Allotment	No of preference shares	Face value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Nature	Cumulative Paid up
April 29, 2006	9,484,225	100	100	Cash	Allotment to New Vernon Private Equity Limited	948,422,500
April 29, 2006	2,995,019	100	100	Cash	Allotment to Bessemer Venture Partners Trust	299,501,900
<b>Total</b>	<b>12,479,244</b>	<b>100</b>	<b>100</b>			<b>1,247,924,400</b>

**Note: a)** During FY2006, MOFSL acquired 1,318,218 equity shares of the face value of Rs. 10 each aggregating to Rs. 13.18 million of MOSL, from Mr. Motilal Oswal, Mr. Raamdeo Agrawal and their family members. In this connection, MOFSL, on January 18, 2006, issued 6,591,090 equity shares of Rs. 2 each to them. There was no independent valuation undertaken by MOFSL to arrive at valuation for the purchase of MOSL's shares from the Promoters. The values were based on the face value of the two companies.

- Pursuant to the resolutions passed on December 28, 2006 and February 6, 2007, 12,479,244 preference shares (OCRPS) were converted into 2,404,940 Equity Shares.

## 2. Details of Promoters' Contribution

### *Share Capital Build Up of Promoters*

Name of Promoter	Date/ Year of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Rs.)	Nature of allotment
Mr. Motilal Oswal	May 23, 2005	12,500	10	10	125,000	Subscriber to the Memorandum
	June 6, 2005	62,500	2	N.A	N.A	Splitting up of 12,500 equity shares of the face value of Rs. 10 each into 62,500 equity shares of the face value of Rs 2 each
	January 18, 2006	3,612,075	2	2	7,224,150	Further Allotment of equity shares for cash
	April 29, 2006	8,761,995	2	2	17,523,990	Further Allotment of equity shares for cash

<b>Name of Promoter</b>	<b>Date/ Year of Allotment</b>	<b>No. of Shares</b>	<b>Face Value (Rs.)</b>	<b>Issue Price (Rs.)</b>	<b>Consideration (Rs.)</b>	<b>Nature of allotment</b>
		12,436,570	2	2	24,873,140	Sub-total prior to consolidation
	December 26, 2006	4,974,628	5	N.A	N.A	Consolidation of 12,436,570 equity shares of the face value of Rs 2 each into 4,974,628 Equity Shares of face value Rs 5 each.
	July 9, 2007	(38,000)	5	N.A	N.A.	Gift of shares by Mr Motilal Oswal to members of the Promoter Group and other relatives of Mr Motilal Oswal.
<b>Total</b>		4,936,628				
Mr. Raamdeo Agrawal	May 23, 2005	12,500	10	10	125,000	Subscriber to the Memorandum
	June 6, 2005	62,500	2	N.A	N.A	Splitting up of 12,500 equity shares of face value of Rs. 10 each into 62,500 equity shares of Rs 2 each
	January 18, 2006	2,555,135	2	2	5,110,270	Further Allotment of equity shares for cash
	April 29, 2006	9,396,415	2	2	18,792,830	Further Allotment of equity shares for cash
		12,014,050	N.A	N.A	24,028,100	Sub-total prior to consolidation
	December 26, 2006	4,805,620	5	N.A	N.A	Consolidation of 12,014,050 equity shares of the face value of Rs 2 each to 4,805,620 Equity Shares of

Name of Promoter	Date/ Year of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Rs.)	Nature of allotment
						face value of Rs 5 each
	July 9, 2007	(120,000)	5	N.A	N.A	Gift of shares to members of the Promoter Group by Mr Raamdeo Agrawal.
<b>Total</b>		4,685,620				
Passionate Investment Management Private Limited	January 18, 2006	12,500,000	2	2	25,000,000	Further Allotment of equity shares for cash
	January 20, 2006	8,750,000	2	2	17,500,000	Further Allotment of equity shares for cash
	April 29, 2006	3,750,000	2	2	7,500,000	Further Allotment of equity shares for cash
		25,000,000	2	N.A	50,000,000	Sub-total prior to consolidation
	December 26, 2006	10,000,000	5	N.A	N.A	Consolidation of 25,000,000 equity shares of the face value Rs 2 each to 10,000,000 Equity Shares of face value Rs 5 each
<b>Total</b>		<b>19,622,248</b>	<b>5</b>		<b>98,111,240</b>	

***Promoters Contribution to be locked in for a period of 3 years***

Pursuant to the SEBI DIP Guidelines, an aggregate of 20% of our post issue capital held by our Promoter, Passionate Investment Management Private Limited, shall be locked-in for a period of three years from the date of Allotment of Equity Shares in the Issue. Accordingly, 20% of the post-issue Equity Share capital held by our Promoters will be locked-in for a period of three years. The details of such lock-in are given below:

Name	Date of allotment/ transfer and date on which made fully paid up	Nature of Allotment	Number of Equity Shares*	Consideration	Face Value (Rs.)	Issue/ transfer price (Rs.)	% of post-Issue paid-up capital
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Passionate Investment Management Private Limited	April 29, 2006	Cash	2,180,800	Cash	5	5	7.68
	January 20, 2006	Cash	3,500,000	Cash	5	5	12.32
	<b>Total</b>		<b>5,680,800</b>				<b>20</b>

- These equity shares were originally issued at Rs 2 per share and were subsequently consolidated to Rs 5 per share.

All Equity Shares which are being locked in are eligible for computation of the Promoters' Contribution and lock in as required under Clause 4.6 of the SEBI DIP Guidelines.

***Share capital locked-in for one year:***

In addition to the lock-in of the Promoters' contribution specified above, the entire pre-issue Equity Share capital (other than the shares allotted on exercise of the ESOS) of the Issuer will be locked-in for a period of one year from the date of Allotment. The total number of Equity Shares, which are locked-in for one year are 16,728,140 Equity Shares which include 13,941,448 Equity Shares held by the Promoters (after deducting the 5,680,800 shares which are locked-in for three years) and 158,000 Equity Shares transferred by way of gift by our Promoters as referred to hereinabove. The Equity Shares which are locked – in will carry an inscription “non- transferable” along with the duration of specified non – transferable period mentioned on the face of the security certificate.

***Other requirements in respect of lock-in:***

In terms of Clause 4.15 of the SEBI DIP Guidelines, the locked-in Equity Shares held by the Promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

In terms of Clause 4.16.1 (a) of the SEBI DIP Guidelines, the Equity Shares held by persons other than Promoters, prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI DIP Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of Clause 4.16.1 (b) of the SEBI DIP Guidelines, the Equity Shares held by the Promoters may be transferred to and amongst the Promoter Group or to new promoter or persons in control of the Issuer subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

**3. Pre-issue and post-issue shareholding pattern as on the date of filing:**

***Equity Shares of face value of Rs. 5 each:***

Name of Shareholders	Pre-Issue		Post-Issue	
	No. of Equity Shares	%	No. of Equity Shares	%
<b>Promoters</b>				
Passionate Investment Management Private Limited	10,000,000	39.34	10,000,000	35.21

Mr. Motilal Oswal	4,936,628	19.42	4,936,628	17.38
Mr. Raamdeo Agrawal	4,685,620	18.43	4,685,620	16.50
<b>Sub Total</b>	<b>19,622,248</b>	<b>77.19</b>	<b>19,622,248</b>	<b>69.09</b>
<b>Promoter Group</b>				
Mrs. Suneeta Agrawal	64,080	0.25	64,080	0.23
Mrs. Vimla Oswal	25,048	0.10	25,048	0.09
Mr. Rajendra G. Oswal	15,000	0.06	15,000	0.05
Mrs. Vimladevi Salecha	7,500	0.03	7,500	0.03
Mrs. Lalita Jain	1,000	0.00	1,000	0.00
Mr. Suresh Tated	1,000	0.00	1,000	0.00
Mr. Gautam Tated	1,000	0.00	1,000	0.00
Mr. Ashok Tated	1,000	0.00	1,000	0.00
Mr. Sukhdeo Agrawal	20,000	0.08	20,000	0.07
Mr. Govinddeo Agrawal	20,000	0.08	20,000	0.07
Dr. Karoon Agrawal	20,000	0.08	20,000	0.07
Mr. Satish Agrawal	20,000	0.08	20,000	0.07
Mr. Vinay Agrawal	20,000	0.08	20,000	0.07
Mrs. Anita Agrawal	10,000	0.04	10,000	0.04
Mrs. Suman Agrawal	10,000	0.04	10,000	0.04
Raamdeo Agrawal (H. U. F.)	130,000	0.51	130,000	0.46
Motilal Oswal (H. U. F.)	24	0.00	24	0.00
<b>Sub Total</b>	<b>365,652</b>	<b>1.44</b>	<b>365,652</b>	<b>1.29</b>
<b>Non-Promoters</b>				
<b>Directors and employees</b>				
Director (Mr. Navin Agarwal)	1,546,300	6.08	[●]	[●]
Employees (includes the directors and employees of our Subsidiaries as well)	1,466,450	5.77	[●]	[●]
<b>Sub Total</b>	<b>3,012,750</b>	<b>11.85</b>	<b>[●]</b>	<b>[●]</b>
<b>Others</b>				
New Vernon Private Equity Limited	1,830,795	7.20	[●]	[●]
Bessemer Venture Partners Trust	578,145	2.27	[●]	[●]
Other individuals	11,700	0.05	[●]	[●]
<b>Sub Total</b>	<b>2,420,640</b>	<b>9.52</b>	<b>[●]</b>	<b>[●]</b>
<b>Employees Reservation</b>	-	-	<b>142,310</b>	<b>0.50*</b>

<b>Public</b>	-	-	<b>2,840,400</b>	<b>10.00</b>
<b>Total</b>	<b>25,421,290</b>	<b>100.00</b>	<b>28,404,000</b>	<b>100.00</b>

\* Assuming the entire employee reservation portion is issued and allotted to Eligible Employees

**4. Our shareholders as on the date of the filing, ten days prior to the filing and as of two years prior to filing of this Red Herring Prospectus are as follows:**

**Top ten shareholders as on the date of filing of the Red Herring Prospectus with SEBI**

<b>No.</b>	<b>Name of the Shareholder</b>	<b>No of Equity Shares held of face value Rs.5 each</b>	<b>% of holding</b>
1	Passionate Investment Management Private Limited	10,000,000	39.34
2	Mr. Motilal Oswal	4,936,628	19.42
3	Mr. Raamdeo Agrawal	4,685,620	18.43
4	New Vernon Private Equity Limited	1,830,795	7.20
5	Mr. Navin Agarwal	1,546,300	6.08
6	Bessemer Venture Partners Trust	578,145	2.27
7	Mr. Rajat Rajgharia	210,440	0.83
8	Mr. Rajesh Dharamshi	157,830	0.62
9	Mr. Raamdeo Agrawal (H.U.F.)	130,000	0.51
10	Mr. Manish Shah	115,220	0.45
10	Mr. Mihir Kothari	115,220	0.45

**Top ten shareholders two years prior to the date of filing of the Red Herring Prospectus with SEBI**

Since the Issuer was incorporated on May 18, 2005, the names of those persons who, first, became the members of the Issuer are mentioned below. At the time of incorporation, the equity shares were allotted with face value of Rs. 10 each. However in the table below, equivalent number of equity shares on sub division into Equity Shares of face value of Rs. 5 each is shown and their shareholding has been stated with reference to sub-divided Equity Shares of Rs. 5 each.

<b>Sr. No</b>	<b>Name of the Shareholder</b>	<b>No of shares held of face value of Rs 5 each</b>	<b>% of holding</b>
1	Mr. Motilal Oswal	25,000	24.95
2	Mr. Raamdeo Agrawal	25,000	24.95
3	Mrs. Suneeta Agrawal	24,800	24.75
4	Mrs. Vimla Oswal	24,800	24.75
5	Mr. Navin Agarwal	200	0.20

6	Mr. Ajay Menon	200	0.20
7	Mr. Johnson Thomas	200	0.20

**Top ten shareholders 10 days prior to the date of filing of the Red Herring Prospectus with SEBI**

<b>Sr No.</b>	<b>Name of the Shareholder</b>	<b>No of Equity Shares held of face value Rs.5 each</b>	<b>% of holding</b>
1	Passionate Investment Management Private Limited	10,000,000	39.34
2	Mr. Motilal Oswal	4,936,628	19.42
3	Mr. Raamdeo Agrawal	4,685,620	18.43
4	New Vernon Private Equity Limited	1,830,795	7.20
5	Mr. Navin Agarwal	1,546,300	6.08
6	Bessemer Venture Partners Trust	578,145	2.27
7	Mr. Rajat Rajgharia	210,440	0.83
8	Mr. Rajesh Dharamshi	157,830	0.62
9	Mr. Raamdeo Agrawal (H.U.F.)	130,000	0.51
10	Mr. Manish Shah	115,220	0.45
10	Mr. Mihir Kothari	115,220	0.45

5. Mr. Motilal Oswal has gifted to persons forming part of the Promoter Group and to his other relatives and Mr. Raamdeo Agrawal has gifted to persons forming part of the Promoter Group, Equity Shares aggregating to 158,000, upon obtaining the requisite regulatory approvals. Save as aforesaid, and the allotment of ESOS shares as mentioned below to some of our directors, none of our Promoters, Promoter Group, our Directors or the directors of our Promoter Group companies have acquired, purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus was filed with SEBI. The Issuer has not during the preceding one year, issued shares at a price lower than the Issue Price.
6. On January 2, 2006 , January 10, 2006, April 28, 2006 and July 9, 2007, the shareholders of Issuer approved four employee stock option schemes, viz. “Motilal Oswal Financial Services Limited - Employees Stock Option Scheme-I” (ESOS-I), “Motilal Oswal Financial Services Limited - Employees Stock Option Scheme-II” (ESOS-II), “Motilal Oswal Financial Services Limited - Employees Stock Option Scheme-III” (ESOS-III) and “Motilal Oswal Financial Services Limited - Employees Stock Option Scheme-IV” (ESOS-IV) respectively. The Remuneration/ Compensation Committee, being a committee of Board of Directors has full power and authority to administer ESOS-I, ESOS-II, ESOS-III and ESOS-IV. Subject to the provisions of ESOS- I, ESOS- II, ESOS- III and ESOS-IV the options vested with the employees are to be exercised within a period of 12 months from the date of vesting. ESOS- I, ESOS- II, ESOS- III define shares as equity share of the Issuer of the face value of Rs. 2 each or where the equity shares have been split up into par value of less than Rs. 2 or consolidated into a par value of more than Rs. 2 each, then the shares of such denominations, arising out of the exercise of Employee Stock Options granted under the ESOS. The Remuneration/ Compensation Committee has on January 15, 2007, decided that no further options will be granted under the above mentioned ESOS -I, ESOS – II and ESOS – III.

ESOS- IV define shares as equity share of the Issuer of the face value of Rs. 5 each or where the equity shares have been split up into par value of less than Rs. 5 or consolidated into a par value of more than Rs. 5 each, then the shares of such denominations, arising out of the exercise of Employee Stock Options granted under the ESOS.

We have issued the following options under our ESOS plans:

Financial Year		ESOS granted in Fiscal 2006		ESOS granted in Fiscal 2007	Total	ESOS granted in Fiscal 2008
S. N.	Nature of disclosure	ESOS – I	ESOS – II	ESOS – III		ESOS IV
1.	Total number of options granted	2,610,000	4,763,675	1,261,500	8,635,175	200,000***
2.	Total number of options lapsed in 2006-07	Nil	331,550	96,500	428,050	-
3.	Total number of options vested	2,610,000	4,432,125	488,750	7,530,875	-
4.	Total number of options exercised	2,610,000	4,432,125	488,750	7,530,875	-
5.	Total number of options in force	Nil	Nil	676,250	676,250	200,000
6.	Total number of Equity Shares arising as a result of exercise of options	1,044,000	1,772,850	195,500	3,012,350	NA
7.	Exercise Price**	Rs. 13.75	Rs. 47.50	Rs. 518.90	N.A	Rs. 775
8.	Pricing formula	Based on valuation certificate obtained from Independent Chartered Accountant	Based on valuation certificate obtained from Independent Chartered Accountant	Price at which shares are issued to Private Equity Investor		Price arrived at with reference to the expected Issue Price
9.	Variation in the terms of options	N. A.	N. A.	N. A.	N. A.	N.A.
10.	Money realized by exercise of options	14,355,000	84,210,375	101,444,950	200,010,325	-
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	N. A.	N. A.	N. A.	N. A.	N.A.

Financial Year		ESOS granted in Fiscal 2006		ESOS granted in Fiscal 2007	Total	ESOS granted in Fiscal 2008
S. N.	Nature of disclosure	ESOS – I	ESOS – II	ESOS – III		ESOS IV
12.	Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation cost (calculated on the basis of fair value of options)	For the year ended March 31, 2007 –Rs. 1,166,224  For the year ended March 31, 2006 – Rs. 138,776	For the year ended March 31, 2007 –Rs. 1,966,625  For the year ended March 31, 2006 – Rs. 249,437	N.A.	Rs. 3,132,849  Rs.388,213	N.A.
13.	Impact of this on our profits and Basic EPS	For the year ended March 31, 2007 - Profit would be lower by Rs. 1,166,224 and the EPS would be lower by Rs. 0.06 per share  For the year ended March 31, 2006 – Profit would be lower by Rs.13 8,776 and the EPS would be lower by Rs. 0.05 per share	For the year ended March 31, 2007 – Profit would be lower by Rs. 1,966,625 and the EPS would be lower by Rs. 0.10 per share  For the year ended March 31, 2006 – Profit would be lower by Rs. 249,437 and the EPS would be lower by Rs. 0.09 per share	Nil	Nil	Nil
14.	Weighted average exercise price either equals or exceeds or is less than the market value of the stock	N. A.	N. A.	N. A.	N. A.	N.A.
15.	Weighted average fair values of options whose	N. A.	N. A.	N. A.	N. A.	N.A.

Financial Year		ESOS granted in Fiscal 2006		ESOS granted in Fiscal 2007	Total	ESOS granted in Fiscal 2008
S. N.	Nature of disclosure	ESOS – I	ESOS – II	ESOS – III		ESOS IV
	exercise price equals or is less than the market value of the stock.					
16.	Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	For the year ended March 31, 2007 –Rs. 35,639,818 (Decrease in EPS by Rs. 1.78 per share)	For the year ended March 31, 2007 –Rs. 7,001,187 (Decrease in EPS by Rs. 0.35 per share)	N. A.	Rs.42,641,005 (Decrease in EPS by Rs 2.13 per share)  Rs. 5,128,978 (Decrease in EPS by Rs 1.95 per share)	N.A.
17.	Vesting Schedule	All options are vested and exercised	All options are vested and exercised	Vesting schedule starts from March 2007 and ends in April 2011	N. A.	Vesting schedule starts after one year from the date of grant of the options in ESOS – IV and ends before 5 years from the date of grant.
18.	Lock-in	The Equity Shares allotted on Exercise of the Options, can be sold or disposed or	The Equity Shares allotted on Exercise of the Options, can be sold or disposed or	The Equity Shares allotted on Exercise of the Options, can be sold or disposed or transferred by such	N.A.	The Equity Shares allotted on Exercise of the Options, can be sold or disposed or

Financial Year		ESOS granted in Fiscal 2006		ESOS granted in Fiscal 2007	Total	ESOS granted in Fiscal 2008
S. N.	Nature of disclosure	ESOS – I	ESOS – II	ESOS – III		ESOS IV
		transferred by such Employee and/or his/her nominee(s), only after the Equity Shares of the Issuer are listed on the Stock Exchange(s) .  However, in the event of personal emergency, the Compensation Committee may waive this restriction.	transferred by such Employee and/or his/her nominee(s), only after the Equity Shares of the Issuer are listed on the Stock Exchange (s).  However, in the event of personal emergency, the Compensation Committee may waive this restriction.	Employee and/or his/her nominee(s), only after the Equity Shares of the Issuer are listed on the Stock Exchange(s).  However, in the event of personal emergency, the Compensation Committee may waive this restriction.		transferred by such Employee and/or his/her nominee(s), only after the Equity Shares of the Issuer are listed on the Stock Exchange(s) .  However, in the event of personal emergency, the Compensation Committee may waive this restriction.

**Note:**

\*This includes options granted after consolidation of shares from face value of Rs. 2 each to shares of face value of Rs. 5 each. These options are as per the ESOS framed by the Issuer.

\*\*Exercise price given above is after considering effect of consolidation of shares from face value of Rs 2 each to Rs 5 each.

\*\*\*This number is arrived at after considering consolidation of shares from face value of Rs. 2 each to shares of face value of Rs. 5 each.

The details regarding options granted to employees in any one year amounting to 1% or more of the issued capital of the Issuer (excluding outstanding conversions) at the time of grant:

No.	Name of Employee	Number of Equity Shares to be issued for options granted in Fiscal 2006	Number of Equity Shares to be issued for options granted in Fiscal 2007
1.	Navin Agarwal	1,546,100	-
2.	Rajat Rajgarhia	210,440	-
3.	Rajesh Dharamshi	157,830	-
4.	Mihir Kothari	115,220	-
5.	Manish Shah	115,220	-

The details of options granted to employees in any one year amounting to 5% or more of the options granted during that year viz. Fiscal 2006 and Fiscal 2007 are as stated below:

<b>No.</b>	<b>Name of Employee</b>	<b>Number of Equity Shares to be issued for options granted in Fiscal 2006</b>	<b>Number of Equity Shares to be issued for options granted in Fiscal 2007</b>
1.	Hitungshu Debnath	-	80,000
2.	Vishal Tulsyan	-	60,000
3.	Rajat Rajgarhia	210,440	-
4.	Rajesh Dharamshi	157,830	-
5.	Navin Agarwal	1,546,100	-

Details regarding options granted to our Directors, key managerial personnel of the issuer are set forth below:

<b>Sr No.</b>	<b>Directors and Key Managerial Personnel of the Issuer</b>	<b>Number of Equity Shares to be issued for options granted Fiscal 2006</b>	<b>Number of Equity Shares to be issued for options granted Fiscal 2007</b>
1	Navin Agarwal	1,546,100	-
2	Vikram Wadekar	20,000	-

Our directors and the key management personnel who have been granted options and allotted Equity Shares on the exercise of the options pursuant to ESOPs have confirmed to us that they do not intend to sell any shares arising from such options for 3 months after the date of listing of the Equity Shares in this Issue. Other employees holding Equity Shares at the time of listing of Equity Shares and Equity Shares on exercise of vested options may sell equity shares within the 3 month period after the listing of the Equity Shares. This disclosure is made in accordance with para 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

7. In case of over-subscription in all categories, atleast 60% of the Net Issue, shall be available for Allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder, if any, of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, upto 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and upto 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Upto 142,310 Equity Shares have been reserved for Eligible Employees.
8. Save and except as disclosed in the section titled 'History and other Corporate matter' beginning on page 76 of this Red Herring Prospectus, the Issuer, its Directors, Promoters, the directors of its Promoters and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.
9. Under-subscription, if any, in the Retail or Non-Institutional Portion would be allowed to be met with spill over from other categories or combination of categories at our discretion in consultation with the BRLM. Under-subscription in the Employee Reservation Portion would be allowed to be met with spill over from the Retail Portion or from any other categories at the discretion of the Issuer in consultation with the BRLM.

10. Except as disclosed in this Red Herring Prospectus, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
11. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
12. As on the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 126. The issue of Equity Shares pursuant to an ESOS is not directly or indirectly intended to be availed by persons other than the employees eligible under the ESOS.
13. We have not raised any bridge loans against the proceeds of the Issue.
14. We have not issued any Equity Shares for consideration other than cash.
15. Except as disclosed in this Red Herring Prospectus, there are no outstanding financial instruments or any rights, which would entitle the Promoters or the shareholders or any other person any option to acquire any of the Equity Shares.
16. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue opening date by way of split or consolidation of the denomination of Equity Shares or further issue of equity (including issue of securities convertible into or exchangeable for, directly or indirectly, for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in our best interests.
17. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.
18. Except as disclosed in the section titled “Our Management” beginning on page 82 of this Red Herring Prospectus, none of our Directors or key managerial personnel holds any of the Equity Shares.
19. The Equity Shares offered through this Issue will be fully paid up.
20. The Issuer has not issued any shares out of revaluation of reserves or for consideration other than cash.
21. The Equity Shares held by the Promoters are not subject to any pledge.
22. Pursuant to the SEBI DIP Guideline, the promoters’ contribution has been brought in to the extent not less than the specified minimum lot and from persons defined as Promoters.
23. Our Promoters and members of the Promoter Group will not participate in the Issue.
24. Only Eligible Employees can apply in this Issue under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 142,310 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. The unsubscribed portion, if any, from the Equity Shares in the Employee Reservation Portion will be treated as part of the Net Issue and allotment shall be made in accordance with the description in the section entitled “Issue Procedure” beginning page 324 of this Red Herring Prospectus.

## OBJECTS OF THE ISSUE

The objects of the Issue are as follows:

The net proceeds of the Issue after deducting underwriting fees, management fees, selling fees and all other Issue related expenses payable by us is estimated at Rs. [●] millions. The objects of the Issue are to raise funds to enable us to improve our competitive position and support our growth plans through long term working capital deployment, an enhanced financing facility for broking customers, additional office space and technology advancement.

### Our requirement of funds and means of finance

We are a financial services company focused on wealth creation for our customers, namely institutional and corporate clients, HNI and retail customers. Our product offering includes equity broking, commodities broking, investment banking and merchant banking services as well as private equity investments. For ease of administration and regulatory compliance, some of our business activities are carried on through our subsidiaries.

We intend to utilise the proceeds from the Issue towards the under-mentioned activities by FY 2009. Our requirements of funds are as detailed below:

(Rs in millions)						
Particulars	MOFSL	MOSL	MOCB	MOIA	MOVC	Total
Augmenting long term working capital	-	300	100	-	-	400
Financing activity	1,100	-	-	-	-	1,100
Purchase / lease of new office space for business expansion	-	350	-	-	-	350
General corporate purpose	[●]	-	-	-	-	[●]
Technology	-	102	-	-	-	102
Issue expenses	[●]	-	-	-	-	[●]
Total fund requirement	[●]	[●]	100	-	-	[●]

### Fund requirement in Subsidiaries

Motilal Oswal Financial Services Limited (MOFSL) is the holding company of Motilal Oswal Securities Limited (MOSL) (equity broking business), Motilal Oswal Commodities Broker Private Limited (MOCB) (commodity broking business), Motilal Oswal Investment Advisors Private Limited (MOIA) (investment banking business) and Motilal Oswal Venture Capital Advisors Private Limited (MOVC) (Venture capital fund management and advisory). MOFSL is also a non banking financial company registered with RBI providing a financing facility to our customers. Hence, the funds requirements of our subsidiaries, as depicted in the table above, are strategic in nature and in line with our growth strategy.

We propose to infuse funds of Rs. [●] million in MOSL and Rs. 100 million in MOCB. This capital infusion in MOSL and MOCB will be in the form of subscription to their equity shares, unsecured loans or any combination thereof. Such capital infusion will enable us to do more business in the equities and commodities markets. We believe that it will also help us to strengthen our respective balance sheets. However, no dividend is assured to the Company as a consequence of such capital infusion in these subsidiaries.

### Augmenting long term working capital

Part of the Issue proceeds will be used to fund our long term working capital requirement which primarily comprises margins to be placed with the Stock Exchanges. As a member of BSE and NSE, MOSL is required to maintain a minimum margin of Rs 13.00 million and Rs 23.51 million respectively (as at March 31, 2007). In addition, MOSL is required to maintain additional daily margin with exchanges, based on the total outstanding position of the trades undertaken on the exchange till settlement. These margin requirements are determined by the exchanges based on the volatility of stocks and are applicable to all brokers. With the increase in MOSL's Traded Volumes as under, its margin requirements have been increasing:

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Trading Volumes – cash equities in Rs. Million</b>	315,091	510,230	1,004,750	1,494,469
<b>Market share – cash equities</b>	1.97%	3.08%	4.21%	5.15%

As at March 31, 2007, the total margin placed with the exchanges was Rs. 3,589.46 million. MOSL meets its margin requirements through cash deposits maintained with the exchanges, bank guarantees, collateral in the form of fixed deposits or shares provided by MOSL or sometimes by our Promoters.

Similarly, MOCB is also required to maintain margins (minimum and incremental as determined by the exchanges) with the two commodity exchanges, NCDEX and MCX. The minimum margin requirement for trading at these exchanges is Rs 3.60 million and Rs 2.25 million respectively.

MOSL and MOCB enjoy credit limits from certain commercial banks to meet these requirements, in addition to its own net worth funds. As at March 31, 2007, MOSL and MOCB had availed bank guarantees of Rs 2,486 million and Rs. 77.00 million respectively.

With the proposed expansion in the distribution network and the growth plan envisaged, we expect our Trading Volumes to increase leading to additional margin capital requirements for both our Subsidiaries, MOSL and MOCB. Based on the estimated business volumes by MOSL and MOCB, we expect our incremental requirements for margin money to be funded out of the proposed IPO to the extent of Rs.400 million. This capital infusion out of the Issue will enable us to strengthen our balance sheet and undertake more business in equities, derivatives and commodities markets.

### **Financing activity**

MOFSL is an NBFC registered with RBI. MOFSL provides financing facility to our customers. This is complimentary to our broking business and helps us improve customer retention and source additional ones. We started providing financing facility to our customers after receipt of necessary RBI approval from April 2006. For this purpose, the Company performs a credit worthiness assessment of each of its clients before extending financing to them. The company has the appropriate risk management systems in place to monitor the financing provided.

The customer financing is provided against a margin of approx 30- 40% and is available only for purchase of shares which form part of our 'Approved List' of securities. This list is decided by the management and reviewed from time to time. The list mainly comprises of actively traded large market capitalised companies forming part of the 'A' group at the BSE. The entire financial activity is centrally controlled from our Mumbai office and is rolled out through out network all across the country.

The additional requirement for funds for this activity is largely driven by the growth in the number of customers availing financing from us. As at March 31, 2007, 585 clients were availing financing from us.

We notice that there is an increasing trend among the large brokerage houses in India to extend such facilities with an objective to grow and retain their customer base and increase the volumes traded by them. The Company had financing outstanding of the amount of Rs. 883.25 million (approximately) as at 31 March 2007. We estimate our requirement for this activity at Rs. 1,100 million.

#### **Purchase / lease of new office space for business expansion**

All our businesses and branches are controlled from our owned 14,884 sq ft, corporate office at Hoechst House, Nariman Point, Mumbai. All the back office and support functions are carried out from our office at Malad, Mumbai where 12,180 square feet (built up)space is owned by us and 15,320 square feet (built up)space is taken on lease. In addition, we have multiple offices for regional offices, centralised dealing rooms, sales and sales support and commodity business, spread across various Business Locations in India.

As per our internal estimates, we further require about 40,000 sq ft of additional space in the next 2 to 3 years for additional centralised office space for our retail business, regional offices and Business Locations. Depending upon the availability at a fair price, these properties will be either owned or leased.

We have provisioned Rs 350 million to be funded through the proceeds of the Issue towards this.

#### **General Corporate Purpose**

We plan to use the remaining Net Proceeds of this Issue for general corporate purposes towards strategic initiatives, including any possible acquisitions, brand building exercises and the strengthening of our marketing capabilities.

We have provisioned Rs [●] million to be funded through the proceeds of the Issue towards this purpose.

#### **Technology**

In order further improve our service offering and to meet the technological needs due to expansion in our business lines, we are required to spend on our technology platforms and systems. The expenditure in technology will be towards infrastructure, trading applications, customer service platform, call center, high availability Disaster Recovery Site (DRS) site, back-office platform and for server consolidation.

The DRS and Business Continuity Plan (BCP) will ensure that the Company scales up its availability of platforms to customers by hosting a DRS. This will ensure business continuity and minimal disruptions to business and servicing. The BCP program will cover availability of trading and service platforms at an alternate location – the components will include trading, back office, depository, customer service, networks and exchange connectivity. A comprehensive BS 7799 (27001) certification program is envisaged to heighten the service levels.

The break down of the requirement of funds for technology upgrading based on the quotations received from various suppliers is as follows:

<b>Particulars</b>	<b>Rs. in Million</b>	<b>Names of the Suppliers</b>	<b>Schedule of Implementation</b>
Integrated Wealth Management Platform (including CRM, contact center, back-office, integrated multi channel portal)	65.66	Talisma, SGSL, Idealake, ENC Software solutions	September 2007
Network/Server Platform Consolidation	16.62	Newel Systems	March 2008

BCP/DRS	20.00	MIEL e-Security Private Limited	March 2008
<b>Total</b>	<b>102.28</b>		

#### Issue expenses

The expenses for this Issue include, amongst others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees payable to the Stock Exchanges. The estimated Issue expenses are as follows:

Activity	(Rs. million)
Lead Management, underwriting and selling commission	[•]
Registrar's fee and other expenses (postage of refunds etc.)	[•]
Advertising and marketing expenses	[•]
Printing and stationery	[•]
Others (legal fee, listing fee, auditors, Book Building fees etc.)	[•]
<b>Total</b>	<b>[•]</b>

#### Schedule of Deployment of Funds

The Company proposes to deploy the funds over a period as follows:

(Rs in millions)

	FY 2008	FY 2009	Total
Augmenting long term working capital	400	-	400
Financing activity	900	200	1,100
Purchase / lease of new office space and general corporate purpose for business expansion	[•]	[•]	[•]
Technology	102	-	102

*\* Working capital is towards margin money required to be deposited with the exchanges or F&O clearing members in the form of cash, bank deposits, bank guarantees, approved securities etc. and is an ongoing requirement depending on the Trading Volumes of business undertaken by us and also price volatility.*

#### Means of Finance

The entire requirement of funds is proposed to be funded through the proceeds of the Issue. In case of shortfall, if any, the same shall be met out of internal accruals. Excess money, if any, will be utilised for general corporate purpose, including acquisitions. The objects for which the funds are being raised have not been appraised by any external agencies and as such all the fund requirements are based on management estimates.

#### Interim Use of Funds

Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration and other investment grade interest bearing securities, as may be approved by the Board of Directors or a committee thereof. Such transactions would be at the prevailing commercial

rates at the time of investment. In case we utilise a portion of the funds raised for meeting short-term working capital requirements, we undertake that these funds would eventually be directed towards the Objects of the Issue mentioned herein.

**Shortfall of funds**

The shortfall in funds, if any, shall be met by internal accruals.

**Monitoring of utilisation of funds**

The Board shall monitor the utilisation of the proceeds of the Issue. In accordance with Clause 49 of the Listing Agreement which shall be entered into with the Stock Exchanges, the uses/ applications of funds raised through the Issue shall be disclosed to the audit committee on a quarterly basis as a part of the quarterly declaration of financial results. Further, on an annual basis, a statement of the funds utilised for purposes, other than those stated in this Draft Red Herring Prospectus shall be placed before the audit committee. This statement shall also be certified by our auditors. Also see the section titled “Issue Procedure” beginning on page 324 of this Red Herring Prospectus.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLM on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 5 each and the Issue Price is 145 times the face value at the lower end of the Price Band and 165 times the face value at the higher end of the Price Band.

### Qualitative Factors

- *Large and diverse distribution network*
- *Strong research and sales teams*
- *Skilled and experienced top management*
- *Well-established brand*
- *Wide range of financial products and services*

### Quantitative Factors

Information presented in this section is derived from our audited consolidated financial statements.

#### *Adjusted Earnings Per Share (EPS)*

Financial Period	EPS based on Restated Financial Statement (Rs.)	Weight
Year ended March 31, 2006	229.16**	1
Year ended March 31, 2007	34.75	2
<b>Weighted Average</b>	<b>99.6</b>	

- EPS has been calculated as per the following formula: (Net Profit)/ (Weighted average number of Equity Shares)*
- Net Profit, as restated and appearing in the restated consolidated financial statements has been considered for the purpose of computing the above ratio.*

\*\*Consolidated Basic EPS on non-annualised basis

#### *Price Earning Ratio (P/E Ratio)*

- For the year ended March 31, 2007, EPS based on restated consolidated financial statements is 34.75.
- P/E based on the year ended March 31, 2007 EPS is 20.86 at the Floor Price and 23.74 at the Cap Price.
- Peer group P/E
  - Highest* 96.3
  - Lowest* 40.4
  - Average* 73.2

Source: Capital Market, Volume XXII/11, July 30 – August 12, 2007 (Industry-Finance and Investments)

#### *Average Return on Networth ("RoNW")*

The figures disclosed below are based on the restated financial statements of our Company.

Financial Period	RoNW (%)	Weight
Year ended March 31, 2006	54.75	1
Year ended March 31, 2007	20.89	2
<b>Weighted Average</b>	<b>32.2</b>	

- i) Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS is [●].
- ii) RONW has been calculated as per the following formula: (Net Profit)/ (Networth outstanding at the end of the period)
- iii) The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.
- iv) RoNW for the nine-month period ended December 31, 2006 is 16.76%.
- v) RONW is 12.67% at the Floor Price and 12.01% at the Cap Price assuming increase in Networth with the Issue.

#### Net Asset Value (NAV)

- (i) As at March 31, 2007 Rs 131.06 per Equity Share
- (ii) After Issue [●] per Equity Share
- (iii) Issue Price [●] per Equity Share

Financial Period	NAV (Rs.)	Weight
Year ended March 31, 2006	98.08	1
Year ended March 31, 2007	131.06	2
<b>Weighted Average</b>	<b>120.1</b>	

Net Asset Value per share has been calculated as per the following formula (Net Worth)/ (number of equity shares outstanding at the end of the period)

The NAV is 193.43 at the Floor Price and 203.93 at the Cap Price assuming increase in Networth with the Issue Proceeds.

#### Comparison with other listed companies:

Company	EPS (RS.)*	P/E as on August [●], 2007*	RONW (%)	NAV (RS.)
Motilal Oswal Financial Services Limited	34.75	[●]	20.89	131.06
Indiabulls Financial Services	6.9	96.3	11.1	113.6
India Infoline	9.9	82.8	23.0	58.2
IL&FS Investsmart	5.2	40.4	5.7	99.0
<b>Peer Group Average</b>		<b>73.2</b>	<b>15.2</b>	

\*P/E for peer group companies is based on trailing twelve month's earnings ending March 31, 2007. Other data for peer group companies are for Fiscal 2007.

All figures for peer group are sourced from Capital Market, Volume XXII/11, July 30 - August 12, 2007 (Industry- Finance and Investments); only select companies that represent brokerage companies have been identified as peer group.

The Face Value of the Equity Shares is Rs. 5 each and the Issue Price of Rs. [●] is [●] times of the face value.

The BRLM considers that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. For further details and to have a more informed view, see the section titled “Risk Factors” beginning on page xi of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the section titled “Financial Statements” beginning on page 122 of this Red Herring Prospectus.

## STATEMENT OF TAX BENEFITS

The Board of Directors  
Motilal Oswal Financial Services Ltd.  
3rd Floor, Hoechst House,  
Nariman Point,  
Mumbai - 400021.

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible general tax benefits available to Motilal Oswal Financial Services Limited, ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill. It may be noted that there is no specific benefit available to the company and its shareholder under the Income Tax Act 1961.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

For **Haribhakti & Co.**  
**Chartered Accountants,**

**(Sunil B. Choudhary)**  
**Partner**  
Membership No. 046379

Place: Mumbai  
Date: 4<sup>th</sup> August, 2007

## STATEMENT OF TAX BENEFITS:

There are no specific benefits available to MOTILAL OSWAL FINANCIAL SERVICES LIMITED and its Shareholder under the Income tax Act 1961, however following possible general benefits are available to MOTILAL OSWAL FINANCIAL SERVICES LIMITED AND ITS SHAREHOLDERS. Further, the tax benefits related to capital gains are subjected to the CBDT circular no. 4/2007 dated 15-06-2007 and on fulfillment of criteria laid down in the circular, the assessee will be able to enjoy the concessional benefits of taxation on capital gains.

### **I. BENEFITS AVAILABLE UNDER DIRECT TAXES:**

#### **1. UNDER THE INCOME TAX ACT, 1961 ('ACT')**

##### **A. Benefits available to the Company:**

- a) The Company will be entitled to claim depreciation at the prescribed rates on specified tangible and intangible assets under Section 32 of the I-Tax Act 1961.

*Unabsorbed depreciation if any, for an Assessment Year can be carried forward & set off against any source of income in subsequent Assessment Years as per section 32 subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73 of the Act.*

- b) Dividends (whether interim or final) received by the Company on or after April 1, 2003 are exempt in the hands of company as per the provisions of Section 10(34) of the Act.
- c) By virtue of Section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the company.
- i. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
  - ii. Income received in respect of units from the Administrator of the specified undertaking; or
  - iii. Income received in respect of units from the specified company; Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

For this purpose, (i) "Administrator" means the Administrator as referred to in Section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in Section 2(h) of the said Act.

- d) In terms of Section 10(38) of the Income Tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.

For this purpose, "equity oriented fund" means-

- (i) Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than Sixty five per cent of the total proceeds of such fund; and
- (ii) Which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the Income Tax Act.

- e) Carry forward of business loss:

Business losses if any, for any Assessment Year can be carried forward and set off against business profits for eight subsequent Assessment Years.

- f) MAT Credit:

As per section 115JAA(1A), the company is eligible to claim credit for Minimum Alternate Tax ("MAT") paid for any Assessment Year commencing on or after April 1, 2006 against normal income tax payable in subsequent Assessment Years. MAT credit shall be allowed for any Assessment Year to the extent of difference between the tax computed as per the normal provisions of the Act for that Assessment Year and the MAT which would be payable for that Assessment Year. Such MAT credit will be available for set-off up to 7 years succeeding the Assessment Year in which the MAT credit initially arose.

- g) In terms of Section 111A of the Income Tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)
- h) As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1<sup>st</sup> April 2007 in the said bonds should not exceed fifty lakh rupees.
- i) As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge / educational cess). However as per the proviso to Section 112(1) if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a lower rate of 10 percent (plus applicable surcharge / educational cess). For this purpose, Indexation Benefit would mean the substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
- j) From 1<sup>st</sup> October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, of an amount equal to the securities transactions tax paid by him.

#### **B. Benefits available to resident shareholders**

- a) Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.
- b) In accordance with section 10(23D) of the Income Tax Act, all Mutual Funds registered under the

Securities and Exchange Board of India Act or set up by public sector banks or a public financial institution or authorised by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.

c) Dividends exempt under Section 10(34) read with Section 115-O

Dividends (whether interim or final) declared, distributed or paid by the Domestic Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

- d) As per the provisions of Section 112(1)(a) of the Act, long-term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge / educational cess). However as per the proviso to Section 112(1) if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a lower rate of 10 percent (plus applicable surcharge / educational cess). For this purpose, Indexation Benefit would mean the substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
- e) Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
- f) In terms of Section 111A of the Income Tax Act, any short term capital gain arising from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)
- g) As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.
- h) As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

i) From 1<sup>st</sup> October, 2004 onwards, Section 88E of the Act allows a rebate for an assessee, upon

fulfilling certain conditions, where his total income includes any income which is chargeable under the head “Profits and gains of business or profession” arising from taxable securities transactions, of an amount equal to the securities transactions tax paid by him.

**C. Benefits available to Non-Resident Indian shareholders**

**a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1, 500 per minor child.

**b) Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

**c) Capital gains tax - Options available under the Act**

Where shares have been subscribed in convertible foreign exchange-Option of taxation under Chapter XII-A of the Act.

- Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.
- As per the provision of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares will be subject to tax at the rate of 10 percent (plus applicable surcharge & Education Cess), without indexation benefit.
- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of, six months in any specified asset or savings certificates referred to in Section 10 (4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three year from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a

resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

**d) Where the shares have been subscribed in Indian Rupees**

As per the provisions of Section 112(1)(b) of the Act, long-term gains as computed above would be subject to tax at rate of 20 percent (plus applicable surcharge & Education Cess). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge & Education Cess).

**e) Exemption of capital gain from income tax**

- Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.
- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

**f) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

**D. Benefits available to other Non-residents**

**a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1,500/- per minor child.

**b) Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

**c) Exemption of capital gains from Income tax**

Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.

As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

**d) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

**E. Benefits available to Foreign Institutional Investors ('FIIs')**

**a) Taxability of capital gains**

As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Sr. No.	Nature of Income	Rate of Tax
1	Long Term Capital Gain	Nil
2	Short Term Capital Gain	10%

The above tax rates would apply in cases where Securities Transaction Tax is paid. Short-term capital gains are taxed at 30%, and Long Term capital gains are taxed at 10% if such a transaction is not chargeable to Securities Transaction Tax.

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident

**b) Exemption of capital gain from Income tax**

Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.

As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007 in the said bonds should not exceed fifty lakh rupees.

**c) Dividend**

Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act

**F. Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds setup by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the Conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

**G. Benefits available to Venture Capital Companies / Funds**

As per the provisions of section 10(23FB) of the Act, income of Venture Capital Company or fund registered under the Securities and Exchange Board of India Act, 1992 and fulfilling such conditions as may be notified in the Official Gazette, set up for raising funds for investment in a Venture Capital Undertaking, is exempt from income tax. However the exemption is restricted to the Venture Capital Company & Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking which is engaged in the business as specified u/s. 10(23FB)(c) of the Income-tax Act.

**2. UNDER THE WEALTH TAX ACT, 1957**

Shares in a company held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of Wealth tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

**3. UNDER THE GIFT TAX ACT, 1958**

Gift of shares of the company made on or after October 1, 1998 are not liable to Gift tax.

**NOTES:**

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.
- b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

## SECTION IV: ABOUT US

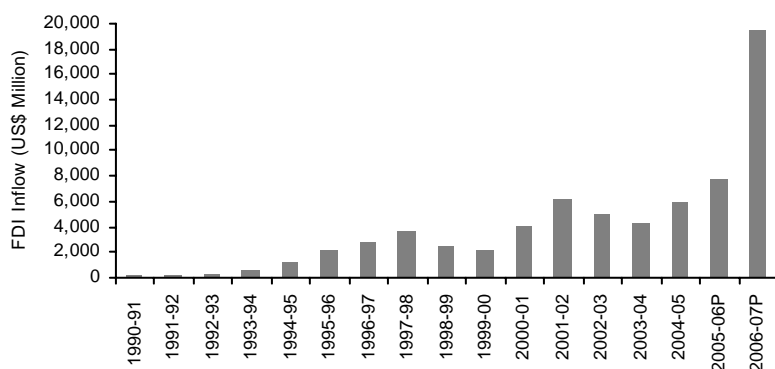
*The information in this section is derived from various government/ industry/ market publications and other public sources. Neither we nor any other person connected with the Issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based on such information.*

## INDUSTRY OVERVIEW

### Indian Economy

The Indian economy is one of the largest in the world with a gross domestic product (GDP) at current prices of Rs 32,509.32 billion (US\$ 754.28 billion). It is amongst the fastest growing major economies in the world, with a real GDP growth rate of 9.2% at the end of the second quarter of Fiscal 2007.

In recent years, India has become a global preferred destination for FDI, owing to its large consumer market and efforts by the government to position it as one of the front-runners of the rapidly growing Asia Pacific region. Overall, India attracted FDI of around US\$ 52.82 billion between Fiscal 2000 and Fiscal 2007.



Source: RBI Monthly Bulletin-July 2007

The following table shows India's economic growth in comparison to other developing countries, in percentage terms as well as predicted growth for Fiscal 2006 and 2007:

Growth/ Real GDP	1998-2007 (Avg)	2001	2002	2003	2004	2005	2006 E	2007 E
World	4.1	2.6	3.1	4.1	5.3	4.9	5.1	4.9
Advanced Economies	2.6	1.2	1.5	1.9	3.2	2.6	3.1	2.7
Emerging Markets & Developing Countries	5.9	4.4	5.1	6.7	7.7	7.4	7.3	7.2
Russia	5.4	5.1	4.7	7.3	7.2	6.4	6.5	6.5
China	9.1	8.3	9.1	10.0	10.1	10.2	10.0	10.0
<b>India</b>	<b>6.6</b>	<b>4.1</b>	<b>4.3</b>	<b>7.2</b>	<b>8.0</b>	<b>8.5</b>	<b>8.3</b>	<b>7.3</b>
Brazil	2.4	1.3	1.9	0.5	4.9	2.3	3.6	4.0

Mexico	3.2	-	0.8	1.4	4.2	3.0	4.0	3.5
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Source: World Economic Outlook, IMF, September 2006

### Indian Financial Services Sector

The Indian financial services industry has experienced significant growth in the last few years. There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in the recent years and the entry of sophisticated domestic and international players. Sectors such as banking, asset management and brokerage have been liberalised to allow private sector involvement, which has contributed to the development and modernisation of the financial services sector. This is particularly evident in the non-banking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve high growth rates.

### Key Themes in the Industry

**Consolidation:** Until the mid 1990's, the broking industry remained fragmented, with business spread over 5,000 brokers. Retail participation was low with client bases being limited to high net worth individuals. The Indian broking industry has consolidated gradually, with the top 25 Indian brokerage houses having increased market share to 43% in Fiscal 2007 from less than 29 % in Fiscal 1996 according to NSE. The top five brokers had a 15 % market share in the same period. As per Fortune 50 list of American corporations for the year 2006, three out of the 50 companies in the list were from the securities sector (Source: www.money.cnn.com)

**Technology:** Technology has been one of the key enablers of the consolidation that has taken place in the Indian broking industry. New technologies such as screen-based trading, electronic matching, and paperless securities have made the process of trading more convenient and streamlined. Better telecom connectivity and lower costs have made it possible to have large interconnected operations across multiple locations for centralised operations and effective risk management and control.

**E-broking:** E-broking offers the dual benefit of better service and convenience levels for retail investors and lower cost of operations and lower risk for brokers. The share of e-broking is expected to rise steadily in India due to widening retail investor participation, growing internet usage, faster telecom connectivity and increasing comfort levels with transacting on the internet.

**Growth in Retail Segment:** The retail segment is currently very fragmented and relatively under-served. Most retail investors rely on sub-broker networks for facilitating investment in equities. It is expected that the retail industry will experience a period of high growth. Reasons for this include:

- Regulatory reforms in financial markets – Regulations have become more investor friendly which has boosted the confidence of retail investors.
- Diversified asset instruments – Due to the wide variety of investment options and instruments, the role of investment advisors is gaining importance.
- Changing demographic profile – Changing demographic profile of investors and their perceptions and attitude toward equity investment has resulted in a shift in investment patterns from traditional investment instruments (gold etc.) towards capital market products.
- Falling real interest rates – The steep reduction in real interest rates until a few months ago has led to a reduction in yield on bank deposits etc and therefore investors are looking to diversify into investments with more attractive returns.

**Foreign Participation:** FII investments in India have increased significantly over the last few years. FII registrations with SEBI have increased from 482 in FY 2001 to 1,048 as on Jan 11, 2006. FII inflows have also risen considerably in recent years as depicted in the table below:

<b>Net FII inflow in India Year ended March 31</b>	<b>No of FIIs</b>	<b>(US \$ million)</b>
2007 (P)	993	3,225
2006	882	9,332
2005	685	10,152
2004	540	9,950
2003	502	562
2002	490	1,849
2001	527	2,159

Source: RBI and BSE

### **Capital Markets**

There were 4,842 companies listed on the Bombay Stock Exchange as on June 30, 2007. In recent years, the capital markets have undergone substantial reforms in regulation and supervision. Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen-based nation-wide trading, T+2 settlement, scripless settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are 23 recognised stock exchanges in India, including the Over-The-Counter Exchange of India (“OTCEI”) for small and new companies and the NSE, which was set up as a model exchange to provide nationwide services to investors. In 2003, NCDEX and MCX were set up for trading of futures in various commodities.

#### **Primary Equity Market**

The primary segment of the capital markets in India has been witnessing a surge in activities driven by the strong fundamentals of the Indian economy, improved corporate results, a buoyant secondary market, revival of structural reforms by the government and an investor friendly framework provided by SEBI.

The number of primary equity market issuances in India is set forth in the table below –

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Domestic Offerings (Rs billion)</b>					
IPO and Follow on Offerings	49.80	14.07	27.15	96.36	169.37
Rights Offering	7.12	4.71	10.07	34.44	42.17
<b>Sub Total</b>	<b>56.92</b>	<b>18.78</b>	<b>37.22</b>	<b>130.80</b>	<b>211.54</b>
<b>International Offerings (US\$ Million)</b>					
ADRs/ GDRs	477	600	459	613	2,552

Source: RBI

#### **Secondary Equity Market**

The Indian equity markets have been witnessing a strong rally since 2003 with the benchmark BSE Sensex crossing the 15,000 mark in July 2007 from 5,200 in September 2004 and 6,600 in January 2005 setting a new historical high.

***Growth of volume traded in Secondary Market (NSE)***

	Unit	Year ended March 31,						
		2001	2002	2003	2004	2005	2006	2007
<b>Capital Market</b>								
No. of Companies Listed		785	793	818	909	970	1,069	1,228
Traded Quantity	Million	32,953	27,841	36,407	71,330	79,768	84,448	85,545
Turnover	Rs. Billion	13,395	5,132	6,180	10,995	11,400	15,696	19,452
Average Daily Turnover	Rs. Billion	54	21	25	43	45	63	78
<b>Wholesale Debt Market</b>								
Number of Trades	‘000	64	145	168	190	124	62	19
Net Traded Value	Rs. Billion	4,286	9,472	10,687	13,161	8,873	4,755	2,191
Average Daily Value	Rs. Billion	15	33	36	45	30	18	9
<b>Derivatives</b>								
Number of Contracts	‘000	91	4,197	16,769	56,887	77,017	157,619	216,883
Turnover	Rs. Billion	23	1,019	4,399	21,306	25,470	48,242	73,564
Average Daily Turnover	Rs. billion	0.1	4	17	83	101	192	295

Source: NSE Website.

***Growth of volume traded in Secondary Market (BSE)***

	Unit	Year ended March 31,			
		2004	2005	2006	2007
<b>Capital Market</b>					
No. of Companies Listed		5,528	4,731	4,781	4,821

	Unit	Year ended March 31,			
		2004	2005	2006	2007
Traded Quantity	Million	202.80	237.41	264.01	346.22
Turnover*	Rs. Billion	5,026.18	5,187.16	8,160.74	9561.85
Average Daily Turnover*	Rs. Billion	23.08	27.06	53.98	37.16

\*Including Equity, Debt and Government Securities.

Source: BSE Website

The average daily turnover at the NSE and for different market segments has also increased. In the capital market segment, daily turnover increased from approximately Rs. 54 billion at the end of FY-2001 to approximately Rs. 78 billion at the end of FY-2007. Over this period, there has also been a substantial growth in the market for other financial products such as insurance and mutual funds.

### Equity Brokerage

As the Indian capital markets continue to evolve, they are undergoing rapid consolidation driven by increased trading volumes, increased regulation, customer sophistication, availability of better technology and increased back-office requirements. As a result, significant changes have been introduced to strengthen risk management systems. Changes in the regulatory framework and settlement mechanics have resulted in smaller operating players losing market share, leading to consolidation in the industry.

The market share of the top five brokers on the NSE has increased from 12% in FY-04 to about 15% in FY-07. Similarly the market share of the top ten brokers on the NSE has grown from approximately 17% in FY-04 to 24% in FY-07. These figures indicate a long-term consolidation process in a highly fragmented securities brokerage industry, with hundreds of smaller players exiting the market and the larger brokers gaining market shares. The following table shows the volume of trades on the NSE and the percentage undertaken by the top brokers:

Year Ended March 31	% Volume by Top Brokers			Market Capitalisation (Rs. Billion)*
	5	10	100	NSE
2004	12	17	61	11,209.76
2005	14	20	65	15,855.85
2006	15	23	68	28,132.01
2007	15	24	59	33,673.50
April – 2007	16	26	74	36,503.68
May – 2007	15	26	73	38,980.78
Jun - 2007	15	25	73	39,783.81

\* Market Capitalisation in CM segment

Source: NSE Website.

Market consolidation is even more pronounced in the on-line trading category where the top five brokers control a very significant share in the market. The rapid growth in on-line trading volumes can be attributed to the growing sophistication of retail investors, availability of reliable internet connectivity and the sophistication of the internet trading products. The following table shows average on-line trading volume for the periods indicated and the percentage of total trading volume.

<b>Year Ended March 31</b>	<b>Enabled Members</b>	<b>Registered Clients</b>	<b>Trading Volume (Rs. Billion)</b>	<b>% of Total Trading Volume</b>
2001	61	123,578	72.88	0.54
2002	82	231,899	81.39	1.59
2003	80	346,420	153.61	2.48
2004	70	463,560	379.45	3.45
2005	78	849,696	810.34	7.11
2006	142	1,443,291	1,834.29	11.68

Source: NSE Factbook 2006.

### **Mutual Funds**

The mutual fund industry has also experienced considerable activity over last few years with the total assets under management growing from Rs 1,396,160 million as of March 31, 2004 to Rs 3,263,880 million as of March 31, 2007. In recent years, the industry has witnessed consolidation in favour of private sector mutual funds with their assets under management growing from Rs. 1,049,920 million as of March 31, 2004 to Rs. 2,567,240 million as of December 2006. Most of the funds that dominate the sector are open-ended funds.

The mutual fund sector can broadly be divided based on the nature of the schemes launched by the mutual funds. The fixed income asset class, which comprises income, liquid, gilt and money market schemes, comprises a major share of total funds under management. The other two asset classes – equity and balanced schemes – have experienced significant growth in 2005 and during 2006 on account of the buoyant stock market.

#### *Assets under Management*

(Rs. million)

	<b>Year ended March 31,</b>			
<b>Indian Mutual Funds</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Income	625,240	476,050	602,780	1,193,220
Growth	236,130	367,570	928,670	1,133,860
Balanced	40,800	48,670	74,930	91,100
Liquid/ Money Market	417,040	540,680	615,000	720,060
Gilt & Others	76,950	63,030	97,240	125,640
<b>Total</b>	<b>1,396,160</b>	<b>1,496,000</b>	<b>2,318,620</b>	<b>3,263,880</b>

Source: AMFI Monthly

In the recent past, steps have been taken to improve governance practices in the industry, which have helped the growth of the industry.

## Commodity Exchanges

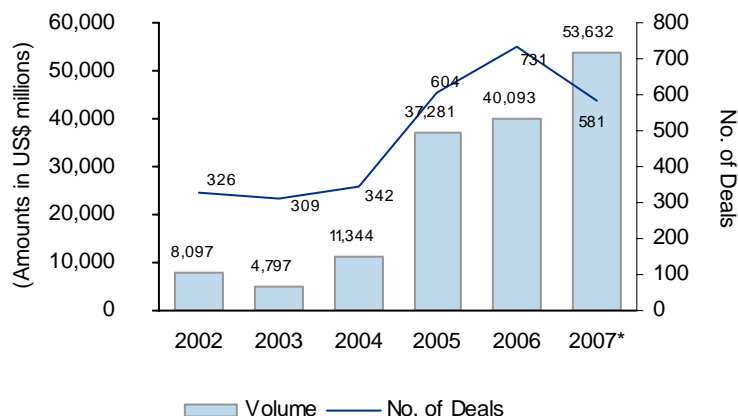
In spite of being a predominantly agrarian economy, India until very recently, did not have sophisticated multi commodity exchanges. The commodity exchanges in operation were all single commodity exchanges. Trading was conducted using the “open outcry” system.

Realising the need for modern multi commodity exchanges, the Indian government withdrew many prohibitions related to commodities trading and opened up forward trading in many commodities. Commodities trading in India have experienced exponential growth since the Indian government issued its notification on April 1, 2003 permitting futures trading in commodities. The total value of commodities traded in India in 2005-2006 was Rs. 21,344,765 million, representing a growth of 3,108% over the value of commodities in 2002-2003 (Rs. 665,307 million). Commodity trading volumes have risen at a compound annual growth rate of over 200% between 2002-2003 and 2005-2006.

The emergence of three nationwide exchanges (MCX, NCDEX and NMCE) has increased the awareness of commodities trading. The volume in these exchanges has increased rapidly since their inception. Some of the commodities where trading takes place are gold, silver, copper, castor seed, gram (chana), soya oil, sugar, rubber etc.

## Investment Banking

With the strong growth in the economy, Indian companies are in constant pursuit of value creation. Shareholder value is gaining importance in today's times. The pursuit of value creation is leading Indian companies to constantly evaluate alternatives which help meet strategic objectives; be it restructuring of group companies to unlock shareholder value or acquiring/divesting businesses, various strategic options are being exercised by Indian companies. Corporate assets (businesses, brands, companies) changing hands is now a regular phenomenon for Indian corporates. Indian companies are also evaluating different means to raise capital in the equity and debt capital markets. The volume of M&A activity has increased significantly as is evident in the chart below:



Source: Bloomberg data

\*as on Feb July 25/27, 2007 for announced deals

With the increase in the activity and entry of foreign investment banks in India, the competition is intensifying. However, there is a large section of small and mid-sized companies which are increasing the market size of investment banking activities.

## Private Equity

Although investors have recently been active in private equity investing in India, the pace of private equity activity has accelerated over the past few years.

As private equity investing in India has continued to develop, the size and nature of investments has also evolved, increasingly moving from smaller start-up and early stage funding to larger-scale, later stage growth capital investments.

India's capital markets have benefited in recent years from the growth of the Indian economy, active secondary markets, structural reforms by the Indian government and an investor-friendly regulatory framework. The ongoing development of advanced market infrastructure and automated systems have also contributed to the development of the securities markets in India.

There is a constant increase in the number of companies in the higher market capitalization category indicating growth in equity value of these companies. We believe that there are attractive opportunities to invest in stocks of small and mid-sized companies in India.

## BUSINESS

### Overview

The Issuer, Motilal Oswal Financial Services Limited, is a Non Banking Financial Company (“NBFC”), registered under the Reserve Bank of India Act, 1934. The Issuer offers a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services through its Subsidiaries as mentioned below:

Name of the Company	Business	MOFSL's Shareholding
Motilal Oswal Securities Limited (MOSL)	Stock Broking (Institutional & Retail) and Retail Wealth Management	99.95%
Motilal Oswal Commodities Brokers Limited (MOCB)	Commodity Broking	97.55%
Motilal Oswal Venture Capital Advisors Private Limited (MOVC)	Venture Capital Management and Advisory	100.00%
Motilal Oswal Investment Advisors Private Limited (MOSL)	Investment Banking	75.00%

The Issuer derives its revenues from its subsidiaries and hence the term ‘We’ or ‘Our’ or ‘Us’ has been used in the Business Section to describe the activities of the Issuer and its Subsidiaries as a whole.

We are a well-diversified financial services firm offering a range of financial products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and investment banking services. As a leading Indian domestic brokerage house, we have a diversified client base that includes retail customers (including high-net worth individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. We are headquartered in Mumbai and as of March 31, 2007, had a network spread across 377 cities and towns comprising 1,200 Business Locations operated by our Business Associates and us.

The Issuer, Motilal Oswal Financial Services Limited, provides financing to its retail broking customers and is the holding company of the following four subsidiaries:

- Motilal Oswal Securities Limited (MOSL) – retail wealth management and institutional broking
- Motilal Oswal Commodities Brokers Private Limited (MOCB) – commodities broking
- Motilal Oswal Venture Capital Advisors Private Limited (MOVC) – venture capital management and advisory
- Motilal Oswal Investment Advisors Private Limited (MOIA) – investment banking

Since inception, our business has primarily focused on retail wealth management and institutional broking. In 2006, we diversified into investment banking and venture capital management.

Our principal business activities include:

- Retail wealth management
- Institutional broking
- Investment banking
- Venture capital management and advisory

Our retail wealth management business provides broking and financing services to our retail customers as well as investment advisory, financial planning and portfolio management services. As at March 31, 2007, we had 238,421 registered retail equity broking clients (as at March 31, 2006, we had 159,091 such clients) and 4,718 registered commodity broking clients (as at March 31, 2006, we had 1,536 such clients) whom we classify into three segments, being “mass retail”, “mid-tier millionaire” and “private client group (PCG)”. We offer our retail clients investment products across the major asset classes including equities, derivatives, commodities and the distribution of third-party products such as mutual fund schemes and primary equity offerings. As at March 31, 2007, 23,985 clients had invested through us in Mutual Funds. We distribute these products through our Business Locations and our online channel.

Our institutional broking business offers equity broking services in the cash and derivative segments to institutional clients in India and overseas. As at March 31, 2007, we were empanelled with 251 institutional clients including 165 FIIs. We service these clients through dedicated sales teams across different time zones.

Our retail wealth management and institutional brokerage businesses are supported by dedicated research teams. As at March 31, 2007, we had a 25 member equity research team and a 9 member commodity research team. Out of these 34 analysts, 24 analysts had three years or more of research experience, as at March 31, 2007. Our research teams are focused on cash equities, equity derivatives and commodities. The *Asiamoney* brokers poll has consistently recognised and rewarded us in various categories, as stated below:

**2006:**

Rank	Category
1	Most Independent Research Brokerage – Hedge Funds
2	Best Local Brokerage in India – Overall
2	Overall Country Research – Hedge Funds
2	Most Independent Research Brokerage – Overall

**2005:**

Rank	Category
1	Best Local Brokerage in India – Overall
1	Overall Country Research – Hedge Funds*
1	Most Independent Research Brokerage – Overall
1	Most Independent Research Brokerage – Hedge Funds*

**2004:**

Rank	Category
2	Best Local Brokerage in India – Overall
2	Most Independent Research Brokerage – Hedge Funds*

**2003:**

Rank	Category
3	Best Local Brokerage in India – Overall
3	Most Independent Research Brokerage – Hedge Funds

\*The Group's research is distributed to various institutional investors, some of which are registered as FII and other include global funds (including Hedge Funds) that are not registered with SEBI but trade through other registered FIIs. The Asiamoney award has been given to MOSL in recognition of MOSL's research as per poll conducted by Asiamoney amongst some of these investors.

Some of our analysts and the sales person as mentioned below who have been rated by Asiamoney. These individuals are still working for us:

<b>Name</b>	<b>Category</b>	<b>Ranking</b>
<b>Year 2006</b>		
Rajat Rajgarhia	Best Analyst-Overall	4
Satyam Agarwal	Best Analyst-Overall	13
Jayesh Parekh	Best Salesperson	1
<b>Year 2005</b>		
Rajat Rajgarhia	Best Analyst-Overall	7
<b>Year 2004</b>		
Rajat Rajgarhia	Best Analyst-Overall	11
<b>Year 2003</b>		
Satyam Agarwal	Best Analyst-Overall	12

Our investment banking business offers financial advisory, capital raising and other investment banking services to corporate clients, financial sponsors and other institutions. Financial advisory includes advisory assignments with respect to mergers and acquisitions (domestic and cross-border), divestitures, restructurings and spin-offs. Capital raising and other investment banking services include management of public offerings, rights issues, share buybacks, open offers/delistings, private placements (including qualified institutional placements) and syndication of debt and equity.

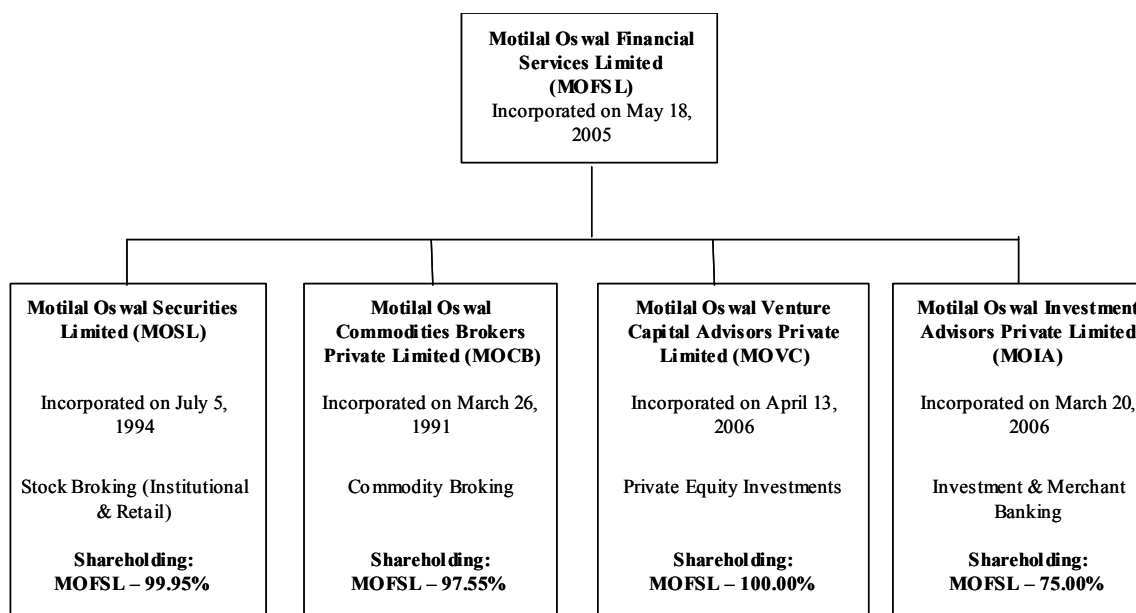
In 2006, Motilal Oswal Venture Capital Advisors Private Limited (MOVC), our recently incorporated venture capital advisory subsidiary, was appointed as the Investment Manager and Advisor of a private equity fund: the India Business Excellence Fund (the "Fund"), which was launched with a target of raising US\$100 million. The Fund is aimed at providing growth capital to small and medium enterprises in India, with investments typically in the range of US\$3 million to US\$7 million. MOVC will manage and advise the Fund and other private equity funds which may be raised in the future. In its first closing, in December 2006, the Fund obtained commitments of Rs. 1,626.51 million (US\$37.74 million) from investors in India and overseas. Subsequently, further commitments were obtained of Rs. 215.50 million (US\$5.00 million) in January 2007, taking the total commitments to Rs. 1,842.01 million (US\$42.74 million).

For the year ended March 31, 2007, our consolidated revenue and net profit was Rs. 3,791.24 million (US\$87.96 million) and Rs. 695.84 million (US\$ 16.14 million), respectively. As at March 31, 2007, we had consolidated total assets of Rs. 9,004.32 million (US\$ 208.92 million) and a consolidated net worth of Rs. 3,331.63 million (US\$ 77.30 million).

Our retail wealth management and institutional broking businesses comprised 89.92 % of our revenues for the year ended March 31, 2007. Rs. 382.12 million (US\$ 8.87 million) was contributed by the newly established investment banking business, which commenced operations in May 2006, venture capital management and financing activities.

As at March 31, 2007, we had 2,072 employees, including 741 on a contract basis.

Our current organisation structure is set forth in the following chart:



## Our Strengths

We believe that our principal strengths are as follows:

### *Large and diverse distribution network*

Our financial products and services are distributed through a pan-India network. Our business has grown from a single location to a nationwide network spread across 1,200 Business Locations operated by us and our Business Associates in 377 cities and towns. Our extensive distribution network provides us with opportunities to cross-sell products and services, particularly as we diversify into new business streams. In addition to our geographical spread, we offer an online channel to service our customers.

We have recently entered into a strategic alliance with State Bank of India (SBI), the largest bank in India, to offer our online brokerage services to SBI's retail banking clients. We have received a letter of intent from another leading bank to offer our online brokerage services to their clients. We expect to enter into similar strategic alliances in the future to cater to an even wider customer base.

### *Strong research and sales teams*

We believe that our understanding of equity as an asset class and business fundamentals drives the quality of our research and differentiates us from our competitors. Our research teams are focused on cash equities, equity derivatives and commodities. As at March 31, 2007, we had 25 equity research analysts covering 221 companies in 26 sectors and 9 analysts covering 26 commodities.

The *Asiamoney* brokers poll has consistently recognised and rewarded us in various categories.

We believe that our research enables us to identify market trends and stocks with high growth potential, which facilitates more informed and timely decision making by our clients. This helps us to build and promote our brand and to acquire and retain our institutional and retail customers.

Our research is complemented by a strong sales and dealing team. Each member of our institutional sales team has significant research experience. We believe that this experience enables our sales team to effectively market ideas generated by the research team to our client base and to build stronger client relationships. In 2006, *Asiamoney* rated a member of our sales team as the best sales person for Indian equities.

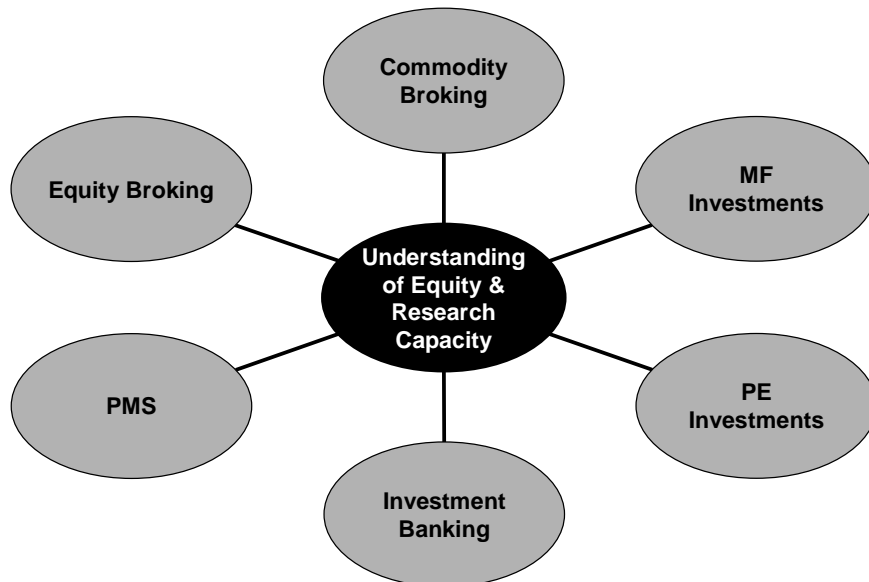
### ***Experienced top management***

Both our Promoters, Mr Motilal Oswal and Mr Raamdeo Agrawal, are qualified chartered accountants with over two decades of experience each in the financial services industry. In addition, our top management team comprises qualified and experienced professionals with a successful track record. We believe that our management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs provide us with a competitive strength which will help us implement our business strategies.

### ***Well-established brand***

Motilal Oswal is a well-established brand among retail and institutional investors in India. We believe that our brand is associated with high quality research and advice as well as our corporate values, like integrity and excellence in execution. We have been able to leverage our brand awareness to grow our businesses, build relationships and attract and retain talented individuals which is important in the financial services industry.

### ***Wide range of financial products and services***



We offer a portfolio of products to satisfy the diverse investment and strategic requirements of our retail, institutional and corporate clients. We believe our wide range of products and services enables us to build stronger relationships with, and increase business volumes from, our clients. In addition, our diverse portfolio reduces our dependence on any particular product, service or customer and allows us to exploit synergies across our businesses.

### ***Our Core Purpose and Values***

Our mission is to be a well respected and preferred global financial services organisation enabling wealth creation for all our customers.

### ***Our key corporate values are:***

- Integrity
- Teamwork

- Meritocracy
- Passion and attitude
- Excellence in execution.

## **Our Strategy**

We are focused on further increasing our market share in a profitable manner and capturing the significant growth opportunities across the Indian financial services spectrum. Key elements of our strategy are explained below.

### ***Increase market share in retail business***

We are currently offering a wide range of products to our retail clients through multiple channels, which gives flexibility to customers. Our primary focus is to further increase our client base and capture a greater share of their business. We plan to grow our retail presence by:

- **Continuing to grow our distribution network across India.** We have a presence in the major cities of India. We are now focused on increasing our concentration in these cities and also expanding into smaller cities and towns that we believe are currently under-served by financial services firms. We believe that this network expansion, complemented by client-focused relationship management, will allow us to add new clients, particularly those in the ‘mid-tier millionaire’ segment and help us grow our market share.
- **Focusing on wealth management solutions and new product offerings.** Through improved client relationship management, our wealth management solution offering and convenient and effective channels of distribution, we expect to grow our wealth management business both in overall terms and on a per Business Location basis. We plan to significantly increase our financing, commodity broking and third-party mutual fund schemes distribution businesses and are also evaluating an option to start distributing third-party insurance products.
- **Leveraging our research and advisory capability.** We intend to further widen our research coverage by increasing the number of companies and business sectors that we cover. We also propose to enlarge our team of advisors and dealers to strengthen relationships with our clients.
- **Increasing our usage of technology and better processes.** We plan to offer more technology-based products and services and to improve our processes to enhance customer satisfaction.

### ***Increase market share in institutional brokerage***

We are focused on sustaining and growing our market share in the institutional brokerage segment. We plan to increase our market share by:

- **Focusing on overseas institutional investors.** Overseas institutional investors have accounted for most of the incremental inflows into Indian equities over the last five years. We plan to improve our market position by servicing hedge funds, where, in particular, business is driven by ideas generated by sound research. With increased balance sheet size, we believe that we will be in a position to service a greater number of overseas institutional clients.
- **Building stronger relationships.** We plan to build stronger relationships with our institutional broking clients by leveraging our investment banking platform and offering other equity and capital markets services.
- **Increasing our research support.** To support the planned growth in our institutional brokerage business, we intend to further expand our research capability by increasing the size of our research team and, thereby, increasing the depth and spread of our research coverage.

- **Growing our institutional derivatives business.** We plan to strengthen our position in the institutional derivatives business, which accounts for a large proportion of institutional turnover. We believe our early entry into this segment, in-depth understanding of derivatives, technical research expertise, dedicated servicing team and idea-generation ability will help us gain market share in this business.

#### *Grow our fee-based revenues*

With an increased focus on fee-based services, we plan to diversify our revenue streams and lessen our dependence on transaction-based revenues. We intend to grow our fee-based revenues by:

- **Growing our investment banking business.** We have recently established an investment banking business and plan to diversify our revenue stream through a combination of equity capital markets, debt capital markets and advisory services. We believe that by offering these services alongside our existing brokerage business, we will strengthen our relationships with our corporate clients and institutional investors. We also plan to leverage the existing retail distribution network to build our market share for domestic equity capital markets offerings by distributing initial public offerings.
- **Enhancing our portfolio management services and venture capital focus.** We have enhanced our focus on portfolio management services (PMS) and recently entered into venture capital investment management and advisory business. Our revenue from these businesses is based on the amount of assets under management and the returns generated from them. We plan to increase the amount of assets under management for both PMS and venture capital offerings.
- **Increasing our distribution of mutual fund schemes and adding insurance distribution.** We are planning to increase our distribution of third-party mutual fund schemes and are also evaluating an option to begin distributing third party insurance products. Revenue from these businesses is based on the number of mutual fund schemes and insurance policies distributed.

#### **Our Business Streams**

Our businesses and primary products and services are set out below:

<b>Business Stream</b>	<b>Primary products and services</b>
Retail Wealth Management	<ul style="list-style-type: none"> <li>• Equity (cash and derivatives) and commodity broking</li> <li>• Portfolio management services</li> <li>• Distribution of financial products</li> <li>• Financing</li> <li>• Depository services</li> </ul>
Institutional Broking	<ul style="list-style-type: none"> <li>• Equity (cash and derivatives) broking</li> <li>• Advisory</li> </ul>
Investment Banking	<ul style="list-style-type: none"> <li>• Capital raising</li> <li>• Financial advisory</li> <li>• Other investment banking products and services</li> </ul>
Venture Capital Management	<ul style="list-style-type: none"> <li>• Private equity investment management and advisory</li> </ul>

The table below sets out an operational overview of certain of our businesses:

	For the year ended 31 March 2003	For the year ended 31 March 2004	For the year ended 31 March 2005	For the year ended 31 March 2006	For the year ended 31 March 2007	CAGR (FY03 - FY07)
<b>Trading Volumes – cash equities in Rs. Million</b>	107,627	315,091	510,230	1,004,750	1,494,469	93%
<b>Market share – cash equities</b>	1.05%	1.97%	3.08%	4.21%	5.15%	49%
<b>Trading Volumes – equity derivatives in Rs. Million</b>	22,025	223,850	482,621	1,523,641	2,759,052	235%
<b>Market share – equity derivatives</b>	0.50%	1.04%	1.89%	3.16%	3.72%	65%
<b>No of current depository accounts</b>	5,031	27,076	61,448	127,697	188,989	148%
<b>PMS assets under management in Rs. Million</b>	-	522.20	1,821	5,200	5,088.60	114%

Note: a) Market shares have been computed by dividing our Trading Volumes by the total volumes on the stock exchanges.

b) CAGR for PMS assets under management is calculated for the period FY04 to March 31, 2007.

### **Retail Wealth Management**

Our retail wealth management services are offered through MOFSL, MOSL and MOCB. We seek to offer customised investment management services including planning, advisory, execution and monitoring of a range of investment products to our retail customers. Through various types of brokerage accounts, our customers can purchase and sell securities, including equities, derivatives as well as commodities traded on NSE, BSE, OTCEI, NCDEX and MCX.

As at March 31, 2007, we had 243,139 registered customers to whom we provide equity and commodities brokerage and PMS. As at March 31, 2007, we also had a total of 188,989 depository clients.

### ***Equities brokerage***

MOSL is a member of BSE (SEBI Registration number: INF011041257 for trading in derivatives and INB011041257 for trading in securities), NSE (SEBI Registration number: INF231041238 for trading in derivatives and INB231041238 for trading in securities) and OTCEI (SEBI Registration number: INB201041234) and primarily offers secondary market broking services to its retail customers both Indian and non-resident Indian. Our brokerage services are based on an advisory model using research provided by our team of research analysts. For more information about our research team, please see the section below titled “Research”. Our dedicated dealers and advisors provide personalised trade and execution services to active traders, retail investors and high net worth investors. Our internet customers have access to the same services through our online offering known as “mybroker.com”. These customers also have access to real time quotes, personalised portfolio tracking, charting and quote applications, real time market commentary, real time quotes and news. As at March 31, 2007, we had 18,896 registered online customers (as at March 31, 2006, we had 6,750 such customers).

### ***Commodities brokerage***

MOCB provides commodity broking facilities through its membership of NCDEX (Membership number: NCDEX-CO-04-00114) and MCX (Membership code: 29500). We trade for our clients in a wide variety of

commodities, including agricultural products, bullion, industrial products, oil and oil seeds and energy products. Our brokerage clients have access to exclusive customised trading advice and reports on highly traded commodities. We provide a personalised service through dedicated relationship managers, which allows for fast and efficient execution of transactions and for regular follow-ups.

### ***Portfolio management services***

MOSL provides PMS to our retail customers by offering them a choice of equity schemes, each with a different approach to managing investments. MOSL is registered with SEBI (Registration number: INP000000670) to provide portfolio management services. As at March 31, 2007, MOSL served approximately 1,541 PMS clients. The amount of assets under management has grown almost ten-fold in the last few years from Rs. 522.20 million (US\$ 12.12 million) as at March 31, 2004 to Rs. 5,088.60 million (US\$118.06 million) as at March 31, 2007. MOSL operates four portfolio management schemes

- **Value PMS**

Value PMS is targeted at investors with a long-term investment horizon (typically over one-year) in the Indian equity markets. The scheme is based on a low portfolio turnover and a high “Margin of Safety” investment philosophy for long-term and sustainable wealth creation. Priority is given to capital preservation (but not capital guarantee).

Other aspects of this scheme include identifying businesses with strong and stable cash flows, having a focused portfolio with a bottom-up approach and buying undervalued stocks and selling overvalued stocks, irrespective of the stock index.

- **Bull’s Eye PMS**

Bull’s Eye PMS is targeted at investors who want to take moderate risks. Bull’s Eye PMS aims to generate returns from short- to medium-term movements in the equity markets. Bull’s Eye is about identifying and picking large cap and mid cap stocks which we believe have the potential to generate high returns within one to six months. Technical analysis and an evaluation of market conditions are used to decide when to buy and sell stocks.

- **Discover Value PMS**

Discover Value PMS is targeted at retail investors and requires a minimum investment amount of Rs. 500,000 (US\$11,600.93). We have introduced this scheme to cater to a broader base of retail customers. The underlying investment philosophy is similar to that of Value PMS.

- **Discover Dynamic PMS**

Discover Dynamic PMS is targeted at investors who want to take moderate risks. It is on similar lines of Bull’s Eye PMS, difference being that it caters to retail clients and aims to generate returns from short- to medium-term movements in the equity markets. Discover Dynamic is about identifying and picking large cap and mid cap stocks which we believe have the potential to generate high returns within one to six months. Technical analysis and an evaluation of market conditions are used to decide when to buy and sell stocks.

### ***Distribution of financial products***

Leveraging our large distribution network and customer base, we have started distributing third-party financial products and services including mutual fund schemes and initial and follow-on equity offerings. We are also evaluating an option of commencing the distribution of third-party insurance products.

MOSL maintains a fund neutral status and provides research-based advice to its customers through its dedicated mutual fund advisors. We distribute various types of mutual funds (equity, debt and balanced mutual funds) through our retail distribution network. MOSL has contracted with various asset management companies to sell their products through our network.

In addition, MOSL distributes primary market equity issues through its retail distribution network. MOSL's equity research team carefully evaluates each such offering and provides its recommendation.

MOSL intends to start an online investment facility for customers who wish to make investments in mutual funds and/or to invest in equity offerings online.

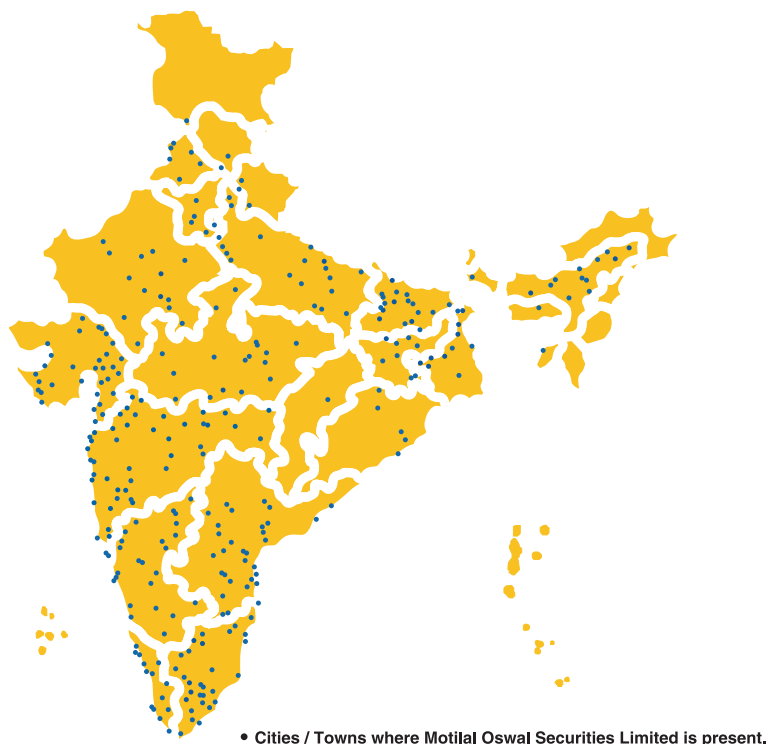
### ***Financing***

MOFSL is an NBFC registered with RBI (Registration number: N-13.01830) and provides financing to various customers, including our broking customers. Such financing allows customers to partially pay for a certain amount of stock up to a sanctioned limit and the balance is then funded by MOFSL. We regard this as complementary to our broking business. It is also important for client retention and for growing our broking volumes.

### ***Depository services***

MOSL is a depository participant with CDSL and NSDL (Registration number: IN-DP-CDSL-09-99 and IN-DP-NSDL-152-2000 for CDSL and NSDL respectively) and offers depository services to its broking customers as a value-added service. Brokerage clients are able to use the depository service to execute and settle their trades. This service is available to our customers across our Business Locations and through our online channel, "mybroker.com".

### ***Distribution Channels***



We are headquartered in Mumbai and as at March 31, 2007, we had a network spread across 377 cities and towns comprising 1,200 Business Locations operated by our Business Associates and us.

MOSL's online offering is known as mybroker.com, offered through the website [www.motilaloswal.com](http://www.motilaloswal.com). It is a single-screen cash and derivatives market terminal with live online research based advice and tools to assist investment management. In the future, we intend to offer commodities, mutual fund trading and primary market offerings online.

## **Institutional Broking**

Our institutional broking business was established in 1994. We offer cash and derivatives broking services through MOSL to companies, mutual funds, banks, financial institutions, insurance companies and FIIs. To be eligible to offer broking services, a broker has to be empanelled with an institution. Institutions evaluate brokerages on a number of parameters, such as research capability and quality of service, before choosing to establish a relationship. As at March 31, 2007, we were empanelled with more than 251 clients, including FII clients. We service our clients through dedicated sales teams across different time zones.

We have a research team servicing our institutional broking clients. For more information on our research capabilities, please refer to the section below titled “Research”. In addition, our institutional broking business is supported by a focused corporate access group that regularly organises fund manager meetings with senior management of leading companies. We plan to leverage this group to host special seminars in India and abroad for one-on-one and group interactions amongst our corporate clients and institutional investors.

## **Research**

Our research team services both our retail wealth management and institutional broking businesses. As at March 31, 2007, we had a 25 member equity research team and a 9 member commodity research team. Of these 34 analysts, 24 analysts had three years or more of research experience as at March 31, 2007. As stated earlier in this section, the *Asiamoney* brokers poll has consistently recognised and rewarded us in various categories.

Our research team covers 221 companies in 26 sectors and analyses the Indian and global economy in order to identify potentially wealth-creating equity investment ideas. We also have 9 commodity analysts covering 3 sectors and 26 commodities. We seek to offer our clients customised research reports, providing them with an objective stock rating system.

### ***Our research coverage includes:***

- *Market and Technical Analysis*  
We prepare the monthly ‘MOSSt Momentum’ report, which is based on technical analysis and contains intraday and short- to medium-term investment ideas and strategies, as well as a weekly futures and options guide. We also organise morning calls with our customers covering equity, derivative and commodity strategy.
- *Fundamental Research*  
Our fundamental research comprises regular company and sector reports, as well as a quarterly results preview.
- *Thematic Research.*  
We carry out thematic research such as the ‘Wealth Creation Report, as well as specific reports on the Indian budget. We also prepare quarterly reports which contain an update on the macro economic variables impacting Indian capital markets and sector-specific financial and business performance data of key companies covered by MOSL’s research team.

In addition, we organise conference calls, management meetings and roadshows to disseminate investment ideas to institutional investors.

## **Investment Banking**

Our investment banking team was established in May 2006 through a newly incorporated company, Motilal Oswal Investment Advisors Private Limited (MOIA). Our investment banking team comprises 18

professionals who have significant experience in investment banking, corporate banking and advisory work.

MOIA is a SEBI registered merchant banker (Registration number: INM000011005) and operates from our head office in Mumbai. Our investment banking business offers financial advisory services relating to mergers and acquisitions (domestic and cross-border), divestitures, restructurings and spin-offs. It also offers capital raising and other investment banking services such as the management of public offerings, private placements (including qualified institutional placements), rights issues, share buybacks, open offers/delistings and syndication of debt and equity. Since the commencement of our investment banking business in March 2006, our investment banking team has closed 14 transactions and has another 30 mandates in hand.

### **Venture Capital Management**

Motilal Oswal Financial Services Limited incorporated Motilal Oswal Venture Capital Advisors Private Limited (MOVC) in April 2006 and it was appointed as the investment manager and advisor for the US\$100 million private equity fund launched in 2006, the India Business Excellence Fund (the “Fund”), which had its first closing in December 2006 at Rs.1,638.73 million (US\$ 38.02 million). In January 2007, further commitments were obtained of Rs.215.50 million (US\$ 5 million), taking total commitments to Rs. 1854.23 million (US\$43.02 million). MOVC expects to achieve its Final Closing between June and September 2007. As the sponsor, MOFSL has committed 10% of the total fund with a cap of US\$10 million. MOVC will earn a fixed management fee and a variable fee (carry) linked to the performance of the Fund, in line with the standard model for the private equity industry.

The investment strategy of the Fund is to focus on the potential growth in SMEs in India. The Fund will not be sector specific. We will concentrate on companies led by dynamic entrepreneurs who are focused on building, what MOVC believes to be, a sustainable business model with high growth prospects and high entry barriers. Typical investment size will be between US\$3 million and US\$7 million, to be invested in approximately 15 to 20 individual companies. MOVC is in the process of evaluating investment proposals in this range.

In addition to the investment committee, MOVC has hired a panel of industry experts from a variety of fields to guide and assist in reviewing deals at the evaluation stage and to provide strategic and operational input to ensure growth of the investee companies. The investment committee of the fund currently comprises Mr Raamdeo Agrawal, Mr Anant Kulkarni, Mr Vishal Tulsyan and Mr Ramesh Damani who are well known names in the Indian investment community and have extensive experience in public and private equity investment in the Indian SME space. They will use that experience to manage and monitor the investment of the fund and further leverage relationships in the Group to assist investee companies of the fund.

The Issuer is the settlor of the “Business Excellence Trust”. The trust has filed an application dated May 18, 2006 with SEBI for registration as a venture capital fund under the SEBI (Venture Capital Funds) Regulations, 1996. The application for the SEBI registration is still pending approval and is examined, alongwith other similar applications, by SEBI’s Expert Committees in relevant areas to help them take appropriate decision in the matter.

### **Technology**

We recognise the need to have a sophisticated technology network in place to meet our customer needs as well as to maintain a robust risk management system. To that end, we have set up a dedicated data centre at our offices at Malad in Mumbai and have invested in high-performance trading software. Our technology infrastructure is aimed at ensuring that our trading and information systems are reliable and performance-enhancing and that client data is protected.

The highlights of our technology infrastructure and systems include:

- A well-balanced technology team comprising managerial personnel, engineering graduates, software engineers, application support managers, network and hardware managers managing our IT infrastructure across all our Business Locations
- Managing a complex multi-product/multi-architecture system serving the needs of our retail, online broking, institutional and wealth management customers
- Balanced insourcing/outsourcing approach to IT combined with a quick response to business needs
- Scalable platforms for order management and risk management requiring minimal human intervention
- Sophisticated server and network infrastructure
- Redundancy (alternate connectivity) for network
- Data back-up is taken on an incremental basis on tape drives and sent to another location.

#### ***Connectivity infrastructure***

We have set up a Wide Area Network (WAN) at our data centre at Malad. Additionally, we also use a radio link for connectivity. Sophisticated new-generation core routers and core switches having gigabyte ports are installed at our data centre. We have a range of service providers which ensures connectivity for the trading platform and other services. All service providers endeavour to minimise downtime.

#### ***Trade management system***

We use a trade management system called iBOSS Trader Workstation (“iBTW”). iBTW is a high performance trade order management system that handles exchange-traded instruments such as equities, commodities, futures and options. iBTW allows us to send multiple orders to multiple exchanges and multiple segments simultaneously. It gives realtime interface to multiple electronic exchanges and allows basket and batch orders to be placed. We currently also use other systems for commodities trading, which we plan to phase out and integrate into a single iBTW trading platform.

#### ***Internet Based Share Trading System***

We have implemented an internet trading platform that allows us to integrate our diverse trading engines into a single platform. This allows customers, dealers and relationship managers to have a unique single window experience across all asset classes and product segments. This internet platform is architecturally scalable to handle a large number of customers concurrently.

#### ***Real-Time Risk Management***

iBTW is complemented by a real-time risk management system that gives users information on clients’ open positions. This system can evaluate risks at pre-trade and post-trade levels on a dynamic or real time basis. The integrated risk management features allow our risk management team to exercise a high degree of control over the entire process.

#### ***Security***

We have a sophisticated and secure layer III data centre at Malad. In addition, iBTW has an in-built security system that ensures that the sensitive data handled by iBTW is protected from unauthorised access and misuse.

#### ***Back office and data processing operations***

The back office for the entire organisation is centralised at the Malad data centre. We use a SQL/ASP.NET based back office software called “CLASS” that has been specifically customised for our requirements. The software has advanced risk management and reporting capabilities and has been designed and developed to cater for the high transaction volumes of our business.

For more information on risks associated with our technology, please refer to the section titled “Risk Factors” beginning on page xi of this Red Herring Prospectus.

### **Risk Management**

We believe that effective risk management is of primary importance to the success of our operations. Accordingly, we have risk management processes to monitor, evaluate and manage the principal risks we assume in conducting our activities. These risks include market, credit, liquidity, operational, legal and reputational risks.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems based on mandatory regulatory requirements as well as our business needs. The Board of Directors of MOSL has overall responsibility for monitoring risk exposures and for general oversight of our risk management policy and processes. We have well-documented policies and guidelines for compliance and risk management. The risk management policy is reviewed regularly by management and is regularly updated to account for changing market dynamics. MIS on the overall exposure is submitted on a daily basis to our back office head and CMD.

Our risk management system (RMS) monitors our market exposure on the basis of the total margin collected from clients, the total margin deposited with the exchanges and the lines of credit available from the banks. Our risk management department analyses this data in conjunction with our risk management policies and takes appropriate action where necessary to minimise risk. For more information on our RMS technology, see the section titled “Technology” above.

### ***Depository***

Our depository operations are centralised. All client instructions for stock transfers are entered by the Business Location and sent to the data centre at Malad. The data centre verifies the information received before authorising the transaction. High-value transactions are verified by two persons and confirmation is also taken from the client by telephone.

### ***Client exposures***

Client limits are set and monitored centrally on a daily basis through online RMS. Limits are based on factors such as:

- Cash deposited by end-clients with us
- Cash deposited by Business Associates with us
- Value of stocks in our depository account, supported by a limited power of attorney allowing us to liquidate these stocks in the event of a client payment default
- Value of stocks actually transferred to us as a security margin.

Critical facets of our retail client risk management are:

- When a client ledger has a debit balance (that is, the client owes money to us), no further securities can be purchased until the debit is cleared.
- If there is insufficient security for a ledger debit, then the client account will be suspended until funds are received.
- No illiquid scrips are permitted to be purchased at local terminals at the Business Locations.

- Per scrip volumes are monitored to ensure that they do not exceed 10% of the day's market volume (aggregated across all clients).
- In the case of client who has a debit ledger balance for more than 7 days, the RMS team will sell the stocks to recover the amount owed.
- In the case of a Business Associate that does not collect payment from their end-clients against the debit balance for 15 days, such losses are transferred to that Business Associate's brokerage account.
- As additional risk coverage, we also have the discretion to adjust the outstanding balance of the end-client against the deposit paid by the introducing Business Associate.

### ***Settlement Process***

Contract notes are centrally issued through digital confirmation and sent by email to the client. The notes are also uploaded to our website for anytime access by the client. The Business Locations can access the relevant information online, which helps them arrange for the issue and collection of pay-in and securities obligation, the pay out of funds and securities and to issue statements of account.

### ***Receivables management***

Client receivables are closely monitored to ensure timely collection. Business Locations ensure that client cheques are deposited into the designated account after making an entry in the system. In order to facilitate an easy flow of funds, and to prepare for a 'T+1' environment (currently the settlement of daily trades happens two days after the trade date which in due course is expected to happen on the next day of trade), we have a centralised collection management system in place. The deposit details are accessible to the accounts department and the RMS cell at our data centre. The accounts are reconciled at periodic intervals. The system alerts us to any late payments and bounced cheques so that appropriate action can be taken. In serious cases, this may result in the suspension of the client account.

### ***Risk monitoring and mitigation***

As part of our regulatory obligation, we use technology for the monitoring of circular trading (manipulation of stocks), the positions of traders, the impact of volatility and any concentration of positions in a few scrips.

### ***Audit and inspection***

We actively review our existing audit and inspection procedures to enhance their effectiveness, usefulness and timeliness. Furthermore, all operational activities are subject to concurrent internal audits at frequent intervals.

The Business Locations are audited on a quarterly basis by individual chartered accountancy firms appointed in their respective location.

### ***Security and disaster recovery***

MOSL has a comprehensive information security policy and conducts periodic systems and network penetration tests to review the vulnerability of our infrastructure. We are now gearing towards a BS 7799 certification, in the next six months, of all our IT processes to achieve a comprehensive control of IT.

### ***Competition***

We face competition in all of our main business lines. Our primary competitors differ in each respective business and include both domestic and foreign institutions such as Kotak, ICICI Securities, HDFC Securities, SSKI, Sharekhan, Enam, IndiaInfoline, Indiabulls, IL&FS Investsmart, Edelweiss, Religare, Geojit, Citigroup, HSBC, ABN Amro, Deutsche Bank, JM Financial, DSP Merrill Lynch, JP Morgan and Standard Chartered.

**Human Resources**

As at March 31, 2007, we employed 2,072 people, including 741 on a contract basis. We believe that our ability to grow depends to a significant extent on our ability to attract and retain the best talent in the market place. The key elements of our human resource strategy include:

- Objectively set performance based fixed and variable reward and recognition mechanism
- Work culture designed and evolved around the principles of ownership and accountability. The company has granted ESOPs to key employees
- Creating a second line support for all key positions through employee career planning process
- Regular on and off site training programs for skill enhancement.

**Intellectual Property**

We believe that we have established a strong brand in India that is associated with quality research and advice. At present, we have 12 trademark applications pending for registration. For more details, please refer to the section titled “Licenses and Approvals” beginning on page 304 of Red Herring Prospectus.

**Representative office**

With a view to targeting non-resident Indian customers outside India, we opened a representative office in Dubai in October 2006. A presence in Dubai allows MOSL closer proximity to its target investors.

## REGULATION AND POLICIES

The Issuer is a 'non-deposit taking' Non Banking Financial Company ("NBFC"). The business activities of the Issuer are governed by the Reserve Bank of India's ("RBI") directions, guidelines and regulations as applicable to NBFCs that do not accept deposits. The Issuer engages, through its Subsidiaries, in equity, debt and derivatives brokerage and related financial services. The legal framework for providing the above financial services and products by us, is set out:

### **The Reserve Bank India Act, 1934**

The Issuer is registered under the Reserve Bank of India Act, 1934 ("the RBI Act") as a NBFC not accepting public deposits vide the Registration No. N-13.01830 dated April 5, 2006.

The RBI Act was enacted to constitute the RBI to regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in India and to generally operate the currency and credit system of India. The Issuer is subject to the regulations, as well as to the directives, issued by the RBI from time to time. The RBI Act provides, *inter alia*, that a NBFC can commence business after obtaining a certificate of registration. NBFCs should have minimum 'net owned funds' of Rs. 2.5 million or such other amount, not exceeding Rs. 20 million, as it may, by notification in the Official Gazette, specify. "Net owned fund" as defined in the RBI Act, are the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company after deducting various stipulated items therefrom.

### **FDI Policy regarding NBFCs**

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act, 1999 ("FEMA"). Under Section 6(3) (b) of FEMA, the RBI has the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. The RBI has prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, pursuant to which the residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security without the permission (general or special) of the RBI. In terms of regulations made under FEMA and circulars issued from time to time, the RBI has accorded general permission for a range of transactions, with and without monetary limits and other conditions and restrictions.

While the industrial policy and the RBI regulations prescribe the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner/procedure in which such investment may be made. Under the industrial policy and the RBI regulations, unless specifically restricted, foreign investment is freely permitted in almost all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI.

As per the sector specific guidelines of the Indian Government and the RBI regulations, the following relevant caps for FDI in NBFCs are presently applicable:

## Sector Guidelines

Sector	Guidelines
Non-Banking Financial Companies	<p>a) FDI/NRI investments allowed in the following NBFC activities shall be as per levels indicated below:</p> <ul style="list-style-type: none"> <li>i) Merchant banking</li> <li>ii) Underwriting</li> <li>iii) Portfolio Management Services</li> <li>iv) Investment Advisory Services</li> <li>v) Financial Consultancy</li> <li>vi) Stock Broking</li> <li>vii) Asset Management</li> <li>viii) Venture Capital</li> <li>ix) Custodial Services</li> <li>x) Factoring</li> <li>xi) Credit Reference Agencies</li> <li>xii) Credit rating Agencies</li> <li>xiii) Leasing &amp; Finance</li> <li>xiv) Housing Finance</li> <li>xv) Forex Broking</li> <li>xvi) Credit card business</li> <li>xvii) Money changing Business</li> <li>xviii) Micro Credit</li> <li>xix) Rural Credit</li> </ul> <p>(b) Minimum Capitalisation Norms for fund based NBFCs:</p> <ul style="list-style-type: none"> <li>i) For FDI up to 51% - US\$ 0.5 million to be brought upfront</li> <li>ii) For FDI above 51% and up to 75% - US\$ 5 million to be brought upfront</li> <li>iii) For FDI above 75% and less than 100% - US\$ 50 million out of which US \$ 7.5 million to be brought upfront and the balance in 24 months</li> </ul> <p>(c) Minimum capitalisation norms for non-fund based activities: Minimum capitalisation norm of US\$ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment</p> <p>(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US\$ 50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)</p> <p>(e) Joint Venture operating NBFCs that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b)(i) and (b)(ii) above.</p> <p>(f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard. RBI would issue appropriate guidelines in this regard.</p>

The government has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The

foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

The Issuer has in the past received investments from foreign private equity and venture capital investors, under the automatic route, for which necessary regulatory formalities have been completed with the RBI.

One of the Issuer's key activities is that of margin funding. The key activities of the Issuer's subsidiaries include broking, merchant banking, underwriting and portfolio management services. Our primary business is related to the securities markets.

### **The Securities and Exchange Board of India Act, 1992**

The main legislation governing the activities in relation to the securities markets is the Securities and Exchange Board of India Act, 1992 (the "SEBI Act") and the rules, regulations and notifications framed thereunder. The SEBI Act was enacted to provide for the establishment of SEBI whose function is to protect the interests of investors and to promote the development of, and to regulate, the securities market. The SEBI Act also provides for the registration and regulation of the function of various market intermediaries like the stockbrokers, merchant bankers, portfolio managers, etc. Pursuant to the SEBI Act, SEBI has formulated various rules and regulations to govern the functions and working of these intermediaries. SEBI also issues various circulars, notifications and guidelines from time to time in accordance with the powers vested with it under the SEBI Act.

In addition to the SEBI Act, the key activities of the Company are also governed by the following rules, regulations, notifications and circulars:

#### **Broking**

The stock broking activities of Motilal Oswal Securities Limited (MOSL) are regulated by the SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992 ("SEBI Regulations"), the Securities Contracts (Regulation) Act, 1956 ("SCRA"), the Securities Contracts (Regulations) Rules, 1957 ("SCRR") and the bye-laws of the stock exchanges of which it has membership ("bye-laws"). The SEBI Regulations govern the registration and functioning of stockbrokers, sub-brokers and the trading members of the stock exchanges. The regulations prescribe the criteria, standards and the procedure for registration of stock-brokers, sub-brokers and persons seeking to be trading members of stock exchanges. The intermediaries are required to abide by a code of conduct prescribed by these regulations. The penalties for failure to comply with the regulations are also laid down. SEBI has the authority to inspect the books of accounts of the intermediaries and take such appropriate action as it deems fit after giving an opportunity for hearing. The SCRA empowers the Government of India and SEBI to make and amend rules, pursuant to which the SCRR have been made. The SCRA also empowers stock exchanges recognised by SEBI to frame bye-laws to regulate the conduct of their members. The SCRR, *inter alia*, regulates the conditions of eligibility for a stock broker to be admitted to membership of a stock exchange.

#### **Merchant Banking**

Motilal Oswal Investment Advisors Private Limited (MOIA) is registered as a merchant banker with SEBI. Merchant banking activities are regulated by the SEBI (Merchant Bankers) Regulations, 1992. For carrying on the activities as a merchant banker, a person has to be registered in any one of the categories prescribed under the regulations. The registration in any one particular category determines the actions and functions that the merchant banker can carry on. One of the criteria for eligibility as a merchant banker is a capital adequacy requirement based on the category of registration. There are also restrictions on the appointment of lead managers and responsibilities prescribed in the regulations. The merchant bankers are also required to abide by a code of conduct prescribed by these regulations. The penalties for failure to comply with the regulations are laid down in the regulations. SEBI has the authority to inspect the books of accounts and take such action as it deems fit after giving an opportunity for hearing.

## **Portfolio Management**

The portfolio management activities of MOSL are regulated by the SEBI (Portfolio Managers) Regulations, 1993 (the “Portfolio Manager Regulations”). The Portfolio Manager Regulations regulates the registration and functioning of portfolio managers. It prescribes the criteria, standards and the procedure for registration as portfolio managers. In addition to qualifications, experience of personnel etc the portfolio manager regulations also mandates a stipulated minimum capital adequacy requirement of Rs. 5 million of the networth. Further, the duties and responsibilities of the portfolio manager are prescribed, along with the code of conduct and the measures to be adopted during inter-se dealings with clients. It also lays down liabilities and the penalties for failure to comply with the regulations. The SEBI has the authority to inspect the books of accounts of the intermediaries and take appropriate action if it deems fit after giving an opportunity for hearing. As per the 2006 amendment, FIIs and sub-accounts registered with SEBI can also appoint portfolio managers.

## **Commodities Broking**

Commodities broking is governed by the Forward Contracts (Regulation) Act, 1952. Motilal Oswal Commodities Broker Private Limited (MOCB) is a trading and clearing member of MCX and NCDEX and therefore, subject to the rules, regulations and bye-laws of the exchanges.

## **Venture Capital Management**

The Issuer is the settlor of the “Business Excellence Trust”. The trust has filed an application dated May 18, 2006 with SEBI for registration as a venture capital fund under the SEBI (Venture Capital Funds) Regulations, 1996. The application for the SEBI registration is still pending approval and is examined, alongwith other similar applications, by SEBI’s Expert Committees in relevant areas to help them take appropriate decision in the matter.

## **Other Regulations**

The securities market is governed by the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992. The regulations prohibit the dealing by any person or company in securities of any other company when in possession of unpublished price sensitive information of such company. SEBI is empowered to inspect and investigate the books of accounts or other documents of an insider and make appropriate directions, where it deems fit. The regulations also prescribe a model code of conduct to be followed by all companies and organisations associated with the securities markets. Further, the regulations mandate a disclosure of the number of shares or voting rights held by any person who holds in excess of 5% of the shares or voting rights of a listed company. Any change in the aforementioned shareholding / voting rights must be intimated to the SEBI.

## **Depositories Act, 1996**

MOSL is registered as a Depository Participants with NSDL and CDSL. Therefore, it is governed by the Depositories Act, 1996 and the SEBI (Depositories and Participants) Regulations, 1996 and the rules, regulations and bye-laws of CDSL and NSDL.

## **Fit and Proper Person Criteria**

The criteria for determination of whether an entity can be registered under any of the above regulations are governed by the SEBI (Criteria for Fit and Proper Person) Regulations, 2004. The Company is also required, as an intermediary, to be registered under the SEBI (Central Database of Market Participants) Regulations, 2003.

## **Securities Contract (Regulation) Act, 1956**

The SCRA and the Rules framed thereunder also define securities that can be traded in India and also lay down the terms and conditions for trading in such securities. The SCRA and the Rules also provide for recognition and regulation of stock exchanges in India including the BSE of which the Company is a member.

#### **Stock Exchange Rules, Regulations and Bye-laws**

Further, the Company is also regulated by the rules, regulation and by-laws of the stock exchanges where it is registered as a trading member. Hence it is also governed by the rules, regulations and by-laws of the NSE and the BSE, the stock exchanges on which it is a trading member.

#### **The Companies Act, 1956**

The Companies Act deals with issue, allotment and transfer of securities and various aspects relating to company management. It provides for standard of disclosure in public issues of capital, particularly in the fields of company management and projects, information about other listed companies under the same management, and management perception of risk factors. It also regulates underwriting, the use of premium and discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other information.

## HISTORY AND OTHER CORPORATE MATTERS

### History and background of Our Company

The Issuer was incorporated under the Companies Act as “Motilal Oswal Financial Services Limited” *vide* certificate of incorporation No. 11- 153397 dated May 18, 2005 issued by the ROC and received the certificate for commencement of business on June 3, 2005.

The Issuer, along with its Subsidiaries, offers a diversified range of financial products and services such as retail wealth management including securities and commodities broking, portfolio management services, institutional broking, investment banking services, and venture capital management and advisory.

Mr. Motilal Oswal and Mr. Raamdeo Agrawal initially conducted business as sub-brokers. Around 1990 Mr. Motilal Oswal acquired membership of the BSE. Subsequently, Vasant Holding Private Limited (VHPL), a group company acquired the membership of the NSE in 1994. On July 5, 1994, Deo Securities Private Limited was incorporated by Mr. Motilal Oswal and Mr. Raamdeo Agrawal to carry on the business of stock broking and other financial services.

On August 22, 1995, Mr. Motilal Oswal and Mr. Raamdeo Agrawal incorporated another company, Motilal Oswal Stock Brokers (I) Limited, for carrying on the broking and asset management activities. The name Motilal Oswal Brokers (I) Limited was changed to Motilal Oswal Securities Limited, on February 12, 1996. Pursuant to the order dated January 21, 1999 passed by the Hon’ble High Court of Judicature at Bombay, sanctioning the scheme of amalgamation of VHPL with Motilal Oswal Securities Limited, the entire business and undertakings and all properties, interests and assets of VHPL were transferred to Motilal Oswal Securities Limited.

With a view to achieving better and more profitable utilisation of the primary and secondary markets and also the growth in mutual fund industry, Motilal Oswal Securities Limited was restructured. The retail and institutional stock broking division was hived off to Deo Securities Private Limited along with its facilities of in-house equity research, pursuant to the Scheme of Arrangement sanctioned by the Hon’ble High Court on October 19, 2000. Thus, Motilal Oswal Securities Limited continued to carry on the activities of investments, while Deo Securities Private Limited carried on the activity of stock broking.

On November 30, 2000, Motilal Oswal Securities Limited was renamed Motilal Oswal Investments Limited and subsequently changed to Motilal Oswal Investments Private Limited on December 12, 2002. Deo Securities Private Limited was renamed as Deo Securities Limited on November 14, 2000 and was subsequently changed to Motilal Oswal Securities Limited and received a fresh certificate of incorporation on November 30, 2000.

Motilal Oswal Investments Private Limited was renamed as Passionate Investment Management Private Limited (PIMPL), and received a fresh certificate of incorporation on February 23, 2006.

### Major events in the history of Our Company:

Year	Events
1996	<ul style="list-style-type: none"><li>• Commencement of ‘Wealth Creation Study’ to identify the fastest wealth creating listed companies</li></ul>
2001	<ul style="list-style-type: none"><li>• MOSL registered with SEBI as a Dealer of OTC Exchange of India</li></ul>
2003	<ul style="list-style-type: none"><li>• Commencement of portfolio management service by MOSL</li></ul>
2004	<ul style="list-style-type: none"><li>• Commencement of commodities broking business by MOCB</li></ul>
2005	<ul style="list-style-type: none"><li>• Incorporation of the Issuer to offer financial services and products</li></ul>

2006	<ul style="list-style-type: none"> <li>• MOSL became a subsidiary of MOFSL upon acquisition of shares of MOSL from the Promoters, Mr. Motilal Oswal and Mr. Raamdeo Agrawal and some members of the Promoter Group</li> <li>• MOCB became a subsidiary of MOFSL upon acquisition of shares from Promoter, PIMPL</li> <li>• New Vernon Private Equity Limited and Bessemer Venture Partners Trust subscribed to the equity shares and OCRPS of the Issuer</li> <li>• MOSL acquired the customer rights and other assets of: <ul style="list-style-type: none"> <li>i. Peninsular Capital Markets Limited, (a broking entity based in Kerala);</li> <li>ii. Mani Stock Brokers Limited, (a broking entity based in Uttar Pradesh); and</li> <li>iii. Capital Deal Stock and Share Brokers, (a proprietary concern based in Karnataka).</li> </ul> </li> <li>• MOIA was incorporated to conduct investment and merchant banking</li> <li>• MOVC was incorporated to conduct venture fund management and advisory services</li> <li>• MOVC and MOIA became the subsidiaries of the Issuer upon acquisition of shares from Promoter, Mr. Motilal Oswal and Mr. Raamdeo Agrawal</li> </ul>
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#### **Changes in the Registered Office**

At the time of incorporation, the registered office of the Issuer was situated at 81/ 82, 8<sup>th</sup> Floor, Bajaj Bhavan, Nariman Point, Mumbai 400 021, Maharashtra. With effect from January 15, 2007, the registered office of the Issuer was shifted to Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064, for operational convenience.

#### **Changes in Memorandum of Association**

The Issuer was incorporated with an authorized share capital of Rs. 100,000,000 (Rupees one hundred million) consisting of 10,000,000 (ten million) equity shares of Rs.10 each. On incorporation, the subscribers to the memorandum were allotted 50,100 equity shares of Rs. 10 each and thus the paid up and issued capital of the Issuer was Rs. 501,000 (Rupees five hundred and one thousand). The changes made to the authorized capital, objects' clause and reorganisation of the authorized capital of the Issuer, since incorporation can be summarized as under:

<b>Date of Shareholders' Approval</b>	<b>Changes in the Memorandum of Association</b>
EGM dated June 6, 2005	Splitting up of equity shares of Rs. 10 each to equity shares of Rs 2 each
EGM dated August 31, 2005	The main objects clause of the Issuer was amended
EGM dated January 7, 2006	The authorised share capital was increased from Rs.100 million to Rs. 120 million comprising 60 million equity shares of Rs 2 each
EGM dated April 5, 2006	The authorised share capital was increased from Rs.120 million to Rs. 1,370 million comprising equity share capital of Rs.120 million consisting of 60 million equity shares of Rs.2 each and 12.5 million preference shares of Rs. 100 each
EGM dated December 26, 2006	Consolidation of the equity shares of face value of Rs.2 each into the Equity Shares of Rs.5 each

<b>Date of Shareholders' Approval</b>	<b>Changes in the Memorandum of Association</b>
EGM dated February 14, 2007	The authorised capital of the Issuer was reorganised by canceling 7.5 million preference shares and creating 150 million Equity Shares and accordingly the authorised capital of the Issuer stands at 174 million Equity Shares of Rs.5 each and 5 million preference shares of Rs.100 each

### **Main objects of The Issuer:**

The main objects of the Issuer as contained in the Memorandum of Association are as set forth below:

- To carry on the business as financiers, underwriters, finance, and guarantee brokers, portfolio managers, investment adviser, and to undertake, carry on and execute all kinds of financial business whatsoever including but not restricted to lend, advance the money with or without security, and all other finance related activities.
- To make investment in shares and securities, movable or immovable properties and all other investment related activities.

The existing and proposed activities of the Issuer are within the scope of the objects clause of the Memorandum of Association.

### **Subsidiaries**

The Issuer has four subsidiaries, namely:

1. Motilal Oswal Securities Limited.
2. Motilal Oswal Commodities Broker Private Limited.
3. Motilal Oswal Investment Advisors Private Limited.
4. Motilal Oswal Venture Capital Advisors Private Limited.

For details of the Subsidiaries and their respective businesses, please refer to the section titled “Our Promoters and Promoter Group” beginning on page 92 of this Red Herring Prospectus.

### **Shareholder and other agreements:**

The key terms of shareholders agreements entered into by the Issuer are as follows:

#### **Investment Agreement dated March 7, 2006 between New Vernon Private Equity Limited (New Vernon), Bessemer Venture Partners Trust (BVP), the Issuer, Mr. Motilal Oswal and Mr. Raamdeo Agrawal**

As per this agreement, the Issuer allotted New Vernon and BVP an aggregate of 10,000 fully paid up equity shares and 12,479,244 fully paid up OCRPS for a total consideration of Rs.1, 250 million. The terms of this agreement provide that New Vernon has the right to nominate a non-executive director on the Board of the Issuer. This right would subsist for a period of 1 year from the date of listing of the Issuer. The powers of such a director would be in concurrence with the powers of the other Directors on the Board of the Issuer. Such nominee Director of New Vernon would have an affirmative vote on any decision of the Board relating to any amendment to any rights or restrictions provided for the benefit of Equity Shares, any action that creates shares or any stock having preferences superior to the existing equity, amendment to the MoA and AoA of the Issuer, any merger, consolidation, acquisition by the Issuer, material deviations from the approved business plan including revisions in annual operating plans by more than 20% of the approved budget, change, appointment and re appointment of the statutory auditors, creation of any subsidiaries or joint ventures, investments in real estate beyond Rs.100 million per year, debt – equity ratio above 1:1 and

liquidation of the Issuer. However, by a letter dated August 2, 2007, New Vernon has waived its right to appoint a nominee director on the Board of the Issuer. BVP would also be entitled to nominate any of its employees to be appointed as an observer on the Board. However, such an observer would have no right to vote. New Vernon has the right to appoint a nominee to the Audit Committee. Any sale of the Equity Shares of the Issuer by either of the Investors amounting to more than 50% of the Equity Shares held by either shall result in the assignment of the rights of the New Vernon and BVP to the purchasers of such Equity Shares.

#### **Venture Capital Fund - “India Business Excellence Fund”**

The Issuer has settled a Trust called the Business Excellence Trust’ (“Trust”). IL& FS Trust Company Limited (Trustee) has agreed to act as the trustee of the Trust. The Trust has floated India Business Excellence Fund (IBEF), a unit scheme of the Trust which is open for subscription by the investors. MOVC has been appointed as the Investment Manager and Advisor of IBEF. MOVC has also been appointed as an advisor to an offshore Fund. The Trust has applied to SEBI for the registration as a venture capital fund under the SEBI (Venture Capital Funds) Regulations 1996. The Issuer has entered into an agreement dated December 22, 2006 with the Trustee and MOVC (in its capacity as the Investment Manager). By virtue of this agreement the Issuer has agreed to make an investment of upto 10% of the aggregate capital commitments received by IBEF and the offshore fund from time to time, subject, however, to a maximum contribution of Rs.450 million (Rupees four hundred and fifty million). The Issuer has to date contributed Rs.24 million to the India Business Excellence Fund.

#### **Agreement dated April 18, 2006 (as amended by agreement dated January 30, 2007) between Motilal Oswal Investment Advisors Private Limited, the Issuer and Mr. Ashutosh Maheshvari**

Motilal Oswal Financial Services Ltd (MOFSL), Motilal Oswal Investment Advisors Private Ltd (MOIAPL) and Mr. Ashutosh Maheshvari have entered into an agreement dated April 18, 2006 (as amended) whereby, out of the total paid up equity of MOIAPL, 25% of the equity of MOIAPL shall be subscribed by the operating team of MOIAPL and the balance 75% equity shares of MOIAPL shall be subscribed by and allotted to MOFSL. As per the terms of this agreement, Mr. Ashutosh Maheshvari is appointed as CEO of MOIAPL and will work for a minimum period of 72 months, during which period he will not get involved with any other person, entity, organization, directly or indirectly. The board of MOIAPL shall comprise of 4 directors out of which, three shall be nominated by MOFSL and one shall be nominated by Mr. Ashutosh Maheshvari. It has been agreed by the parties that at the end of the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> year from the date on which this agreement comes into effect, equity shares held by the operating team shall be purchased by MOFSL, within 90 days from the end of the respective financial year of MOFSL. This purchase shall be carried out at the end of 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> year in 4 equal tranches. The consideration for such purchase shall be paid, at the discretion of MOFSL, either in cash, or subject to compliance with applicable law, by issue of listed shares of MOFSL. In case of purchase in cash, consideration shall be based on the valuation to be arrived at in the manner as stipulated in this agreement and shall be grossed up for the capital gains tax that would be payable by the seller / operating team on the sale of these shares. If any employee of the operating team resigns before the end of the 3<sup>rd</sup> year, then his entire holding will be reserved for re-allotment in future to new recruitments made by MOIAPL. If an employee (being a member of the operating team) resigns after the 3<sup>rd</sup> / 4<sup>th</sup> / 5<sup>th</sup> year and before the date of entitlement to convert his holding of MOIAPL into MOFSL, then MOFSL will buy such holding at the book value of MOIAPL at the end of the previous financial year preceding the date of resignation.

#### **The key terms of other agreements entered into by the Subsidiaries are as follows:**

##### **Agreement with the State Bank of India:**

Motilal Oswal Securities Limited (MOSL) entered into an agreement with State Bank of India (“SBI”) on September 29, 2006 whereby SBI has allowed MOSL to offer its products and online trading service to the customers of SBI through an internet based service. As per this agreement to enable the customer to avail of such products and services offered by MOSL, SBI and MOSL shall jointly develop and create existing

and new infrastructure, platform and facilities and shall jointly incur expenses required in performing such activities.

### **Acquisitions**

Motilal Oswal Securities Limited (MOSL), vide an agreement dated July 29, 2006, has acquired the customers rights and other assets of Mani Stock Brokers Limited (“MSB”) which was operating in Uttar Pradesh. Pursuant to this agreement, MOSL has with effect from August 1, 2006 acquired MSB’s ‘Customer Rights’. Customer Rights refers to all the rights, including database rights, to access the customers and ‘Customer related information’ of MSB including the customers of its sub-brokers, ‘Customer related information’ includes data, documents, files, records, notebooks, statistics, research, blue prints, tools, procedures, codes and other information relating to customer and customer contracts, including such information recorded or stored in writing or upon magnetic tapes or discs or otherwise recorded or stored for reproduction, whether by mechanical or electronic means and all other data which would be relevant to ensure continuity in provision of service to customer (“Customer Rights”). As per this agreement, MSB and its promoters have agreed not to compete with MOSL and have further agreed to refrain from carrying any activity related to the business of stock broking, portfolio management and depository services, directly or indirectly, for the period of one year commencing August 1, 2006. MSB and its directors shall be solely responsible and liable for all the dues, liabilities and all amounts payable to any person/authorities, whatsoever, in respect of any acts, deeds, things and matters carried out by MSB and/or its directors upto July 31, 2006. It has been specifically agreed that MOSL and its directors will not in any manner be held responsible or liable for any such matter, dues, amounts or liabilities which pertains for the period upto July 31, 2006. MOSL has agreed to pay a total consideration of Rs. 11.47 million to MSB towards customer rights and goodwill. Further, MOSL has also agreed to pay a non-compete fee of Rs. 5.00 million.

Motilal Oswal Securities Limited (MOSL) vide an agreement dated June 15, 2006, has acquired the business and customers of Capital Deal Stock and Share Brokers (“CDSSB”) which was operating in Bangalore. Pursuant to this agreement, MOSL has acquired CDSSB’s Customer Rights (as defined above). Pursuant to this agreement, Mr. M.K. Varghese, the proprietor of CDSSB has agreed not to compete with MOSL and have further agreed to refrain from carrying any activity related to the business of stock broking, portfolio management and depository services, directly or indirectly, for the period of 1 year from June 1, 2006. It has been specifically provided that Mr. M. K. Varghese shall be solely responsible and liable for all the dues, liabilities and all amounts payable to any person/ authorities, whatsoever, in respect of any acts, deeds, things and matters carried out by Mr. Varghese prior to May 31, 2006. MOSL and its directors will not in any manner be held responsible or liable from any such matter, dues, amounts or liabilities. MOSL has paid a total consideration of Rs. 6.50 million to CDSSB towards Customer Rights and goodwill. Further, MOSL has also paid a non-compete fee of Rs. 2.50 million.

Motilal Oswal Securities Limited (MOSL) entered into an agreement dated April 1, 2006 with Peninsular Capital Markets Limited (“PCML”) for acquisition of the customer rights and other assets. Pursuant to this agreement, MOSL acquired the customer rights (as defined) along with certain of PCML’s fixed assets and goodwill and such transfer was effective from April 1, 2006. On and from April 1, 2006, MOSL has commenced and has continued to do business with all such clients transferred to MOSL. While pending such transfers, PCML carried on the business for and on behalf of MOSL. PCML and its directors were solely responsible and liable for all dues, liabilities and all amounts payable to any person, whatsoever, in respect of any acts, deeds, things and matters carried out by PCML and/ or its directors upto March 31, 2006 and for all such amounts payable to any person in respect of the period upto March 31, 2006. PCML and its management had expressly agreed to refrain from carrying on any stock broking business and/or portfolio management activities and/or any capital market related depository operations, either directly or indirectly, for a period of one year starting from April 1, 2006, except for assisting MOSL. MOSL paid a total consideration of Rs. 59.38 million to PCML towards customer rights and goodwill. Further, MOSL paid a non-compete fee of Rs. 57.86 million.

There was no independent valuation done for the aforementioned acquisitions. The acquisition consideration was arrived at by the management on the basis of historical financials, trading volumes, number of customers of the acquired entities, etc.

## OUR MANAGEMENT

### Board of Directors

As per the Articles of Association, the Issuer must have a minimum of three and a maximum of twelve Directors. As on the date of this Red Herring Prospectus, the Issuer has six Directors on its Board.

The following table sets forth the current details of the Board of Directors:

<b>Name Designation, Father's name, Address and Occupation</b>	<b>Date of Appointment and Term</b>	<b>Qualifications</b>	<b>Age (years)</b>	<b>Other Directorships</b>
<b>Mr. Motilal Oswal</b> S/o Mr. Gopilal Oswal Chairman and Managing Director, Chief Executive Officer and Chief Financial Officer 10, Mount Unique, Pedder Road, Mumbai-400026. Maharashtra, India.  Occupation: Business	May 18, 2005  5 years	B. Com, ACA	44	<b>Chairman and Managing Director:</b> <ul style="list-style-type: none"> <li>Motilal Oswal Securities Limited</li> </ul> <b>Chairman:</b> <ul style="list-style-type: none"> <li>Passionate Investment Management Private Limited</li> <li>Motilal Oswal Commodities Broker Private Limited</li> <li>Motilal Oswal Investment Advisors Private Limited</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>Motilal Oswal Venture Capital Advisors Private Limited</li> <li>Motilal Oswal Portfolio Management Services Private Limited.</li> <li>Motilal Oswal Insurance Brokers Private Limited</li> </ul>
<b>Mr. Raamdeo Agrawal</b> S/o Mr. Ramgopal Agrawal Non-Executive Director 218, Samudra Mahal, Dr. A. B. Road, Worli, Mumbai-400018. Maharashtra, India.  Occupation: Business	May 18, 2005  Liable to retire by rotation	B. Com, ACA	50	<b>Joint Managing Director:</b> <ul style="list-style-type: none"> <li>Motilal Oswal Securities Limited</li> </ul> <b>Chairman:</b> <ul style="list-style-type: none"> <li>Motilal Oswal Venture Capital Advisors Private Limited</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>Passionate Investment Management Private Limited</li> <li>Motilal Oswal Commodities Broker Private Limited</li> </ul>

<b>Name Designation, Father's name, Address and Occupation</b>	<b>Date of Appointment and Term</b>	<b>Qualifications</b>	<b>Age (years)</b>	<b>Other Directorships</b>
				<ul style="list-style-type: none"> <li>• Motilal Oswal Investment Advisors Private Limited</li> <li>• Motilal Oswal Portfolio Management Services Private Limited.</li> <li>• Motilal Oswal Insurance Brokers Private Limited.</li> </ul>
<b>Mr. Navin Agarwal</b> S/o Mr. Hariprasad Agarwal Non Executive Director 20- Rani Sati Marg, S. V. Road, Malad (West), Mumbai- 400064. Maharashtra, India.  Occupation: Service	May 18, 2005  Liable to retire by rotation	B.Com CA, CS, ICWA, CFA	35	<b>Director:</b> <ul style="list-style-type: none"> <li>• Motilal Oswal Investment Advisors Private Limited</li> </ul>
<b>Mr Ramesh Agarwal</b> S/o Lachand Agarwal Independent Director No: 267/3, Rahath Bagh Enclave Off Old Madras Road, Bangalore – 560093. Karnataka, India.  Occupation: Professional	February 17, 2007  Liable to retire by rotation	B.E., Mechanical Engineering.	61	Nil
<b>Mr Balkumar Agarwal</b> S/o Kapurchand Agarwal Independent Director Flat No.81, 'Praneet' J. Palkar Marg, Worli, Mumbai - 400-030. Maharashtra, India.  Occupation: Professional	February 17, 2007  Liable to retire by rotation	B. Com, LL.B	64	<b>Director</b> <ul style="list-style-type: none"> <li>• Dwariakesh Sugar Industries Limited</li> </ul>
<b>Mr Madhav Bhatkuly</b> S/o Narayan Bhatkuly Independent Director 15 <sup>th</sup> Floor, Raheja Empress, 392 Veer Savarkar Marg, Opp. Siddhivinayak Temple, Prabhadevi, Mumbai – 400 025.	February 17, 2007  Liable to retire by rotation	M. Com., MSc. Econ.	41	<b>Director:</b> <ul style="list-style-type: none"> <li>• New Horizon Financial Research Private Limited.</li> <li>• New Horizon Wealth Management Private Limited</li> </ul> <b>Trustee:</b> <ul style="list-style-type: none"> <li>• London School of</li> </ul>

<b>Name Designation, Father's name, Address and Occupation</b>	<b>Date of Appointment and Term</b>	<b>Qualifications</b>	<b>Age (years)</b>	<b>Other Directorships</b>
Maharashtra, India.  Occupation: Service				Economics 1980s Scholarship Fund

### **Brief Profile of the Directors**

**1. Mr. Motilal Oswal, Chairman and Managing Director, Chief Executive Officer and Chief Financial Officer.**

Mr. Motilal Oswal is an Indian national and has been a director since the incorporation of the Issuer. He is also the Issuer's Promoter and Chairman and Managing Director. He is an Associate of Institute of Chartered Accountants of India. Mr. Motilal Oswal had been elected the director of BSE and joined the governing board in 1998. He has served on various committees of BSE, NSE, CDSL and SEBI. He was awarded the "Rashtriya Samman Patra" by Central Board of Direct Taxes for a period of 5 years from 1995 to 1999.

**2. Mr. Raamdeo Agrawal, Non Executive Director**

Mr. Raamdeo Agrawal is the Issuer's Promoter. He is an Associate of Institute of Chartered Accountant of India. He is a member of the National Committee on Capital Markets of the Confederation of Indian Industry. He specialises in equity research. He has been writing the annual Motilal Oswal Wealth Creation Study since its inception in 1996. He has also featured on wizards of Dalal Street on CNBC TV 18. In 1986, he wrote the book *Corporate Numbers Game*, along with co-author Mr. Ram K Piparia. Mr. Raamdeo Agrawal is the man behind the strong research capability at MOSL. Mr. Raamdeo Agrawal was awarded the "Rashtriya Samman Patra" by Central Board of Direct Taxes for a period of 5 years from 1995 to 1999.

**3. Mr. Navin Agarwal, Non-Executive Director**

Mr. Navin Agarwal is responsible for business development, especially in the FII segment. He started his career as a 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 with the same company. He was also responsible for developing Insight Asset Management's investment research publication 'Investment Insight'. Mr Navin Agarwal joined our organisation in June 2000. He is a member of the Institute of Chartered Accountants of India, Institute of Cost and Works Accountant of India and Institute of Company Secretaries of India. He has written a book on the stock markets titled "India's Money Monarch".

**4. Mr Ramesh Agarwal – Independent Director**

Mr. Ramesh Agarwal is a Mechanical Engineer with 40 years of experience in engineering industry in capital equipment and industry consumables. His last assignment was as the Managing Director of Carborundum Universal Limited., Chennai, till January, 2005. He is currently associated with various companies to help them achieve sustainable and profitable growth.

**5. Mr Balkumar Agarwal – Independent Director**

Mr Balkumar Agarwal is a commerce and law graduate from the University of Pune and is a retired officer of Indian Administrative Service of the 1967 batch. He has held the post of Managing Director, Maharashtra State Warehousing Corporation from 1974 to 1977, the Managing Director of the Maharashtra Co-operative Cotton Growers Federation from 1984 to 1989 and as the Managing

Director of the Maharashtra State Financial Corporation from 1996 to 1999. Mr Balkumar Agarwal has also held the position of Secretary (Housing), Secretary (Transport) and Secretary (Industries) to the Government of Maharashtra in the past. He was the Government of Maharashtra's nominee as the director of the Bombay Stock Exchange from 1994 to 1995. He retired in 2002 as Additional Chief Secretary, Government of Maharashtra.

#### **6. *Mr Madhav Bhatkuly – Independent Director***

Mr Madhav Bhatkuly holds a Masters Degree in Commerce from Sydenham College, Bombay and a Masters Degree in Economics from the London School of Economics, England. He was a recipient of the Foreign and Commonwealth Scholarship from the British Government. Mr Bhatkuly was a country partner of Arisaig Partners from 1999 to 2005. Prior to that, he was associated with SG Securities and ICICI Bank Limited. Currently, Mr. Bhatkuly is a director on the board of New Horizon Financial Research Private Limited and New Horizon Wealth Management Private Limited.

#### **Borrowing powers of the Board**

Pursuant to a resolution passed by the shareholders of the Issuer on April 5, 2006 in accordance with provisions of the Companies Act, the Board is authorised to borrow monies upon such terms and conditions, with or without security, as the Board may think fit, provided that the monies to be borrowed together with the monies already borrowed by the Issuer (apart from the temporary loans obtained from its bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 20, 000 million.

#### **Compensation of Our Directors**

In accordance with the provisions of the Companies Act and the Articles of Association, all non-executive Directors are entitled to receive sitting fees for attending meetings of the Board or committees thereof. As per our AoA, the Directors are not required to hold any qualification shares.

#### **Corporate Governance**

Corporate governance is administered by the Board and through various committees of the Board. However, the primary responsibility for upholding high standards of corporate governance and providing the necessary disclosures within the framework of legal provisions and institutional conventions with the commitment to enhance shareholders' value vests with the Board.

Pursuant to the listing of the Equity Shares, the Issuer is required to enter into listing agreement with the Stock Exchanges. The Issuer is in compliance with the applicable provisions of the listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of the Issuer's Board.

#### **Committees of the Board**

The Board functions through the following committees:

##### ***Audit Committee***

The Audit Committee was constituted on February 17, 2007. The scope and functions of the Audit Committee are as per Section 292A of the Companies Act and clause 49 of the listing agreement.

The members of the Audit Committee are:

1. Mr. Ramesh Agarwal
2. Mr. Raamdeo Agrawal
3. Mr. Balkumar Agarwal

Functions of the Audit Committee, *inter alia*, include:

- Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to the Board the appointment, re-appointment, replacement/ removal of the statutory auditor and fixing audit fees;
- Reviewing with the management, the annual and quarterly financial statements before submission to the Board for approval;
- Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems;
- Discussion with the internal and statutory auditors on significant findings and reviewing findings of internal investigations by internal auditors, like matters of fraud or irregularity or failure of internal control systems, if any;
- Looking into reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders and creditors;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the officials, reporting structure coverage and frequency of the internal audit; and
- Carrying out any other function that is mentioned in the terms of reference of the Audit Committee.

#### ***Shareholders/ Investors Grievance Committee***

The Shareholders/Investors Grievance Committee was constituted on February 17, 2007. The committee shall function in accordance with Clause 49 of the listing agreement.

The members of the Shareholders/Investors Grievance Committee are:

1. Mr. Balkumar Agarwal
2. Mr. Motilal Oswal
3. Mr. Raamdeo Agrawal

The Shareholders/Investors Grievance Committee has been set up for the following purposes:

- Redressing complaints from shareholders such as non-receipt of dividend, annual report, transfer of Equity Shares and issue of duplicate share certificates; and
- Monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by the Issuer.

#### ***Remuneration/Compensation Committee***

The Compensation Committee of the Issuer was re-constituted on February 17, 2007 and renamed as Remuneration/Compensation Committee. The committee shall function in accordance with Clause 49 of the listing agreement.

The members of the Remuneration/ Compensation Committee are:

1. Mr. Balkumar Agarwal

2. Mr. Ramesh Agarwal
3. Mr. Motilal Oswal

#### ***IPO Committee***

The IPO Committee was constituted on January 15, 2007. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

1. Mr Raamdeo Agrawal
2. Mr Navin Agarwal
3. Mr Balkumar Agarwal

#### **Board Procedure**

The Issuer has held Board meetings as per the provisions of the Companies Act and has maintained minutes of the meetings thereof.

#### **Shareholding of our Directors:**

The details of the shareholding of or Directors are as under.

<b>Sr. No.</b>	<b>Name of the Directors</b>	<b>Number of Equity Shares</b>
1.	Mr. Motilal Oswal	4,936,628
2.	Mr. Raamdeo Agrawal	4,685,620
3.	Mr. Navin Agarwal	1,546,300

#### **Interest of Directors:**

All the Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board and of committees thereof, reimbursement of expenses as well as to the extent of other remuneration, payable to them under the Articles of Association. Article 151 of the Articles of Association states “The Board may allow and pay to any Director who is not a bona fide resident of the place where the meetings of the Board or Committee thereof are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified, and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company’s business, he shall be entitled to be repaid and reimbursed any traveling and other expenses incurred in connection with business of the Company.”

All the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them and/or by their friends and relatives in the Issuer or allotted to them in the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors may also be regarded as interested in the Equity Shares, if any, held or that may be subscribed by and allocated to the companies, firms and trusts, if any, in which they are interested as directors, members, partners, and / or trustees.

The Articles of Association provide that the Directors and officers shall be indemnified by the Issuer against loss, if any, in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding. For further details, please refer Article 215 of the Articles of Association of the Issuer.

**Payment or Benefit to Officers of the Issuer (non salary related)**

Except as stated mentioned in the section titled “Related Party Transactions” beginning on page 110 and the grant of ESOS as referred to in the notes to Capital Structure, beginning on page 14 of this Red Herring Prospectus under the section titled “Capital Structure”, no amount or benefit has been paid or given since incorporation or is intended to be paid or given to any of the Directors or Key Managerial Personnel or officers of the Issuer except the normal remuneration for services rendered as Directors, officers or employees.

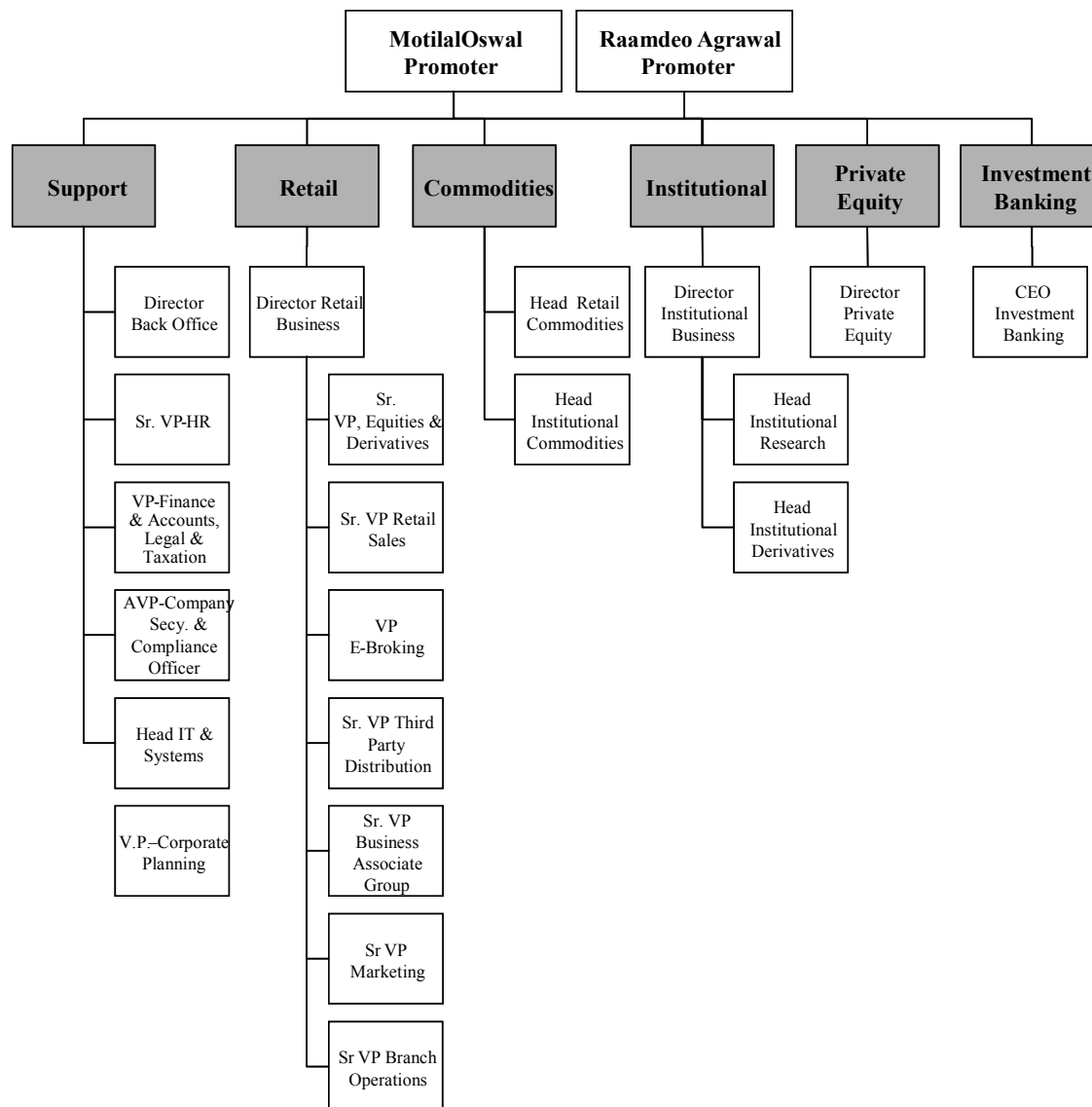
The Issuer has made no other payments or benefits to its officers besides their salary.

**Changes in the Board of Directors since incorporation:**

Since its inception, the following changes have occurred in the Board of Directors of the Issuer:

<b>Name of Director</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>	<b>Reason for Appointment/ Change</b>
Mr. Motilal Oswal	May 18, 2005	N. A.	First Director named in the Articles of Association
Mr. Raamdeo Agrawal	May 18, 2005	N. A.	First Director named in the Articles of Association
Mr. Navin Agarwal	May 18, 2005	N. A.	First Director named in the Articles of Association
Mr. Mark Rubin	June 21, 2006	August 1, 2007	Ceased to be the nominee of New Vernon Private Equity Limited
Mr. T. S. Anantharaman	June 21, 2006	August 8, 2007	Ceased to be Director on the Board of the Issuer.
Mr. Ankit Kesarwani	October 19, 2006	October 31, 2006	Ceased to be Alternate Director to Mr. Mark Rubin
Mr. Ankit Kesarwani	November 20, 2006	August 1, 2007	Ceased to be an Alternate Director to Mr. Mark Rubin
Mr. Ramesh Agarwal	February 17, 2007	N. A.	Appointed as Independent Director
Mr Balkumar Agarwal	February 17, 2007	N. A.	Appointed as Independent Director
Mr. Madhav Bhatkuly	February 17, 2007	N. A.	Appointed as Independent Director

## Management Organisation Structure of our Company:



## Key Managerial Personnel

The details of key managerial personnel of the Issuer are as follows:

### ***Mr. Vikram Vilas Wadekar – Senior VP - HRD***

Mr. Vikram Vilas Wadekar, 38, joined the Group in November, 2004. He holds a Bachelor degree in Science (Principal - Chemistry) from Nowrosjee Wadia College and has done a Masters in Personnel Management from the University of Pune. Prior to joining the Issuer, he was Head HR for Mettler - Toledo India Limited. He has 13 years of experience in Human Resource and has held various other senior positions. Previously, he worked with Data Access India Limited, International Gold Company Limited, Dalal Consultants and Engineers Limited, Su Raj Diamonds India Limited, Symbiosis Centre for Management and Human Resource Development. His gross annual remuneration for FY 2007 is Rs 1,119,804.

Mr Vikram Vilas Wadekar is a permanent employee of the Issuer.

## **Senior Management Team of the Subsidiaries**

### ***Mr. Hitungshu Debnath – Director - Retail Business***

Mr. Hitungshu Debnath, 39, joined MOSL in August, 2006. Mr. Debnath holds a Baccalaureate degree in Optometry from Medical Research Foundation. He has completed his Post Graduation in Marketing Management from Times School of Marketing and has attended Scholarship Program on Globalisation and carried out a research on Pension systems across the world from London School of Economics and Political Science as a British Chevening Scholar. Prior to joining MOSL, he was Vice President - Marketing And Sales for HDFC Asset Management Limited. He has 17 years of experience in sales and marketing and has held various other senior positions. Previously, he worked with Alliance Capital Asset Management, Fortress Financial Services Limited, Times Guaranty Financial Limited, First Leasing Company of India Limited.

### ***Mr. Ajay Kumar Menon – Director - Market Operations***

Mr. Ajay Kumar Menon, 32, joined MOSL in March, 1998. Mr. Menon holds a Bachelor degree in Commerce, from N.M. College of Commerce, Mumbai, and is a qualified chartered accountant. Prior to joining MOSL, he was Senior Accounts Officer for Sesa Seat Information Systems Limited. He has 9 years of experience in the financial sector.

### ***Mr. Rajesh Kantilal Dharamshi – Head - Institutional Derivatives***

Mr. Rajesh Kantilal Dharamshi, 36 years, joined MOSL in June, 2003. Mr. Dharamshi holds a Bachelor degree in Commerce from Dr. Babasaheb Ambedkar College, and is a qualified chartered accountant from Institute of Chartered Accountants of India. Prior to joining MOSL, he was AVP - Institution Sales Equity & Derivatives, Refco-Sify Securities India Private Limited. He has 12 years of experience in sales and marketing and has held senior positions. Previously, he worked with HRS Insight Financial Intermediaries Private Limited.

### ***Mr. Rajat Rajgarhia – Head – Research***

Mr. Rajat Rajgarhia, 31, joined MOSL in April, 2001. Mr. Rajgarhia holds a Bachelor degree in Commerce from St. Xavier's College, Calcutta. and has completed Post Graduate Program in Management (Finance & Marketing) and is a qualified chartered accountant. Prior to joining MOSL, he was a research analyst (Banking and Finance sector) for Indianfoline.com Limited. He has 10 years of varied experience in the financial sector and capital market sectors.

### ***Mr. Anish Unadkat – Vice President –Finance and Accounts, Legal and Taxation***

Mr. Anish Unadkat, 33, joined MOSL in March, 2006. Mr. Unadkat holds a Bachelor degree in Commerce from RA Podar College, Mumbai. He is a qualified chartered accountant of The Institute of Chartered Accountants of India, CISA from Info Systems Audit and Control Association and CIA from the Institute of Internal Auditors, USA.. Prior to joining MOSL, he was practicing on his own.

### ***Mr. Ashutosh Maheshvari – CEO, MOIA***

Mr. Ashutosh Maheshvari, 36 years, joined our Company in May 2006. Mr. Maheshvari holds a bachelor's degree in technology (chemical engineering) from the Indian Institute of Technology, Kharagpur, and has done his masters in business administration from University of Delhi. Prior to joining our Company, he was the Executive Director with Rabo India Finance Private Limited. He has 13 years of experience in the financial sector and has held various senior positions. Previously, he has worked with CRISIL and ICI India Limited.

***Mr. Vishal Tulsyan – CEO, MOVC***

Mr. Vishal Tulsyan, 31 years, joined our Company in February 2006. Mr. Tulsyan holds a bachelor's degree in commerce from St. Xaviers College, Calcutta University, and is a professionally qualified chartered accountant from The Institute of Chartered Accountants of India. He was an all-India rank holder in Chartered Accountancy. Prior to joining our Company, he was Director, corporate finance with Rabo India Finance Private Limited, subsidiary of Rabobank International. He has over 10 years of experience in corporate finance and has held various senior positions. Previously, he worked with SBI Capital Markets Limited., Mumbai and ANZ Grindlays Bank Limited, Kolkata.

Members of the Senior Management Team are permanent employees of the Subsidiaries.

**Shareholding of Key Managerial Personnel**

The Issuer's Key Managerial Person holds 20,000 Equity Shares in MOFSL as on the date of filing of the Red Herring Prospectus.

**Bonus and/or profit sharing plan for the Key Managerial Personnel**

There is no profit sharing plan for the Key Managerial Personnel. Bonuses are given as per the bonus given to the other employees of the Issuer.

**Changes in Key Managerial Personnel**

There have been no changes in the Key Managerial Personnel of the Issuer since inception.

**Sales or Purchase between companies in the Promoter Group**



There have been no sales or purchases between the Group companies except as stated in the section titled "Related Party Transactions" beginning on page 110 of this Red Herring Prospectus.

## OUR PROMOTERS AND PROMOTER GROUP

### Our Promoters:

The Promoters of the Issuer are:

1. Mr. Motilal Oswal
2. Mr. Raamdeo Agrawal
3. Passionate Investment Management Private Limited

	<p><b>Mr. Motilal Oswal</b>, 44, (passport no. E 6190794, voters identity no: MT/ 04/ 024/ 258605, Driving License number: MH-02-91-2836, PAN: AAAP00616Q, Bank Account Details: HDFC Bank, Bank Account No: 0601050000202), a resident Indian national is our Promoter. He is a Chartered Accountant. He was elected as the Director of the Bombay Stock Exchange (BSE) and joined the governing board in 1998. He has served on various committees of BSE, NSE, CDSL and SEBI. He was awarded the ‘Rashtriya Samman Patra’ by the Central Board of Direct Taxes for a period of 5 years from FY95-FY99.</p>
	<p><b>Mr. Raamdeo Agrawal</b>, 50, (passport no. F 4913515, voters identity no: MT/ 05/ 029/ 000385, Driving License number: MH-01/2006/13214, PAN No: AABPA1527D, Bank Account Details: HDFC Bank, Bank Account No: 0601050000143), is a resident Indian national is our Promoter. He is a Chartered Accountant. In 1986, he authored the book titled <i>Corporate Numbers Game</i>, along with co-author Mr. Ram K Piparia. At MOSL, he is the man behind the strong research capability and his focus on helping clients benefit from our expertise is well appreciated by all associated with MOSL. He was awarded the ‘Rashtriya Samman Patra’ by Central Board of Direct Taxes for a period of 5 years from FY95-FY99.</p>

For further details of our Promoters, please refer to the section titled “Our Management” beginning on page 82 of this Red Herring Prospectus.

### Passionate Investment Management Private Limited (PIMPL)

PIMPL is an NBFC, incorporated August 22, 1995 and duly registered with the Reserve Bank of India, vide certificate of registration dated March 22, 2002 [No: N – 13.01587]. Its registered office is located at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, Nariman Point, Mumbai-400021. The promoters of PIMPL are Mr. Motilal Oswal and Mr. Raamdeo Agrawal. It is currently engaged in investment activities.

The main objects as contained in the memorandum of association of PIMPL are:

1. To carry on the activities as investment company and to deal in shares, stock, debentures, debenture-stock, bonds, derivatives, obligations, bills, securities, movable and immovable property including landed property and other investment and to acquire any such shares, stocks, debenture, debenture stock, bonds, obligations or securities by original subscriptions, tender, purchase, exchange or otherwise and to subscribe for the same either conditionally or otherwise and to guarantee the subscription thereof any exercise and enforce all rights and powers conferred by or incidental to the ownership thereof and to vary the investment of the company.
2. To carry on and undertake the business of rendering services to trade, commerce, industry or persons connected with the same by establishing business centres or such other links, establishments, offices, conference rooms and service outlets and to provide all facilities and common amenities including but not limited to telephone, telefax, computers and all consumers and commercial items/and services

thereat and/or to let, use and exploit lease or otherwise, deal with premises belonging to, in occupation of or over which the company has control for use thereof in such manner either for its own or other purpose connected with or relation to the company's business and advisory/counselling services to other entities help establish department of other entities.

3. To carry on the business as finance company, financiers, underwriters, guarantee broker and of hire purchase financing agency, investors and to undertake, carry on and execute all kinds of financial businesses whatsoever including leasing, bill discounting and to advance the money with or without interest and on security or without security of leasehold or freehold land, share, securities, stock, merchandise and other property and assets and generally to lend and advance money to such persons, firm or companies and upon such terms and subject to such conditions as may deem fit by the board of directors and to finance the industrial enterprises in India or abroad, subject to RBI Regulations.

#### **Board of Directors**

<b>Sr. No</b>	<b>Name</b>	<b>Designation</b>
1.	Mr. Motilal Oswal	Chairman
2.	Mr. Raamdeo Agrawal	Director
3.	Mrs. Suneeta Agrawal	Managing Director

#### **Shareholding Pattern**

<b>Sr. No.</b>	<b>Shareholder category</b>	<b>No. of equity shares of Rs.10 each held by them</b>	<b>Percentage (%)</b>
1	Mr. Motilal Oswal	5,779,600	50.00
2	Mr. Raamdeo Agrawal	4,438,837	38.40
3	Mrs. Suneeta Agrawal	820,663	7.10
4	Mrs. Vimla Oswal	100	0.00
5	Raamdeo Agrawal (HUF)	520,000	4.50
6	Motilal Oswal (HUF)	100	0.00
	<b>TOTAL</b>	<b>11,559,300</b>	<b>100.00</b>

PIMPL is not a sick industrial unit within the meaning of clause (o) of subsection (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not in the process of winding up.

PIMPL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### **Financial Performance**

Financial performance of PIMPL for the last three financial years is as follows:

*Except per share data*

(Rs. in million)

Particulars	For the year ending March 31, 2004	For the year ending March 31, 2005	For the year ending March 31, 2006
Equity capital	105.45	105.45	115.59
Reserves & Surplus (excluding revaluation reserves)	328.20	635.31	1,101.95
Total revenue	123.16	340.37	560.13
Profit After Tax	98.18	307.11	466.64
EPS (Rs.)	9.31	29.12	43.55
NAV Per share (Rs.)	41.12	70.25	115.46

Note: Passionate Investment Management Private Limited (“PIMPL”) has purchased the equity shares of MOFSL from its own funds (i.e. capital and internal accruals). The total investment by PIMPL in MOFSL’s shares is Rs.50 million, whereas the total networth of PIMPL as of March 31, 2006 was Rs. 1,217.54 million while its net profit for the same year was Rs. 466.64 million.

#### **Disclosure on Capital Issue**

As on date of this Red Herring Prospectus, PIMPL has not made any public/ rights issue.

#### **Other details relating to PIMPL**

1.	PAN Number	AAACM7085N
2.	Bank Account Number	HDFC Bank: 0010340001718

#### **Details of change in management**

There has been no change in the management of PIMPL since inception.

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our individual promoters and the promoter company shall be submitted to the Stock Exchanges at the time of filing the Red herring Prospectus with the Stock Exchanges.

#### **Common Pursuits**

The Issuer undertakes the business of margin financing as an NBFC. Though authorised by their respective memorandum of associations, none of the Promoter Group companies mentioned below are engaged in businesses similar to that undertaken by the Issuer.

We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, if at all and as and when they may arise. For, further details on the related party transactions, to the extent of which the Issuer is involved, see the section titled “Related Party Transactions” beginning on page 110 of this Red Herring Prospectus.

**Interest in promotion of the Issuer**

The Issuer has been promoted by Mr. Motilal Oswal, Mr. Raamdeo Agrawal and PIMPL. The Promoters may be deemed to be interested in the promotion of the Issuer to the extent of the Equity Shares held by them and their relatives. The Promoters may also benefit from holding directorship in the Issuer.

**Interest in any property acquired by the Issuer within two years of the date of the Red Herring Prospectus or proposed to be acquired by the Issuer.**

The Promoters are not interested in any property that has been acquired by the Issuer within two years from the date of the Red Herring Prospectus or proposed to be acquired by the Issuer.

**Payments of benefits to our Promoters during the last two years**

Except as stated in the section titled “Related Party Transactions” beginning on page 110 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red herring Prospectus.

**Other Confirmations**

The Issuer has neither made any payments in cash or otherwise to the Promoters or to firms or companies in which our Promoters are interested as members, directors or promoters nor have our Promoters been offered any inducements to become directors or otherwise to become interested in any firm or company, in connection with the promotion or formation of the Issuer.

Our Promoters and Promoter Group, including relatives of the Promoters have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority. Further, save as otherwise disclosed in the section titled “Outstanding Litigations and Other Material Developments” beginning on page 273 of this Red Herring Prospectus, there are no violations of securities laws committed by our Promoters and Promoter Group in the past or are pending against them.

**Promoter Group:**

Given below is the list of entities promoted which form part of our Promoter Group. The Promoter Group consists of natural persons, HUF's, private companies and partnership firms. None of them has become a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and are not under winding up.

**Promoter Group Entities:**

**a. The natural persons who are part of our Promoter Group (due to the relationship with our promoters), other than the Promoters named above are as follows:**

Relationship	Mr. Motilal Oswal	Mr. Raamdeo Agrawal
Father	Late Mr. Gopilal Oswal	Mr. Ramgopal Agrawal
Mother	Mrs. Ansidevi Oswal	Mrs. Mithilesh Agrawal
Brother	Mr. Javerilal Oswal Mr. Rajendra Oswal	Mr. Anand Agrawal Mr. Sukhdeo Agrawal Mr. Satish Agrawal Mr. Govinddeo Agrawal Dr. Karoon Agrawal Mr. Vinay Agrawal
Sister	Mrs. Vimla Salecha	Mrs. Anita A. Agrawal Mrs. Suman R. Agrawal
Spouse	Mrs. Vimla Oswal	Mrs. Suneeta Agrawal
Children	Ms. Pratiksha Oswal Mr. Pratik Oswal	Mr. Vaibhav Agrawal
Spouse's Father	Late Mr. Champalal Tated	Mr Kamalnarayan Agrawal
Spouse's Mother	Mrs. Sukiben Tated	Late Shantidevi Agrawal
Spouse's Brother	Late Mr. Pukhraj Tated Late Mr. Prakash Tated Mr. Ashok Tated Mr. Suresh Tated Mr. Gautam Tated	Mr Dinesh Agrawal Mr Rajesh Agrawal Mr Manoj Agrawal
Spouse's Sister	Mrs. Lalita Jain	Mrs. Neeta Nandkumar Agrawal

**b. Companies, firms and HUFs which form part of our Promoter Group are as follows:**

**Individual Promoter**

	Relationship	Mr. Motilal Oswal	Mr. Raamdeo Agrawal
1.	Any company in which 10% or more of the share capital is held by the Promoter or an immediate relative of the	i) Passionate Investment Management Private Limited ii) Motilal Oswal Financial Services Limited	i) Passionate Investment Management Private Limited ii) Motilal Oswal Financial Services Limited

	<b>Relationship</b>	<b>Mr. Motilal Oswal</b>	<b>Mr. Raamdeo Agrawal</b>
	Promoter or a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member	iii) Motilal Oswal Portfolio Management Services Private Limited iv) Motilal Oswal Insurance Brokers Private Limited v) Nagori Agro & Cattle Feeds Private Limited vi) Rishabh Securities Private Limited vii) Textile Export Private Limited viii) Windwell Securities Private Limited ix) Oswal Shares & Securities Limited (company in which Mr. Javerilal Oswal is interested) x) Javerilal Oswal Commodities Private Limited. (company in which Mr. Javerilal Oswal is interested)	iii) Motilal Oswal Portfolio Management Services Private Limited iv) Motilal Oswal Insurance Brokers Private Limited v) Nagori Agro & Cattle Feeds Private Limited vi) Rishabh Securities Private Limited vii) Textile Export Private Limited viii) Windwell Securities Private Limited
2.	Any company in which a company mentioned in (1) above, holds 10% of the total	i) Motilal Oswal Securities Limited ii) Motilal Oswal Commodities Broker Private Limited iii) Motilal Oswal Investment Advisors Private Limited iv) Motilal Oswal Venture Capital Advisors Private Limited v) Nagori Agro & Cattle Feeds Private Limited	i) Motilal Oswal Securities Limited ii) Motilal Oswal Commodities Broker Private Limited iii) Motilal Oswal Investment Advisors Private Limited iv) Motilal Oswal Venture Capital Advisors Private Limited v) Nagori Agro & Cattle Feeds Private Limited
3.	Any HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	i) Motilal Oswal H. U. F. (Mr. Motilal Oswal) ii) Javerilal Oswal H. U. F. (Mr. Javerilal Oswal) iii) Rajendra Oswal H. U. F. (Mr. Rajendra Oswal) iv) Champalal Pukhraj (a	i) Raamdeo Agrawal H. U. F. (Mr. Raamdeo Agrawal) ii) Agrawal Portfolios (Partnership firm in which Mr. Sukhdeo Agrawal is interested) iii) Air Systems & Engineers (Partnership firm in which

	Relationship	Mr. Motilal Oswal	Mr. Raamdeo Agrawal
		partnership firm in which Mr. Suresh Tated and Mrs. Manju Prakash Tated are partners)	Mr. Satish Agrawal is interested)  iv) Home Pride (Partnership firm in which Mr. Vinay Agrawal is interested)

### Corporate Promoter

	Relationship	Passionate Investment Management Private Limited
1.	A subsidiary or holding company of that company	Nagori Agro & Cattle Feeds Private Limited
2.	Any company in which the Promoter holds 10% or more of the equity capital, or which holds 10% or more of the equity capital of the Promoter	Motilal Oswal Financial Services Limited
3.	Any company in which a group of individuals or companies or combinations thereof who hold 20% or more of the equity capital in that company, also hold 20% or more of the equity capital of the issuer company	None

### Companies promoted by our Promoters:

#### 1. Motilal Oswal Portfolio Management Services Private Limited (MOPM)

MOPM was incorporated on November 10, 2006. The registered office of MOPM is located at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, 226, Nariman Point, Mumbai-400021. MOPM is incorporated to provide portfolio management services.

#### Main objects of MOPM:

1. To act as a portfolio manager and to carry on the business of advising on investments in stocks, shares, securities, debentures, bonds, property, depository receipts, options, obligations, derivatives and all kinds of financial instruments to any person including but not limited to individuals, government, semi-government, venture capital funds, private investors, angel investors, trusts, institutional investors, banks, companies, bodies corporate (whether incorporated or not, in India or abroad) and to manage the investments, assets and funds of such persons.
2. To carry on the business of providing financial and investment advisory services, management and facilitation services, including but not limited to identifying investment opportunities, conducting analysis, assessment and research of data and other information related to any industry, funds, national and international stock market and providing investment recommendations, and consultancy services and making available infrastructure (including but not limited to administrative, managerial, logistical, financial, communication and information technology facilities/services) to any person including but not limited to individuals, government, semi-government, venture capital funds, private investors, angel investors, trusts, institutional investors, banks, companies or any other body corporate (whether incorporated or not, in India or abroad).

### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage holding
Mr. Motilal Oswal	5,000	50
Mr. Raamdeo Agrawal	5,000	50
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

#### Board of directors

Name	Nature of directorship/designation
Mr. Motilal Oswal	Director
Mr. Raamdeo Agrawal	Director
Mr. Hitungshu Debnath	Director

#### Financial Performance

Since the company was incorporated on November 10, 2006. Therefore, the first financial year of the company pertains to the period from the date of incorporation to March 31, 2007. Hence, currently no financial results are available to report.

MOPM has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### 2. Nagori Agro & Cattle Feeds Private Limited (“Nagori”)

Nagori was incorporated on September 5, 2000. The registered office of Nagori is located at Queens Mansion, 3<sup>rd</sup> Floor, 44. A. K. Nayak Marg, Behind Khadi Gramodyog, Fort, Mumbai- 400001. Nagori is deriving its income from rent.

#### Main objects of Nagori:

To carry on in India or else where the business of manufacturers, cultivators process, prepare, mix, grind, pack, repack, add, remove, heat, preserve, freeze, buy, sell, resale, import, export, store, distribute, dispose, develop, handle, manipulate market supply and to act as an agent broker, job worker, representative, consultant, collaborator, farmer, dairymen, stockiest or otherwise deal in all types, descriptions, tastes, use their byproducts, ingredients, derivatives and residues of agricultural products, including cattle feed, food grain, crops, oil seeds, fruits, fishing, eggs, vegetables, flowers, tea, coffee, cotton, rubber and the business of dairy farming including making of pasteurized milk, powdered milk, cream, cheese, butter, and other milk products and the business of poultry farming, live stock breeding & processing and carrying of food articles spices, fruits and vegetables and of cultivating and exploiting forests and utilizing forest products.

#### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage holding
Passionate Investment Management Private Limited.	40,000	80
Mr. Motilal Oswal	5,000	10
Mr. Raamdeo Agrawal	5,000	10

<b>TOTAL</b>	<b>50,000</b>	<b>100</b>
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#### Board of directors

<b>Name</b>	<b>Nature of directorship/designation</b>
Ms. Pratiksha Oswal	Director
Mrs. Suneeta Agrawal	Director

#### Financial Performance

*Except per share data*

(Rs. in million)

<b>Particulars</b>	<b>For the year ending March 31, 2004</b>	<b>For the year ending March 31, 2005</b>	<b>For the year ending March 31, 2006</b>
Equity capital	0.50	0.50	0.50
Reserves & Surplus (excluding revaluation reserves)	(0.28)	(0.42)	(0.72)
Total revenue	0.30	1.20	1.20
Profit After Tax	(0.25)	(0.14)	(0.30)
EPS (Rs.)	(4.91)	(2.77)	(6.00)
NAV Per share (Rs.)	4.44	1.67	-4.33

Nagori has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### 3. Rishabh Securities Private Limited (RSPL)

RSPL was incorporated on September 26, 1991. The registered office of RSPL is located at 305 - Natwar Chamber, Mezannine Floor, 3<sup>rd</sup> Floor, Nagindas Master Road, Fort, Mumbai- 400 001. RSPL is deriving its income from rent.

The main objects of RSPL are to buy and sell shares, debentures and other securities.

#### Equity Shareholding Pattern

<b>Name of the Shareholders</b>	<b>No. of equity shares of the face value of Rs. 100 each</b>	<b>Percentage holding</b>
Mr. Motilal Oswal	500	50
Mr. Raamdeo Agrawal	500	50
<b>TOTAL</b>	<b>1,000</b>	<b>100</b>

**Board of directors**

Name	Nature of directorship/designation
Ms. Pratiksha Oswal	Director
Mrs. Suneeta Agrawal	Director

**Financial Performance***Except per share data**(Rs. in million)*

Particulars	For the year ending March 31, 2004	For the year ending March 31, 2005	For the year ending March 31, 2006
Equity capital	0.10	0.10	0.10
Reserves & Surplus (excluding revaluation reserves)	0.02	0.02	0.02
Total revenue	0.02	0.02	0.02
Profit After Tax	0.00	0.00	0.00
EPS (Rs.)	1.04	(0.96)	(0.85)
NAV Per share (Rs.)	124.67	123.72	122.87

RSPL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

**4. Textile Export Private Limited (TEPL)**

TEPL was incorporated on November 28, 1939. The registered office of TEPL is located at Queens Mansion, 2<sup>nd</sup> Floor, Prescott Road, Fort, Mumbai- 400001. TEPL is deriving its income from rent.

The main objects of TEPL are:

- To carry on the business of exporters and importers and to sell, purchase, export, import and otherwise deal in all kinds of goods, articles, things and produce of all kinds.
- To carry on business as merchants, manufacturers and agents and undertake, carry on and execute all kinds of trading, commercial manufacturing and other operations.
- To buy, sell, import, export, prepare for the market and deal in merchandise of all kinds.

**Equity Shareholding Pattern**

Name of the Shareholders	No. of equity shares of the face value of Rs. 100 each	Percentage holding
Motilal Oswal (H.U.F.)	386	22.06
Mrs. Vimla Oswal	250	14.28

Raamdeo Agrawal (H.U.F.)	501	28.63
Mrs. Suneeta Agrawal	613	35.03
<b>TOTAL</b>	<b>1,750</b>	<b>100</b>

#### Board of directors

Name	Nature of directorship/designation
Ms. Pratiksha Oswal	Director
Mrs. Suneeta Agrawal	Director

#### Financial Performance

*Except per share data*

(Rs. in million)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Equity capital	0.18	0.18	0.18
Reserves & Surplus (excluding revaluation reserves)	(0.16)	(0.15)	(0.13)
Total revenue	0.03	0.03	0.03
Profit After Tax	0.00	0.01	0.01
EPS (Rs.)	1.12	7.84	7.55
NAV Per share (Rs.)	8.07	15.92	23.46

TEPL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### 5. Windwell Securities Private Limited (WSPL)

WSPL was incorporated on January 13, 1995. The registered office of WSPL is located at 401- Natwar Chamber, 4<sup>th</sup> Floor, Nagindas Master Road, Fort, Mumbai- 400001. WSPL is deriving its income from rent.

Main objects of WSPL:

To deal in shares and securities and to invest the capital and other moneys of the company in the purchase or upon the security of shares, stocks, debentures, debenture stock, bonds, securities carrying on business in shares, stocks, debentures, debenture stocks, bonds, obligations and other securities Commissioners, Trust, Municipal or Local Authority, Government, corporations, companies and to carry on the business of financing industrial enterprises.

#### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage holding
Mr. Motilal Oswal	5,000	50

Mr. Raamdeo Agrawal	5,000	50
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

#### Board of directors

Name	Nature of directorship/designation
Ms. Pratiksha Oswal	Director
Mrs. Suneeta Agrawal	Director

#### Financial Performance

*Except per share data*

(Rs. in million)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Equity capital	0.10	0.10	0.10
Reserves & Surplus (excluding revaluation reserves)	(0.01)	(0.01)	(0.01)
Total revenue	0.01	0.01	0.01
Profit After Tax	0.00	0.00	0.00
EPS (Rs.)	0.02	0.11	0.12
NAV Per share (Rs.)	8.53	8.64	8.76

WSPL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### 6. Motilal Oswal Insurance Brokers Private Limited (MOIB)

MOIB was incorporated on April 23, 2007. The registered office of MOPM is located at Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064, Maharashtra, India. MOIB is incorporated to undertake insurance broking business.

#### Main objects of MOIB:

The main object of MOIB is to undertake direct insurance broking business.

#### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage holding
Mr. Motilal Oswal	5,000	50
Mr. Raamdeo Agrawal	5,000	50
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

#### Board of directors

<b>Name</b>	<b>Nature of directorship/designation</b>
Mr. Motilal Oswal	Director
Mr. Raamdeo Agrawal	Director
Mr. Hitungshu Debnath	Director

### **Financial Performance**

Since the company was incorporated on April 23, 2007. Therefore, the first financial year of the company pertains to the period from the date of incorporation to March 31, 2008. Hence, currently no financial results are available to report.

MOIB has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

### **Subsidiaries of the Issuer:**

1. Motilal Oswal Investment Advisors Private Limited;
2. Motilal Oswal Venture Capital Advisors Private Limited;
3. Motilal Oswal Securities Limited; and
4. Motilal Oswal Commodities Broker Private Limited

#### **1. Motilal Oswal Investment Advisors Private Limited (MOIA)**

MOIA has its registered office at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, Nariman Point, Mumbai-400021, and was incorporated on March 20, 2006.

MOIA carries on investment banking activities and is registered as a 'Merchant Banker' with SEBI.

### **Main objects of MOIA:**

To carry on the business of merchant bankers and investment bankers, issue and/or discount and acceptance house (other than the business of banking as described in the Banking Regulation Act, 1949), share and stock brokers, registrars and share transfer agents, to act as promoters, organizers, advisers or managers of issues of any body corporate, trust, association or other entity and of all kinds of securities including shares and debentures, and fund or venture capital trust, and to render all kinds of financial and advisory services to new and existing ventures, to carry on the business of a company established with the object of financing industrial enterprises and to act as an investment company, to conduct feasibility studies, promote and incorporate companies, prepare techno-economic reports and other market surveys, to provide assistance generally in any matter connected with the start-up and management of business and industry, liaison with banks and financial institutions, to assist in all financial costing, accountancy, internal control and other similar matters, to prepare all types of revenue and capital budgets, to advice on the deployment of funds, subscription of shares and debentures, term loans, loan and lease syndication, management of investors, funds, portfolio management, tax management, factoring and counter trade and generally to advice and assist in all types of financial, fiscal and revenue matters.

### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage holding
Motilal Oswal Financial Services Limited	750,000	75.00
Other individuals	250,000	25.00
<b>TOTAL</b>	<b>1,000,000</b>	<b>100.0</b>

MOIA had issued 90,00,000 – 9% Cumulative Redeemable Preference Shares (CRPS) of the face value of Rs. 10 each aggregating Rs. 90 million to Motilal Oswal Financial Services Limited. The CRPS have been redeemed by MOIA.

### Board of Directors

Name	Nature of directorship/Designation
Mr. Motilal Oswal	Chairman
Mr. Raamdeo Agrawal	Director
Mr. Navin Agarwal	Director
Mr. Anand Desai	Director

### Financial Performance

Since the company was incorporated on March 20, 2006, therefore, the first financial year MOIA pertains to the period from the date of incorporation to March 31, 2007. The financial performance of MOIA for the period March 20, 2006 to March 31, 2007 is given below:-

*Except per share data* (Rs. in million)

Particulars	For the period ending March 31, 2007
Equity capital	10.00
Reserves & Surplus (excluding revaluation reserves)	101.88
Total revenue	272.63
Profit After Tax	101.88
EPS (Rs.)	101.88
NAV Per share (Rs.)	111.88

MOIA has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

### 2. Motilal Oswal Venture Capital Advisors Private Limited (MOVC)

MOVC was incorporated on April 13, 2006. The Registered Office of MOVC is located at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, Nariman Point, Mumbai-400021. MOVC is engaged in providing venture capital management and advisory services.

### Main objects of MOVC:

1. To carry on the business of providing financial, investment advisory services, management and facilitation services, including but not limited to identifying investment opportunities, conducting analysis, assessment and research, of data and other information related to any industry, funds national and international stock market and providing investment recommendations, and consultancy services and making available infrastructure (including but not limited to administrative, managerial, logistical, financial, communication and information technology facilities/services) to venture capital funds, private equity funds, angel investors and any other entities whether Incorporated or not including the trustees, beneficiaries and contributories of such funds, other funds (including but not limited to funds for providing debt financing investing in equity, equity linked securities and all other instruments as permitted under applicable laws), trusts, investment companies, joint ventures, corporate, institutional, group and individual investors.
2. To carry on the business of advising and managing venture capital funds for government, private investors, trusts, institutional investors, banks, companies, individuals or any other body corporate (whether incorporated or not in India or abroad) for investments in stocks, shares, finance, debenture bonds, property, depository receipts, options, obligations, derivatives or in and all kinds of financial instruments.

#### Equity shareholding pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage Holding
Motilal Oswal Financial Services Limited	49,999	100
Motilal Oswal Financial Services Limited jointly with Mr. Motilal Oswal	1	- -
<b>TOTAL</b>	<b>50,000</b>	<b>100</b>

Pursuant to the letters of appointment, MOVC has agreed to issue upto 15% of its shares at par to certain of its employees. Upon the issue of such shares, the shareholding above will get altered.

#### Board of directors

Name	Nature of directorship/designation
Mr. Raamdeo Agrawal	Chairman
Mr. Motilal Oswal	Director

#### Financial Performance

MOVC was incorporated on April 13, 2006, the first financial year of the MOVC pertains to the period from the date of incorporation to March 31, 2007. The financial performance of MOVC for the period April 13, 2006 to March 31, 2007 is given below:

*Except per share data*

(Rs. in million)

Particulars	For the period ending March 31, 2007
Equity capital	0.50
Reserves & Surplus (excluding revaluation reserves)	(7.54)

Total revenue	7.21
Loss After Tax	(7.54)
EPS (Rs.)	(169.38)
NAV Per share (Rs.)	(140.80)

MOVC has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

### 3. Motilal Oswal Securities Limited (MOSL)

MOSL was incorporated on July 5, 1994. The registered office of MOSL is located at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, Nariman Point, Mumbai-400021.

MOSL is carrying on the business of stock broking, portfolio management services and depository services. MOSL is a member of BSE, NSE and OTCEI and is a Depository Participant with CDSL and NSDL.

#### Main objects of MOSL:

To become member of stock exchange (s) and to carry on the business as broker, sub-broker, finance broker, sponsor broker, underwriters, sub-underwriters, merchant banker, lead manager, manager to issues and offers whether by way of public offer or otherwise, portfolio manager for investment, advisor, and to act as issue house, financial consultant, registrar to issue for securities, transfer agent, custodian and to sale, purchase or otherwise deal in all kinds of securities for self or others and to act as sponsored and trustee of mutual fund or growth fund and investment in various avenues like growth fund, income fund, risk fund and mutual fund.

#### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage Holding
Motilal Oswal Financial Services Limited	1, 318,218	99.95
Mr. Motilal Oswal	100	0.00
Mr. Raamdeo Agrawal	100	0.01
Mr. Navin Agarwal	100	0.01
Other individuals	312	0.03
<b>TOTAL</b>	<b>13,18,830</b>	<b>100</b>

#### Board of Directors

Name	Nature of directorship/Designation
Mr. Motilal Oswal	Chairman & Managing Director
Mr. Raamdeo Agrawal	Joint Managing Director
Mr. Ajay Menon	Whole-time Director

#### Financial Performance

Except per share data

(Rs in million)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007
Equity capital	13.19	13.19	13.19
Reserves & Surplus (excluding revaluation reserves)	437.36	1048.51	1663.15
Total revenue	1,286.85	2,724.95	3,373.12
Profit After Tax	287.55	611.15	614.65
EPS (Rs.)	218.03	463.40	466.06
NAV Per share (Rs.)	341.58	805.03	1271.08

MOSL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

#### 4. Motilal Oswal Commodities Broker Private Limited (MOCB)

MOCB was incorporated on March 26, 1991. The registered office of MOCB is located at 81/82, Bajaj Bhavan, 8<sup>th</sup> Floor, Nariman Point, Mumbai-400021. MOCB is engaged in the business of commodities broking and is a member of NCDEX and MCX.

##### Main objects of MOCB:

1. To become a member of commodity exchange/s and/or to carry on business as brokers, sub brokers, market makers, traders arbitrageurs, investors and/or hedgers in all kinds of commodities including agricultural produce, metals, gold, silver, platinum, precious stones, diamonds, petroleum, energy products, and securities, in spot, futures and derivatives as permitted under the laws of India.
2. To carry on and undertake the business of portfolio investments and broking in equity shares, preference shares, cumulative convertible preference shares, stocks, debentures (convertible and non-convertible), company Deposits, and to deal in Government Securities including Government Bonds, loans, Units of Investments, units of Unit Trust of India.

##### Equity Shareholding Pattern

Name of the Shareholders	No. of equity shares of the face value of Rs. 10 each	Percentage Holding
Motilal Oswal Financial Services Limited	400,000	97.55
Mr. Motilal Oswal	7,900	1.93
Mrs. Vimla Oswal	2,144	0.52
<b>TOTAL</b>	<b>4,10,044</b>	<b>100</b>

**Board of directors**

<b>Name</b>	<b>Nature of directorship/designation</b>
Mr. Motilal Oswal	Chairman
Mr. Raamdeo Agrawal	Director
Mr. Rajesh Dharamshi	Director

**Financial Performance***Except per share data**(Rs. in million)*

<b>Particulars</b>	<b>Fiscal 2005</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007</b>
Equity capital	4.10	4.10	4.10
Reserves & Surplus (excluding revaluation reserves)	2.79	6.01	5.17
Total revenue	2.05	22.81	53.90
Profit After Tax	0.02	3.22	(0.82)
EPS (Rs.)	0.06	7.86	(2.04)
NAV Per share (Rs.)	16.80	24.66	22.62

MOCB has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

## RELATED PARTY TRANSACTIONS

The statements of related party disclosures of our Company are as set out below:

### CONSOLIDATED

**Related Party Disclosure:**

**For the Period Ended 31<sup>st</sup> March 2006**

**Related Parties:**

**Holding company**

1. Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)

**Group Companies**

1. Nagori Agro & Cattlefeeds Private Limited
2. Motilal Oswal Commodities Broker Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited
6. Motilal Oswal Investment Advisors Private Limited

**Key Management Personnel:**

Mr. Motilal Oswal - Chairman & Managing Director  
 Mr. Raamdeo Agrawal- Joint Managing Director  
 Mr Navin Agrawal- Executive Director  
 Mr. Ajay Menon - Whole-time Director

**Transactions with related parties for the period-ended 31<sup>st</sup> March 2006:**

(Rs. In millions)

Nature of Transaction	Holding company	company/Group	Key Management Personnel
Brokerage Received	1.70		-
Remuneration Paid	-		96.28
Compensation & Rent Paid	1.23		-
Security Deposit Paid for office premises	20.00		-

**For the Year ended 31st March 2007**

**Related Parties :-**

**Group Companies**

1. Nagori Agro & Cattlefeeds Private Limited
2. Rishabh Securities Private Limited
3. Windwell Securities Private Limited
4. Textile Exports Private Limited
5. Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)

**Key Management Personnel :-**

Mr. Motilal Oswal - Chairman & Managing Director  
 Mr. Raamdeo Agrawal - Joint Managing Director  
 Mr Navin Agrawal - Executive Director (upto 28.02.2007)  
 Mr. Ajay Menon - Whole-time Director  
 Mr Vishal Tulsyan - Whole-Time Director (from 01.05.06)

**Transactions with related parties for the year-ended 31.03.07:**

(Rs. In million)

<b>Nature of Transactions with Group companies</b>	<b>Transactions during the year</b>
Unsecured Loans taken by Motilal Oswal Venture Capital Advisors Pvt. Ltd from Passionate Investment Management Private Limited (o/s balance as on 31.03.2007 : Rs. NIL)	Maximum balance : 14.99
Unsecured Loans taken by Motilal Oswal Commodities Broker Private Limited from Passionate Investment Management Private Limited (o/s balance as on 31.03.2007 : Rs. NIL)	Maximum balance : 66.50
Purchase of Equity shares (Passionate Investment Management Private Limited)	4.00
Remuneration paid to Key Managerial Personnel	<b>101.94</b>
Brokerage Received from Passionate Investment Management Private Limited	1.16
Compensation & Rent Paid to Nagori Agro & Cattle Feeds Pvt Ltd	1.20
Compensation & Rent Paid to Rishabh Securities Pvt Ltd	0.02
Compensation & Rent Paid to Windwell Securities Pvt Ltd	0.01
Compensation & Rent Paid to Textile Exports Pvt. Ltd	0.02

Passionate Investment Management Private Limited (group company) has provided the shares towards margin for exposure limit in the Exchanges and Margin towards Bank Guarantee valuing Rs. 1,923.72 million as on 31.03.07.

### **MOFSL Standalone**

#### **Related Parties:-**

**For Period ended 31<sup>st</sup> March 2006**

**Holding Company :** Passionate Investment Management Private Limited  
(Formerly known as Motilal Oswal Investments Private Limited)

**Subsidiary Company :**  
Motilal Oswal Securities Limited

#### **Group Companies :**

- 1) Motilal Oswal Commodities Broker Private Limited
- 2) Motilal Oswal Investment Advisors Private Limited
- 3) Nagori Agro & Cattlefeeds Private Limited
- 4) Rishabh Securities Private Limited
- 5) Windwell Securities Private Limited
- 6) Textile Exports Private Limited

#### **Key Management Personnel:-**

- 1) Mr. Motilal Oswal - Chairman & Managing Director
- 2) Mr. Navin Agrawal - Executive Director
- 3) Mr Raamdeo Agrawal - Director

#### **Transactions with related parties for the period ended 31.3.2006:**

(Rs. In Millions)

<b>Nature of Transaction</b>	<b>Holding company (Rs)</b>	<b>Key Management Personnel</b>
------------------------------	-----------------------------	---------------------------------

Remuneration Paid	-	0.02
Issue of Equity shares	42.5	12.58

**For Year Ended : 31<sup>st</sup> March 2007**

**Subsidiary Companies:**

- 1) Motilal Oswal Securities Ltd
- 2) Motilal Oswal Commodities Broker Private Limited
- 3) Motilal Oswal Investment Advisors Private Limited
- 4) Motilal Oswal Venture Capital Advisors Private Limited

**Group Companies:**

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

**Key Management Personnel:-**

1. Mr. Motilal Oswal - Chairman & Managing Director
2. Mr. Navin Agrawal - Director (Upto 28.02.07)
3. Mr. Raamdeo Agrawal - Director

**Transactions with related parties for the year ended 31.03.2007:**

(Rs. in millions)

Nature of Transaction	Subsidiary Company	Amount	Outstanding balance as of 31.03.07
Temporary advance given (current account)	Motilal Oswal Commodities Broker Private Limited	Maximum balance: 120.50	60.00
Temporary advance given (current account)	Motilal Oswal Investment Advisors Private Limited	Maximum balance :40.00	8.00
Temporary advance given (current account)	Motilal Oswal Securities Ltd	Maximum balance : 710.00	Nil
Temporary advance given (current account)	Motilal Oswal Venture Capital Advisors Private Limited	Maximum balance : 9.61	3.59
Purchase of equity shares	Passionate Investment Management Private Limited	4.00	Nil
Subscription to Preference shares	Motilal Oswal Investment Advisors Private Limited	90.00	Nil

Subscription to Equity shares	Motilal Oswal Investment Advisors Private Limited	7.40	Nil
Subscription to Equity Shares	Motilal Oswal Venture Capital Advisors Private Limited	0.40	Nil
Corporate Guarantee given	Motilal Oswal Securities Ltd	680.00	680.00
Corporate Guarantee given	Motilal Oswal Commodities Broker Pvt Ltd	32.00	32.00
Remuneration Paid to key managerial personnel		0.10	Nil

**Motilal Oswal Investment Advisors Private Limited (MOIA):**

**Related Party Disclosure:**

**a) Holding company**

Motilal Oswal Financial Services Limited

**b) Group Companies:**

- 1) Motilal Oswal Securities Limited.
- 2) Motilal Oswal Venture Capital Advisors Pvt. Limited.
- 3) Passionate Investment Management Private Limited
- 4) Motilal Oswal Portfolio Management Services Private Limited
- 5) Nagori Agro & Cattle Feeds Private Limited
- 6) Motilal Oswal Commodities Broker Private Limited
- 7) Rishabh Securities Private Limited
- 8) Windwell Securities Private Limited
- 9) Textile Exports Private Limited

**b) Transactions with Related Parties :**

Nature of Transaction	Name of related party	Amount (Rs. in millions)
Rent paid	Motilal Oswal Securities Ltd.	3.00
Security Deposit given	Motilal Oswal Securities Ltd.	33.00
Business Support Services paid	Motilal Oswal Securities Ltd.	9.80
Temporary Advance (Current Account) taken	Motilal Oswal Financial Services Ltd	Maximum balance : Rs. 40 millions (o/s balance as of 31.03.07 : 8.00)
Temporary Advance (Current Account) taken	Motilal Oswal Venture Capital Advisors Pvt. Ltd	Maximum balance : Rs. 0.50 (o/s balance as of 31.03.07 : NIL)
Advisory Fees income	Motilal Oswal Securities	75.00

	Ltd.	
Allotment of Preference shares	Motilal Oswal Financial Services Ltd	90.00
Allotment of Equity shares	Motilal Oswal Financial Services Ltd	74.00

### **Motilal Oswal Venture Capital Advisors Private Limited**

Related Party Disclosure in accordance with Accounting Standard-18 issued by The Institute of Chartered Accountants of India :

#### **a) Related Parties :**

##### **Holding company:**

Motilal Oswal Financial Services Limited .

##### **Group companies :**

1. Motilal Oswal Commodities Broker Private Limited
2. Motilal Oswal Investment Advisors Private Limited
3. Motilal Oswal Securities Limited
4. Motilal Oswal Portfolio Management Services Private Limited
5. Passionate Investment Management Private Limited.
6. Nagori Agro & Cattle Feeds Private Limited
7. Rishabh Securities Private Limited
8. Windwell Securities Private Limited
9. Textile Exports Private Limited

##### **Key Management Personnel :**

Mr. Vishal Tulsyan (from 1<sup>st</sup> May' 06)

#### **b) Transactions with Related Parties :**

<b>Nature of Transactions</b>	<b>Amount (Rs.)</b>	<b>Outstanding balance as of 31.03.07 (Rs. in millions)(Rs. in millions)</b>
Temporary Advance taken from Motilal Oswal Financial Services Limited (Current Account)	Maximum balance : 9.61	3.59
Temporary Advance taken from Passionate Investment Management Private Limited (Current Account)	Maximum balance:14.99	Nil
Temporary Advance to Motilal Oswal Investment Advisors Pvt Ltd (Current Account)	Maximum balance : 0.50	Nil
Business Support Services from Motilal Oswal Securities Ltd	0.04	Nil
Rent paid / payable to Motilal Oswal Securities Ltd	0.27	0.21

Key Managerial Personnel (Remuneration Paid)	1.65	Nil
Advisory fees to Motilal Oswal Securities Ltd	4.82	Nil

4. During the period the company has paid Rs. 1,650,000 as **Managerial Remuneration** to Mr. Vishal Tulsyan (Whole time Director).

#### **MOTILAL OSWAL COMMODITIES BROKER PRIVATE LIMITED**

##### **Related Party Disclosure :**

##### **Year ended 2003-04 :**

###### 1. Holding Company :

Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)

###### 2. Group Companies:

1. Motilal Oswal Securities Limited.
2. Nagori Agro & Cattlefeeds Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited

##### **Year ended 2004-05:**

###### 1. Holding Company :

Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)

###### 2. Group Companies :

- 1) Motilal Oswal Securities Limited.
- 2) Nagori Agro & Cattlefeeds Private Limited
- 3) Rishabh Securities Private Limited
- 4) Windwell Securities Private Limited
- 5) Textile Exports Private Limited

##### **Year ended 2005-06 :**

###### 1. Holding Company:

Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)

###### 2 Group Companies :

- 1) Motilal Oswal Financial Services Limited
- 2) Motilal Oswal Securities Limited.
- 3) Motilal Oswal Investment Advisors Private Limited
- 4) Nagori Agro & Cattlefeeds Private Limited
- 5) Rishabh Securities Private Limited
- 6) Windwell Securities Private Limited
- 7) Textile Exports Private Limited

##### **Year ended 2006-07 :**

a) Holding Company :

Motilal Oswal Financial Services Ltd

b) Group Companies:

- 1) Motilal Oswal Securities Limited
- 2) Motilal Oswal Investment Advisors Private Limited
- 3) Motilal Oswal Venture Capital Advisors Private Limited
- 4) Motilal Oswal Portfolio Management Services Private Limited
- 5) Passionate Investment Management Private Limited
- 6) Nagori Agro & Cattle Feeds Private Limited
- 7) Rishabh Securities Private Limited
- 8) Windwell Securities Private Limited
- 9) Textile Exports Private Limited

**c) Transactions with Related Parties :**

<b>Name of the Group company/ Holding company</b>	<b>Particulars</b>	<b>Amount (Rs.in millions)</b>
Motilal Oswal Securities Ltd	Business Support Services	2.30
Motilal Oswal Financial Services Ltd	Corporate Guarantee	32.00
Temporary advance taken from Motilal Oswal Financial Services Ltd (current account)	Maximum balance : Rs. 120.50 millions	Outstanding balance as of 31.03.2007 : 60.00
Temporary advance taken from Passionate Investment Management Private Limited (current account)	Maximum balance : Rs. 66.50 millions	Outstanding balance as of 31.03.2007 : NIL

**Motilal Oswal Securities Limited**

**Related Party Disclosure:**

**Year Ended 2003-04 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding Company:**

Motilal Oswal Investments Private Limited (now known as Passionate Investment Management Private Limited)

**Subsidiary Company**

Nagori Agro & Cattle Feeds Private Limited

**Names of other related parties:**

**Group Companies:**

1. Motilal Oswal Commodities Broker Private Limited
2. Windwell Securities Private Limited
3. Rishabh Securities Private Limited
4. Textile Export Private Limited

**Key Management Personnel:**

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

**Transactions with related parties for the year-ended 31.3.2004:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration Paid	Nil	20.60
Compensation & Rent Paid	0.35	Nil
Business Service Center Charges to MOIPL	2.64	Nil

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2004:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration to Mr. Motilal Oswal	Nil	10.30
Remuneration to Mr. Raamdeo Agrawal	Nil	10.30
Compensation paid to Nagori Agro & Cattle feeds Pvt. Ltd	0.30	Nil
Business Service Center Charges to MOIPL	2.64	Nil

**Note:** No amount pertaining to related parties have been provided for as a doubtful debt. Also, no amount has been written off or written back during the year.

**Year Ended 2004-05 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding Company:**

Motilal Oswal Investments Private Limited (MOIPL)

**Subsidiary Company:**

Nagori Agro & Cattle Feeds Private Limited

**Names of other related parties:****Group Companies:**

Rishabh Securities Private Limited  
 Motilal Oswal Commodities Broker Private Limited  
 Windwell Securities Private Limited  
 Textile Exports Private Limited

**Key Management Personnel:**

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

**Transactions with related parties for the year-ended 31.3.2005:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Brokerage Received	2.24	Nil
Remuneration Paid	Nil	39.00
Compensation & Rent Paid	1.25	Nil
Security Deposit for office premises	20.00	Nil

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2005:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration to Mr. Motilal Oswal	Nil	19.50
Remuneration to Mr. RaamdeoAgrawal	Nil	19.50
Compensation paid to Nagori Agro & Cattle feeds Pvt. Ltd	1.20	Nil
Security Deposit for office premises to Motilal Oswal Investments Private Limited	20.00	Nil

**Year Ended 2005-06 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding companies**

1. Passionate Investment Management Private Limited (formerly known as Motilal Oswal Investments Private Limited)
2. Motilal Oswal Financial Services Limited

**Group Companies**

1. Nagori Agro & Cattlefeeds Private Limited
2. Motilal Oswal Commodities Broker Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited
6. Motilal Oswal Investment Advisors Private Limited

**Key Management Personnel :-**

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

**Transactions with related parties for the year-ended 31.3.2006:**

(Rs. in Millions)

Nature of Transaction	Holding company/Group company (Rs)	Key Management Personnel
Brokerage Received	1.70	-
Remuneration Paid	-	96.26
Compensation & Rent Paid	1.23	-
Security Deposit for office premises	20.00	-

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2006:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration to Mr. Motilal Oswal	-	46.00
Remuneration to Mr. RaamdeoAgrawal	-	46.00
Security Deposit for office premises to	20.00	-

Passionate Investments Management Pvt Ltd		
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### **Year Ended 2006-07**

Names of related parties and nature of relationship where control exists are as under:

#### **Holding company**

- a. Motilal Oswal Financial Services Limited

#### **Group Companies**

- i. Motilal Oswal Commodities Broker Private Limited
- ii. Motilal Oswal Investment Advisors Private Limited
- iii. Motilal Oswal Venture Capital Advisors Private Limited
- iv. Motilal Oswal Portfolio Management Services Private Limited
- v. Passionate Investment Management Private Limited.
- vi. Nagori Agro & Cattle Feeds Private Limited
- vii. Rishabh Securities Private Limited
- viii. Windwell Securities Private Limited
- ix. Textile Exports Private Limited

#### **Key Management Personnel :-**

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

#### **Transactions with related parties for the year ended 31<sup>st</sup> March , 2007 :**

Nature of Transaction	Group companies		Key Management Personnel	
	Year ended 31 <sup>st</sup> March 2007	Year ended 31 <sup>st</sup> March 2006	Year ended 31 <sup>st</sup> March 2007	Year ended 31 <sup>st</sup> March 2006
Brokerage Received	1.16	1.7	-	-
Remuneration Paid to key Managerial Personnel	-	-	100.03	96.26
Business Support Services Received from Motilal Oswal Investment Advisors Private Limited	9.80	-	-	-
Business Support Services Received from Motilal Oswal Venture Capital Advisors Pvt. Ltd	0.04			
Business Support Services Received from Motilal Oswal Commodities Broker Pvt. Ltd	2.30			
Advisory fees Paid to Motilal Oswal Investment Advisors Private Limited (o/s balance as on 31.03.2007 : Rs. 2.81millions)	7.50	-	-	-
Advisory fees received from Motilal Oswal Venture Capital Advisors Private Limited	4.82			

Compensation & Rent Paid to Nagori Agro & Cattle Feeds Pvt Ltd	1.20	1.23	-	-
Compensation & Rent Paid to Rishabh Securities Pvt Ltd	0.02			
Compensation & Rent Paid to Windwell Securities Pvt Ltd	0.01			
Compensation & Rent Paid to Textile Exports Pvt. Ltd	0.02			
Compensation & Rent Received from Motilal Oswal Investment Advisors Private Limited	3.00	-	-	-
Rent received/ receivable from Motilal Oswal Venture Capital Advisors Private Limited (o/s balance as on 31.03.2007 : Rs. 0.21 millions)	3.00			
Security Deposit received for office premises received from Motilal Oswal Investment Advisors Private Limited	3.30	-	-	-

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31<sup>st</sup> March 2007 :** (Rs. in Millions)

<b>Nature of Transaction</b>	<b>Transaction amounts</b>	<b>O/s Balances</b>
	<b>Year ended 31.03.07</b>	<b>As on 31<sup>st</sup> March 2007</b>
Temporary Advance during the year from holding company Motilal Oswal Financial Services Ltd	710.00 (Maximum balance)	NIL
Corporate Guarantee given by holding company Motilal Oswal Financial Services Ltd	680.00	680.00
Remuneration to Mr. Motilal Oswal	48.64	-
Remuneration to Mr. Raamdeo Agrawal	48.64	-
Security Deposit for office premises to Passionate Investments Management Pvt. Ltd	20.00	20.00

**Transactions for the year ended 31.03.2006:**

<b>Nature of Transaction</b>	<b>Group Company</b>	<b>Key Management Personnel</b>
Remuneration to Mr. Motilal Oswal	-	46.00
Remuneration to Mr. Raamdeo Agrawal	-	46.00
Security Deposit for office premises to Passionate Investments Management Private Limited	20.00	-

Passionate Investment Management Private Limited (group company) has provided the shares towards margin for exposure limit in the Exchanges and Margin towards Bank Guarantee valuing Rs. 1,923.72 millions as on 31.03.07.

## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders of the Issuer, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Issuer has no stated dividend policy.

There has been no dividend declared by the Issuer to date.

## **SECTION V: FINANCIAL INFORMATION**

### **FINANCIAL STATEMENTS**

We have represented the financial statements of our Company as follows:

1. Consolidated financial statements of Motilal Oswal Financial Services Limited since incorporation to March 31, 2007.
2. Standalone financial statements of Motilal Oswal Financial Services Limited since incorporation to March 31, 2007.
3. Unconsolidated financial statements of subsidiaries of the Issuer in existence for more than five years, for the last five years:
  - a. Motilal Oswal Securities Limited.
  - b. Motilal Oswal Commodities Broker Private Limited.

## AUDITORS' REPORT

To  
The Board of Directors  
**Motilal Oswal Financial Services Limited**

- 1) We have examined the Consolidated Restated Summary Statement of Assets and Liabilities (**Annexure I**), of **Motilal Oswal Financial Services Limited and its subsidiaries (the Group)** as at 31<sup>st</sup> March 2006 and as at 31<sup>st</sup> March 2007 and the Consolidated Restated Summary Statement of Profits and Losses (**Annexure II**), for the period ended on those dates. We have also examined the following other consolidated restated summary financial statements setout in Annexures:
  - a) Statement of Cash Flow as appearing in **Annexure III** to this report.
  - b) Statement of Accounting Ratios as appearing in **Annexure IV** to this report.
  - c) Statement of Investments as appearing in the **Annexure V** to this report.
  - d) Statement of Loans and Advances as appearing in the **Annexure VI** to this report.
  - e) Statement showing Ageing of Sundry Debtors as appearing in the **Annexure VII** to this report.
  - f) Statement of Secured loan as appearing in **Annexure VIII** to this report.
  - g) Statement of Income from Operational Activities as appearing in **Annexure IX** to this report.
  - h) Statement of Other Income as appearing in **Annexure X** to this report.
  - i) Statement of Operating Expenses as appearing in **Annexure XI** to this report.
  - j) Statement of Administrative Expenses as appearing in **Annexure XII** to this report.
  - k) Statement showing Contingent Liabilities as appearing in the **Annexure XIII** to this report.
  - l) Capitalization Statement as appearing in **Annexure XIV** to this report.
  - m) *The summary of significant accounting policies and notes to accounts adopted by the Company as appearing in **Annexure XV** to this report.*
- 2) The above statements are hereinafter collectively referred to as consolidated summary financial statements. These statements have been prepared by the Group and approved by the Board of Directors. We have stamped & initialed these statements for the purpose of identification. These consolidated summary financial statements have been prepared in accordance with:
  - a. Paragraph- B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
  - b. The Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 and the amendments from time to time thereto, to the extent applicable;

- c. The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the offer document of the Company in connection with its proposed Initial Public Offer ('IPO') in India and
- d. The Guidance Note on "Reports in Company Prospectuses" and Guidance Note on "Audit Reports/Certificates on Financial Information in Offer Documents" issued by the Institute of Chartered Accountants of India.

3) *The consolidated summary financial statements for the year ended 31<sup>st</sup> March 2007 have been examined by us in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform our audit to obtain reasonable assurance, whether the consolidated summary financial statements under examination is free of material misstatement. Included in these are the consolidated summary financial statements of certain subsidiaries of the Company, which have been audited by the other auditors. These statements reflect total assets of Rs.498.10 millions as at 31<sup>st</sup> March 2007 and total net profit after tax of Rs. 101.06 millions for the ended on 31<sup>st</sup> March 2007. The report of other auditors have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these entities, is based solely upon the report of the other auditors. In preparing the audited consolidated summary financial statements for the year ended 31<sup>st</sup> March 2007, we have relied upon the reports of:*

- a) Aneel Lasod & Associates in respect of the summary financial statements for the year ended 31<sup>st</sup> March 2007 of Motilal Oswal Commodities Brokers Private Limited ("MOCBPL") and
  - b) Paras Sheth & Associates in respect of the summary financial statements for a period from 20<sup>th</sup> March 2006 to 31<sup>st</sup> March 2007 of Motilal Oswal Investment Advisors Limited Private Limited ("MOIAPL").
- 4) *Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been used in the consolidated summary financial statements appropriately. Further in accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we report that:*
- The changes in accounting policies have been made retrospectively by the Company in respective financial years to reflect the same accounting treatment as per changed accounting policy for the all the reporting periods;
  - There are no material prior period items which require adjustments in the summary statements;
  - The extraordinary items which need to be disclosed separately in the summary statements have been disclosed appropriately and
  - There are no qualifications in the auditors' report, which require any adjustment to the summary statement.
- 5) The sufficiency of the procedures performed or adopted by the Company in preparation of the statements as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures.
- 6) *This report should not be in any way be construed as a re-issuance or re-dating of any of the previous audit report issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.*
- 7) This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company in India and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For HARIBHAKTI & CO.,  
Chartered Accountants**

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**MANOJ DAGA**  
Partner  
Membership No.:

048523  
Place: Mumbai  
Date: 9<sup>th</sup> July, 2007

**Motilal Oswal Financial Services Limited**  
**Annexure I**  
**Summary of Consolidated Restated Assets and Liabilities**

(Rupees in Millions)

	As at	
	31.03.2007	31.03.2006
<b>A. Fixed Assets :</b>		
Gross Block	966.32	670.11
Less : Depreciation	(297.45)	(191.62)
<b>Net Block</b>	668.87	478.49
Less : Revaluation Reserve	-	-
<b>Net Block After Adjustment For Revaluation Reserve</b>	668.87	478.49
Add: Capital Work in Progress	16.05	40.20
<b>Total</b>	<b>684.92</b>	<b>518.69</b>
<b>B. Investments</b>	856.25	79.20
<b>C. Current Assets, Loans and Advances :</b>		
Stock in Trade	0.04	18.43
Sundry Debtors	2,807.67	1,344.41
Cash and Bank Balances	2,164.79	1,240.92
Loans and Advances	2,409.90	1,209.34
Other Current Assets	80.75	11.53
<b>Total</b>	<b>7,463.15</b>	<b>3,824.63</b>
<b>D. Total (A+B+C)</b>	<b>9,004.32</b>	<b>4,422.52</b>
<b>E. Liabilities and Provisions :</b>		
Secured Loans	0.50	22.06
Unsecured Loans	-	-
Deffered Tax Liability	14.77	12.58
Minority Interest	30.30	0.49
<b>Current Liabilities and Provisions:</b>		
Current Liabilities	4,497.51	2,608.01
Provisions	1,129.61	677.31
<b>Total</b>	<b>(5,672.69)</b>	<b>(3,320.45)</b>
<b>F. Networth (D+E)</b>	<b>3,331.63</b>	<b>1,102.07</b>

		(Rupees in Millions)	
		As at	
		31.03.2007	31.03.2006
<b>G</b>	<b>Represented by</b>		
.			
	Paid up Share Capital		
	Equity Shares	127.11	56.18
	- Share Application Money	-	-
	Preference Shares	-	-
	Outstanding ESOP	-	47.95
	Reserves & Surplus	3,204.52	1,040.76
	Less : Revaluation Reserve	-	-
	Less: Miscellaneous Expenditure up to the extent not written off	-	(42.82)
<b>H</b>	<b>Net Reserves &amp; Surplus</b>	<b>3,204.52</b>	<b>997.94</b>
.			
<b>Net Worth</b>		<b>3,331.63</b>	<b>1,102.07</b>

**Note:**

- 1) Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.
- 2) Reserves & Surplus includes Securities Premium of Rs. 1461.92 Million.
- 3) Miscellaneous Expenditure not written off consist of compensation cost to be deferred on account of ESOP.

**Motilal Oswal Financial Services Limited**  
**Annexure II**  
**Summary of Consolidated Restated Profit and loss**

(Rupees in Millions)

	<b>For the Year Ended 31.03.2007</b>	<b>For the Period Ended 31.03.2006</b>
<b>Income</b>		
Income from Operational Activities	3,587.49	2,576.50
Other income	203.75	148.68
<b>Total Income</b>	<b>3,791.24</b>	<b>2,725.18</b>
<b>Expenditure</b>		
Operating Expenses	947.95	788.37
Staff Costs	1,012.97	635.26
Administration Expenses	462.87	307.07
Interest	39.38	31.76
Depreciation	109.98	55.48
<b>Total Expenditure</b>	<b>2,573.15</b>	<b>1,817.94</b>
Net Profit before tax, exceptional, extraordinary items and Minority Interest	1,218.09	907.24
Exceptional Items	42.64	5.13
Net Profit before tax, extraordinary items and Minority Interest	1,175.45	902.11
<b>Provision for Taxation</b>		
Current Tax	(398.94)	(282.04)
Deferred Tax	(1.96)	(8.34)
Fringe Benefit Tax	(8.72)	(4.76)
Wealth Tax	(0.19)	(0.22)
For Previous Year	(0.63)	(2.85)
<b>Net Profit after Tax but before extraordinary Items and Minority Interest</b>	<b>765.01</b>	<b>603.90</b>
Extraordinary items (Net of Tax)	41.97	-
<b>Net Profit after Tax and before Minority Interest</b>	<b>723.04</b>	<b>603.90</b>
Less Minority interest in Profits	(27.20)	(0.50)
<b>Net Profit after Tax and Minority Interest (PAT)</b>	<b>695.84</b>	<b>603.40</b>
<b>Surplus as per Profit &amp; loss A/c Brought forward (including</b>	<b>120.73</b>	<b>435.94</b>

	For the Year Ended 31.03.2007	For the Period Ended 31.03.2006
<b>Rs. 5.81 million opening balance of subsidiary company 'MOCBPL')</b>		
<b>Appropriations:</b>		
Transfer to Statutory Reserve for the year	(1.90)	-
Transfer to Capital Redemption Reserve	-	-
Less Preacquisition Profits transferred to Capital Reserve	(24.19)	(924.42)
<b>Balance Carried to Balance sheet</b>	<b>790.48</b>	<b>114.92</b>
Note: Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.		

**MOTILAL OSWAL FINANCIAL SERVICES LIMITED**  
**Annexure III**  
**Consolidated Restated Cash Flow Statement**

(Rupees in Millions )

	For the Year Ended 31-Mar-07	For the Period Ended 31-Mar-06
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAXATION &amp; EXTRAORDINARY ITEMS</b>	1175.45	902.11
Add		
Depreciation	109.98	55.48
ESOP Compensation	42.64	5.13
Loss on Sale of Fixed Assets	2.58	-
Loss on sale of Investments	4.64	-
Interest Paid	21.89	16.10
	181.74	76.70
	1357.19	978.81
Less		
Interest Recd	4.80	0.22
Profit on Investments	0.00	(43.20)
Profit on Sale of Fixed Assets	0.00	(0.87)
Dividend Received	24.18	(7.95)
	(28.97)	(51.80)
<b>OPERATING PROFIT</b>	<b>1328.22</b>	<b>927.01</b>

	For the Year Ended 31-Mar-07		For the Period Ended 31-Mar-06	
Adjustment For:				
(Increase)/Decrease In Sundry Debtors	(1415.37)		(845.25)	
(Increase)/Decrease In Stock-in-trade	18.43		(18.43)	
(Increase)/Decrease In Loans & Advances	(841.57)		(398.05)	
(Increase)/Decrease In Other Current Assets	(65.70)		(7.52)	
Increase/(Decrease) In Current Liabilities	1882.86	(421.36)	1679.65	410.39
<b>CASH GENERATED FROM OPERATIONS</b>		906.86		1337.41
Taxes paid	(386.97)	(386.97)	(208.63)	(208.63)
<b>NET CASH GENERATED FROM OPERATION BEFORE EXTRAORDINARY ITEMS</b>		519.88		1128.77
Less Extraordinary items (net of tax)		(41.97)		0.00
<b>NET CASH FROM OPERATING ACTIVITIES</b>		477.92		1128.77
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(305.32)		(375.70)	
(Increase)/Decrease In Investments	(785.68)		19.34	
(Increase)/Decrease In CWIP	24.15		(38.76)	
Sale of Fixed Assets	4.09		2.68	
Interest Recd	4.80		(0.22)	
Dividend Received	24.18		7.95	
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		(1033.77)		(384.72)
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) In Borrowing	(0.49)		(49.81)	
Increase/(Decrease) In Share Application Money	0.00		(72.27)	
Increase/(Decrease) In Share Capital	23.15		56.18	
Increase in Share Capital of Subsidiary on account of Minority Interest	2.50		-	
Increase/(Decrease) in Security Premium	1461.92		-	
Interest Paid	(21.89)		(16.10)	

	For the Year Ended 31-Mar-07	For the Period Ended 31-Mar-06
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	1465.19	(82.00)
<b>NET CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2007</b>	909.33	662.05
Cash & Cash Equivalents As At 31.03.2006	1255.46	578.87
Cash & Cash Equivalents As At 31.03.2007	2164.79	1240.92

\*Note : Opening Balance as on 31.3.2006 includes Rs. 14.54 Millions pertains to MOCBPL, which has become subsidiary company during the current financial year.

**Motilal Oswal Financial Services Limited**  
**Annexure IV**  
**Consolidated Restated Accounting Ratios**

(Rupees in Millions)

Particulars	As at	
	31.03.2007	31.03.2006
Networth (Rs.) (A)	3,331.63	1,102.07
Restated Profit after Tax (Rs.) (B)	695.84	603.40
No. of Shares outstanding ( C)	25,421,290	11,236,636
Weighted average number of shares outstanding (For Basic EPS) (D)	20,025,063	2633089
Weighted average number of shares outstanding (For Diluted EPS) (E)	22,587,189	2667830
<b>Basic earning per share (Non Annualised) (Rs.) (B / D)</b>	<b>34.75</b>	<b>229.16</b>
<b>Basic earning per share (Annualised) (Rs.)</b>	<b>34.75</b>	<b>263.03</b>
<b>Diluted earning per share (Non Annualised) (Rs.) (B / E)</b>	<b>30.81</b>	<b>226.18</b>
<b>Diluted earning per share (Annualised) (Rs.)</b>	<b>30.81</b>	<b>259.61</b>
<b>Return on Networth (%) (B / A)</b>	<b>20.89</b>	<b>54.75</b>
<b>Net Asset Value per share (Rs.) (A / C)</b>	<b>131.06</b>	<b>98.08</b>

**Note:**

1. As at 31.03.2007 face value of per share is Rs. 5, which is consolidated during the year from Rs. 2.per share
2. Basic EPS as at 31.03.2006 is restated from Rs. 91.66 to Rs. 229.16 in accordance with Accounting Standard 20 "Earnings Per Share", issued by the Institute of Chartered Accountants of India, as the shares of Rs. 2 are consolidated to Rs. 5.

3. NAV per share as at 31.03.2006 is also restated from Rs. 39.23 to Rs. 98.08, due to the consolidation of shares to Rs. 5.

**Motilal Oswal Financial Services Limited**  
**Annexure V**  
**Consolidated Statement of Investments**

(Rupees in Millions)

		(Rupees in millions)			
	Face Value Per Share (Rs.)	As at 31st March 2007		As at 31st March 2006	
		Quantity	Amount	Quantity	Amount
<b>Long Term Investments</b>					
<b>Investment in Equity Shares</b>					
<u>Quoted Investments</u>					
Cenlub Industries Ltd	10	6774	0.14	6,774	0.14
Indian Oil Corporation Ltd	10	25,000	9.47	25,000	9.47
Helios & Matherson Information Technology Ltd	10	154,000	7.58	154,000	7.58
Sanghvi Movers Ltd	10	82,843	9.89	82,843	9.89
Central Depository Services India Ltd	10	100	-	100	-
Dolphin Offshore Enterprises India Ltd	10	11,460	2.77	11,460	2.77
DS Kulkarni Developers Ltd	10	154,868	21.61	93,961	14.91
ICSA India Ltd	10	16,000	6.11	16,000	6.11
IDFC Ltd	10	2,71,087	12.71	2,71,087	12.71
PG Foils Ltd	10	0	-	66,474	3.30
Sadhana Nitrochem Ltd	10	0	-	18,559	2.98
Sarla Polyester Ltd	10	77730	8.18	50,530	4.58
The Simbhaoli Sugar Mills Ltd	10	0	-	10,000	1.46
Stone India Ltd	10	37,000	3.27	37,000	3.27
MRF Ltd	10	25,000	87.51	0	-
<u><b>Unquoted Investments</b></u>					
BSE Ltd	1	40000	0.04	40,000	0.04
<u><b>Current Investments</b></u>					
Invsetment in UTI Gold Exchange Tra Fund		10426	10.00	0	-
Investments In India Business Excellence Fund		0	24.00	0	-
Investment In Prudential ICICI Mutual Fund		10,006,202	100.06	0	-
Investment in PRINCIPAL Mutual	10	22,288,195	552.90	0	-

Fund				
<b>Total</b>	<b>33,206,686</b>	<b>856.24</b>	<b>883,788</b>	<b>79.21</b>

**Note : Market value of quoted investments as on 30.03.2007 & as on 31.03.2006 is Rs 266.54 millions & Rs.191.96 millions respectively**

**Motilal Oswal Financial Services Limited**  
**Annexure VI**  
**Consolidated Statement of Loans and Advances**

(Rupees in Millions)		
	AS AT	
	31.03.2007	31.03.2006
<b>(Secured, considered Good)</b>		
Loans, Advances & Deposits Recoverable in Cash or In Kind or for Value to be received	883.25	-
<b>(Unsecured, considered Good)</b>		
Loans, Advances & Deposits Recoverable in Cash or In Kind or for Value to be received	158.79	24.45
Prepaid Expenses & Accured Interest	1.36	-
Loan to staff	13.52	5.64
Trade Deposits	512.57	680.17
NSE Membership Deposit	5.00	5.00
Advance Tax & Tax Deducted at Source	835.41	447.08
Capital advances	-	47.00
<b>Total</b>	<b>2,409.90</b>	<b>1,209.34</b>

**Motilal Oswal Financial Services Limited**  
**Annexure VII**  
**Consolidated Statement of Sundry Debtors**

(Rupees in Millions)		
	AS AT	
	31.03.2007	31.03.2006
Secured & Considered good		
A. Debts outstanding for a period exceeding Six months		
Considered Good	23.74	10.18
Doubtful Debts	-	-
Less provision for doubtful debts	-	-

B. Other debts	2,783.93	1,334.23
<b>Total</b>	<b>2,807.67</b>	<b>1,344.41</b>

**Motilal Oswal Financial Services Limited**  
**Annexure VIII**  
**Consolidated Statement of Secured Loans**

(Rupees in Millions)

	AS AT	
	31.03.2007	31.03.2006
Loans & Advances from Banks - including Overdraft facility [ Current year Nil (Previous year - Secured by pledge of shares held by the company as investment & some other shares owned by the holding company Passionate Investment Management Pvt. Ltd. and Fixed Deposit held by the company)]	-	20.34
ICICI Bank Car loan	0.50	1.72
[[Secured by hypothecation of Motor Car, re-payment due within one year Rs.0.50 million/- (previous year Rs. Rs.1.25 million)]]		
<b>Total</b>	<b>0.50</b>	<b>22.06</b>

**Motilal Oswal Financial Services Limited**  
**Annexure IX**  
**Consolidated Statement of Income from Operational Activities**

(Rupees in Millions)

	For the Year Ended 31.03.2007	For the Period Ended 31.03.2006
Interest Income	107.49	-
Brokerage Income	3,078.90	2,382.38
Research fees	33.97	21.92
Management Fees - Portfolio Management Scheme	83.01	149.82
Depository Income	37.22	36.52
Advisory Fees	266.51	-
Profit/ (Loss) on sale of Stock-in-trade & Securities	0.60	0.31
Profit/ (Loss) on sale of Vanda	(20.21)	(14.45)
<b>Total</b>	<b>3,587.49</b>	<b>2,576.50</b>

**Motilal Oswal Financial Services Limited****Annexure X****Consolidated Statement of Other Income**

(Rupees in Millions)

	<b>For the Year Ended 31.03.2007</b>	<b>For the Period Ended 31.03.2006</b>
Interest Income	155.40	79.51
Income from Arbitrage Transaction	9.96	7.40
Profit/ (Loss) on sale of Investments	(4.64)	43.20
Dividend Income	24.18	7.95
Profit/(loss) on sale of fixed assets	(2.58)	0.87
Miscellaneous Income	7.08	9.75
Profit From Peninsular Capital Markets Ltd	13.57	-
Profit From Mani Stock Brokers Ltd	0.78	-
<b>Total</b>	<b>203.75</b>	<b>148.68</b>

**Motilal Oswal Financial Services Limited****Annexure XI****Consolidated Statement of Operating Expenses**

(Rupees in Millions)

	<b>For the Year Ended 31.03.2007</b>	<b>For the Period Ended 31.03.2006</b>
Transaction charges, Stamp Duty, & Miscellaneous (Net of recovery)	111.09	96.32
Brokerage sharing with Intermediaries	810.99	671.41
Depository Charges	25.87	20.64
<b>Total</b>	<b>947.95</b>	<b>788.37</b>

**Motilal Oswal Financial Services Limited****Annexure XII****Consolidated Statement of Administrative Expenses**

(Rupees in Millions)

	<b>For the Year Ended 31.03.2007</b>	<b>For the Period Ended 31.03.2006</b>
Rent, Rates & Taxes	49.24	30.49
Legal & Professional Charges	41.16	43.61

Marketing & Brand Promotion Expenses	68.54	55.92
Other Administrative Expenses	303.93	177.05
<b>Total</b>	<b>462.87</b>	<b>307.07</b>

**Motilal Oswal Financial Services Limited**  
**Annexure XIII**  
**Consolidated Statement of Contingent Liabilities**

(Rupees in Millions)

<b>Particulars</b>	<b>As at 31.03.2007</b>	<b>As at 31.03.2006</b>
Bank Guarantees	2,563.00	1,546.00
Income Tax Demands	25.47	25.47
<b>Total</b>	<b>2,588.47</b>	<b>1,571.47</b>

**Motilal Oswal Financial Services Ltd**  
**Annexure XIV**  
**Consolidated Capitalisation Statement**

(Rupees in Millions )

	<b>Pre Issue</b>	<b>*Post Issue (Refer point no. 2 below)</b>
Long Term debt	-	
Short Term debt	0.50	
<b>Total debt</b>	<b>0.50</b>	
<u>Shareholders funds</u>		
Equity Share Capital	127.11	
Reserve and Surplus	3,204.52	
<b>Total Shareholder's Funds</b>	<b>3,331.63</b>	
Long Term debt/equity	-	

**Notes :**

1. The figures disclosed above are based on the restated summary statement of Assets and Liabilities , as restated of Motilal Oswal Financial Services Ltd as at March 31, 2007.
2. The post issue capitalization cannot be determined till the process of book building is complete. The same will be updated before filling of prospectus.
3. Long term debt/equity = Long term Debt/Total Shareholders fund
4. Reserves & Surplus includes Securities Premium of Rs 1461.92 million

## **MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

*ANNEXURE: XV*

### **CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007**

#### **1. SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP:**

##### **1.1 SYSTEM OF ACCOUNTING:**

The Consolidated financial statements have been prepared on the basis of historical cost convention in accordance with the generally accepted accounting principles comprising the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) on the principles of going concern and requirements of the Companies Act, 1956.

The Group follows accrual system of accounting and recognizes all items of income and expenditure on accrual basis.

##### **1.2 USE OF ESTIMATES:**

The preparation of Consolidated financial statements requires the management to make estimates & assumptions that affect the reportable balances of assets & liabilities and disclosures relating to the contingent liabilities as at the date of financial statements & reported amounts of income & expenses during the year. Example of such estimates include provision for doubtful debts, employee retirement plan, provision for income taxes, useful life of fixed assets etc.

##### **1.3 FIXED ASSETS, DEPRECIATION & AMORTISATION:**

- a) Fixed Assets are stated at cost less accumulated depreciation. On all assets, depreciation has been provided on pro rata basis using the Written Down Value method at the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.*
- b) Expenses incurred on Computer Software having enduring benefits are capitalized and amortised on Straight Line Method (SLM) basis over a period of five years.*
- c) The Customer Rights acquired are shown as Intangible asset and amortised over a period of five years on Straight Line Method (SLM) basis from the date of acquisition.*
- d) Goodwill arises on acquisition is amortised over a period of three years on Straight Line Method (SLM) basis from the date of acquisition.*
- e) Payment made for the membership of the Multi-Commodity Exchange has been treated as Intangible asset and has been amortised over a period of five years on Straight Line.*

##### **1.4 INVESTMENTS:**

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

Current investments are carried at the lower of cost and fair value.

##### **1.5 STOCK IN TRADE:**

Stock in trade, comprising of securities is valued at cost or net realizable value, whichever is lower.

## **1.6 REVENUE RECOGNITION:**

*Brokerage and other income are accounted on accrual basis. Brokerage & other incomes are accounted net of service tax & securities transaction taxes wherever applicable.*

*Dividend Income is accounted when the right to receive the payment is established.*

*Arbitrage income is accounted gross of STT & STT thereon is separately booked as an expense.*

*Advisory fees and other income are accounted on accrual basis, net of service tax.*

## **1.7 FOREIGN CURRENCY TRANSACTIONS:**

*Income & expenses in foreign currencies are converted at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets & liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising at the time of settlement of transaction, are recognized in the Profit & Loss account.*

## **1.8 RETIREMENT BENEFITS:**

### **Provident Fund:**

Contribution to Provident and pension fund are funded with the appropriate authorities and charged to Profit and Loss account.

### **Gratuity:**

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date and less the fair value of plan assets, 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 Group no leave is allowed to be carried forward to the next year or encashed.*

## **1.9 TAXATION:**

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.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax asset, if any, arising from timing differences are recognised to the extent there is virtual certainty that these would be realised in future.

## **1.10 PROVISIONS AND CONTINGENT LIABILITIES:**

The Group creates a provision when there is a 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.

## **1.11 IMPAIRMENT OF ASSETS :**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. The estimated recoverable amount is compared with the recoverable amount of the cash

generation unit to which the asset belongs and is reduced to its recoverable amount, if found less. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### **1.12 EARNINGS PER SHARE:**

The basic earnings per share is computed by dividing the net profit after tax for the year by the number of weighted average equity shares outstanding during the year.

Diluted earnings per share is computed by dividing net profit after tax for the year by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

### **1.13 SIGN ON BONUS:**

*The cost of sign-on bonus paid to the employees is amortised over the period of minimum employment as agreed. Accordingly, the relevant amount pertaining to the period under consideration is debited to the Profit and Loss Account.*

## **NOTES TO ACCOUNTS OF THE GROUP:**

### **2.1 Principles and assumptions 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 Profit and Loss Account, together referred to in as 'Consolidated Financial Statements'.
- b) Following are the companies whose restated 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 ('resultant subsidiaries') as on March 31, 2006 and March 31, 2007 are as under:

Name of the Subsidiary Companies	Country	31 <sup>st</sup> March 2006			31 <sup>st</sup> March 2007		
		No. of Shares	% of Holding	Date of Acquisition	No. of Shares	% of Holding	Date of Acquisition
Motilal Oswal Securities Ltd.	India	1,318,218	99.95	18th January, 06	1,318,218	99.95	18th January, 06
Motilal Oswal Commodities Broker Pvt. Ltd.	India	-	-	-	400,000	97.55	6th April, 2006
Motilal Oswal Investment Advisors Pvt. Ltd	India	-	-	-	750,000	75	16th June, 2006

Motilal Oswal Venture Capital Advisors Pvt. Ltd.	India	-	-	-	50,000	100	18th May, 2006
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## 2.2 Principles used in preparing Consolidated Financial statements:

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

### Capital Reserve/Goodwill

Particulars	Capital Reserve				Goodwill
	31 <sup>st</sup> March 2006	31st March 2007			31st March 2007
	Motilal Oswal Securities Ltd. (Rs. In Million)	Motilal Oswal Securities Ltd. (Rs. In Million)	Motilal Oswal Commodities Broker Pvt. Ltd. (Rs. In Million)	Motilal Oswal Investment Advisors Pvt. Ltd (Rs. In Million)	Motilal Oswal Venture Capital Advisors Pvt. Ltd. (Rs. In Million)
Cost of Investment	13.18	-	4.00	7.50	0.50
Less share in Equity Share capital	(13.18)	-	(4.00)	(7.50)	(0.50)
Less : Preacquisition Profits/(Loss)	924.42	-	5.66	18.76	(0.24)
Less : Preacquisition Capital Reserve	1.42	-	0.20	-	-
Opening capital reserve	-	925.84			
<b>TOTAL</b>	925.84	925.84	5.85	18.76	0.24

Minority interests in the net income of consolidated subsidiaries for the reporting period is identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and

Minority interests in the net assets of consolidated subsidiaries should is identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the net assets consist of:

- the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and

- (ii) the minorities' share of movements in equity since the date the parent-subsidiary relationship came in existence.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### **2.3 Employees' Stock Options Scheme (ESOS) :**

During the year, the company has granted 1,261,500 Employee Stock Options to various employees of the company and its subsidiary companies. The company has adopted the policy to recognize Employee Compensation Cost as the difference between the intrinsic value and the exercise price of the options spread over its vesting period.

#### **Method of accounting for ESOS:**

The company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuation obtained from an independent valuer is Rs. 20.78 per share as on 23.01.2006 based on Net Asset Value/Asset Based Method. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The total amount to be amortised over the vesting period is Rs 47.77 million. Accordingly, the company has

- charged off to the Profit and Loss Account an amount of Rs. 42.64 million for the year ended 31<sup>st</sup> March 2007. Considering the frequency and materiality of this cost, it is reflected as Exceptional Item in Profit and Loss Account.
- also, restated the Profit & Loss amounting to Rs. 5.13 Million for the Period ended 31.03.2006

towards Employee Compensation Cost after netting off the effect of options lapsed.

#### **Fair value method**

The fair value of options, based on the valuation of the independent valuer is Rs. 21.28. Had this method been used, the additional charge to profit & loss account on account of amortisation of difference between the fair value & the exercise price during the period would have been Rs 0.39 million for the Period ended 31<sup>st</sup> March 2006 & Rs 3.13 million for the year ended 31<sup>st</sup> March 2007. The total amount that would have been amortised over the vesting period would be Rs. 51.29 millions.

#### **Salient Features: Options have been granted under the schemes as follows:**

Outstanding at the beginning of the period 01.04.2006	73,73,675
Options Granted during the year	1,261,500
Lapsed during the year	428,050
Options vested & exercised during the year	7,530,875
*Outstanding at the end of the year as on 31.03.2007	676,250

\*During the year under review the Company has consolidated face value of Equity Share from Rs.2 to Rs.5 each on 26<sup>th</sup> December 2006, In view of this Equity Shares arising out of Outstanding Option at the end of the year as on 31.03.2007 is 270,500.

### **2.4 Capital Commitments:**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs.15.60 Million . (Previous Period ended 31<sup>st</sup> March 2006 Rs. 212.60 Million )

### **2.5 Contingent liabilities not provided for:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 2563.00 Million (Previous Period : Rs 1546.00 Million )

In respect of the demand of Rs. 25.47 million, raised for the assessment proceedings (of Motilal Oswal Securities Limited) under Section 153A of the Income tax Act, 1961, the appeal proceedings

are pending before the Commissioner of Income tax (Appeals). Since then Motilal Oswal Securities Limited has paid an amount of Rs. 8.08 million in this respect.

The assessment proceedings with respect to the Company (i.e. Motilal Oswal Securities Limited) under Section 143(3) of the Income tax Act, 1961 were completed by the Income Tax authorities for the financial year 2004-05 on 29/05/2007. The Company is in appeal before the Commissioner of Income tax (Appeals) in respect of the disallowances made by the Assessing Officer on Company's claim for depreciation on BSE Cards (as an intangible asset), part depreciation on VSAT systems, and Carpet expenses written off in the books. However, no demand is raised / payable since tax paid was in excess of tax on disallowances made.

**2.6** In the opinion of the Board of Directors, all current assets, loans and advances would be realizable at least of an amount equal to the amount at which they are stated in the Balance sheet.

**2.7** Balance of Sundry debtors and Sundry creditors are subject to confirmation.

**2.8** The Group does not have any dues in respect of Small Scale Industrial Undertakings.

## **2.9 Managerial Remuneration:**

Managerial Remuneration paid to Chairman & Managing Director, Joint Managing Director, Executive Director and Whole Time Director.

<b>Particulars</b>		<b>Year ended 31<sup>st</sup> March 2007 (Rs. In Million)</b>	<b>Period ended 31.03.2006 (Rs. In Million)</b>
Salary	(i)	<b>27.19</b>	<b>25.02</b>
Commission	(ii)	<b>74.44</b>	<b>71.20</b>
Medical Allowances		<b>0.03</b>	<b>-</b>
Included in P & L a/c	A=(i) + (ii)+ (iii)	<b>101.67</b>	<b>96.22</b>
Contribution to P.F.	B	<b>0.27</b>	<b>0.04</b>
Other perquisites	C	<b>-</b>	<b>-</b>
<b>Total</b>	<b>A+B+C</b>	<b>101.94</b>	<b>96.26</b>

## **2.10 Auditors' Remuneration:**

<b>Particulars</b>	<b>Year ended 31.03.07 (Rs.In Million)</b>	<b>Period ended 31.03.2006 (Rs. In Million)</b>
As Auditors:		
Audit Fees	0.51	0.27
Tax Audit Fees	0.16	0.05
In other capacity, in respect of:	0.12	-
IPO FEES	1.00	
<b>Total</b>	<b>1.79</b>	<b>0.32</b>

## **2.11 Lease:**

Fixed Assets (V SATs) taken on operating lease during the year ended 31<sup>st</sup> March 2007 amounts to Rs. 10.22 million (Previous Period : Rs. 12.54 million ) .

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2007 amounts to Rs. 13.11 million (Previous Period ended 31<sup>st</sup> March, 2006: Rs. 19.08 million ) Details of lease rentals payable within one year and thereafter are as under:-

Particulars	Year ended 31st March 2007 (Rs.in million )	Period ended 31st March 2006 (Rs.in million )
Within one year	7.84	9.20
Later than one year and not later than five year	5.27	9.87
Later than five years	NIL	NIL

**b) General Description of lease terms: -**

- Lease rentals are charged on the basis of agreed terms.
- Assets are taken on lease for a period of 3 years.

**Immovable Properties taken on lease:**

The company has entered into lease / license agreements in respect of immovable properties with different parties. Certain such agreements contain escalation clause related to lease rentals / license fees from 5 % to 20 % p.a.

**2.12 Basic & Diluted Earnings per share:**

Particulars	Year ended 31 <sup>st</sup> March 2007	For the period ended 31st March 2006
Net Profit attributable to equity shareholders [A] (Rs.in million)	695.84	603.40
Weighted Number of equity shares for Basic EPS[B]	20,025,063	2,633,089
Basic Earnings per share (EPS) [A/B] (Non Annualised) (Rs.)	34.75	229.16
Basic Earnings per share (EPS) (Annualised) (Rs.)	34.75	263.03
Weighted Number of equity shares outstanding for Diluted EPS [C]	22,587,189	2,667,830
Diluted Earnings per share (DEPS) [A/C] (Non-Annualised) (Rs.)	30.81	226.18
Diluted Earnings per share (DEPS) (Annualised) (Rs.)	30.81	259.61

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

Particulars	For the Year ended 31st March 2007 (Rs.in million)	For the period ended 31st March 2006 (Rs.in million)
<b>Deferred Tax Liability</b>		
Difference in Closing Net Block	(22.67)	(14.88)
Customer rights (Depreciation)	(1.47)	0
Non compete	(0.71)	0
Sign-on Bonus	(9.82)	0

Disallowance under section 40(a)(ia) of the Income tax Act, 1961	(0.27)	0
<b>Deferred Tax Assets</b>		
Gratuity Provision	2.29	1.40
Preliminary Expenses	0.39	0.25
Profit /(Loss) on sale of Investments	1.58	0
Disallowance under Section 43 B of the Income tax Act, 1961	9.08	0
Disallowance under Section 40(a)(ia) of the Income tax Act, 1961	2.55	0.17
Loss to be C/f virtual certainty with convincing	4.28	0.48
<b>Deferred Tax (Assets)/Liability</b>	<b>(14.77)</b>	<b>(12.58)</b>

**2.14 Related Party Disclosure:**  
**For the Period Ended 31<sup>st</sup> March 2006**

**Related Parties :-**

**Holding company**

Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)

**Group Companies**

- 1) Nagori Agro & Cattlefeeds Private Limited
- 2) Motilal Oswal Commodities Broker Private Limited
- 3) Rishabh Securities Private Limited
- 4) Windwell Securities Private Limited
- 5) Textile Exports Private Limited
- 6) Motilal Oswal Investment Advisors Private Limited

**Key Management Personnel:**

Mr. Motilal Oswal	- Chairman & Managing Director
Mr. Raamdeo Agrawal	- Joint Managing Director
Mr Navin Agrawal	- Executive Director
Mr. Ajay Menon	- Whole-time Director

**Transactions with related parties for the period-ended 31<sup>st</sup> March 2006:**

(Rs. In millions)

<b>Nature of Transaction</b>	<b>Holding company/ company/Group</b>	<b>Key Management Personnel</b>
Brokerage Received	1.70	-
Remuneration Paid	-	96.28
Compensation & Rent Paid	1.23	-
Security Deposit Paid for office premises	20.00	-

**For the Year ended 31st March 2007**

**Related Parties :-**

**Group Companies**

1. Nagori Agro & Cattlefeeds Private Limited

2. Rishabh Securities Private Limited
3. Windwell Securities Private Limited
4. Textile Exports Private Limited
5. Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)

**Key Management Personnel :**

Mr. Motilal Oswal	- Chairman & Managing Director
Mr. Raamdeo Agrawal	- Joint Managing Director
Mr Navin Agrawal	- Executive Director (upto 28.02.2007)
Mr. Ajay Menon	- Whole-time Director
Mr Vishal Tulsyan	- Whole-Time Director (from 01.05.06)

**Transactions with related parties for the year-ended 31.03.07:**

**(Rs. In million)**

<b>Nature of Transactions with Group companies</b>	<b>Transactions during the year</b>
Unsecured Loans taken by Motilal Oswal Venture Capital Advisors Pvt. Ltd from Passionate Investment Management Private Limited (o/s balance as on 31.03.2007 : Rs. NIL)	Maximum balance: 14.99
Unsecured Loans taken by Motilal Oswal Commodities Broker Pvt. Ltd. from Passionate Investment Management Private Limited (o/s balance as on 31.03.2007 : Rs. NIL)	Maximum balance : 66.50
Purchase of Equity shares (Passionate Investment Management Private Limited)	4.00
Remuneration paid to Key Managerial Personnel	<b>101.94</b>
Brokerage Received from Passionate Investment Management Private Limited	1.16
Compensation & Rent Paid to Nagori Agro & Cattle Feeds Pvt Ltd	1.20
Compensation & Rent Paid to Rishabh Securities Pvt Ltd	0.02
Compensation & Rent Paid to Windwell Securities Pvt Ltd	0.01
Compensation & Rent Paid to Textile Exports Pvt. Ltd	0.02

Passionate Investment Management Pvt. Ltd. (group company) has provided the shares towards margin for exposure limit in the Exchanges and Margin towards Bank Guarantee valuing Rs. 1,923.72 million as on 31.03.07.

**2.15 SEGMENT INFORMATION:**

**For the Period Ended 31<sup>st</sup> March 2006**

**(Rs. In million)**

<b>Particulars</b>	<b>Broking</b>	<b>PMS</b>	<b>Unallocated</b>	<b>Total</b>
	2005-06	2005-06	2005-06	2005-06
Revenue	2382.37	149.82	192.75	2724.95
Less: Inter Segment Revenue	-	-	-	-
Expenses	787.3	-	1027.31	1814.61
Less: Inter Segment Expenses	-	-	-	-
Exceptional Items	-	-	-	-

Profit Before Tax	1595.08	149.82	-834.56	910.34
<b>Other Information</b>				
Segment Assets	1202.69	141.72	3036.94	4381.34
Segment Liability	2063.12	-	1256.54	3319.66

*The above Segments wise details are reported to the extent available with the Company (MOSL). The Group does not have any Reportable Geographical Segment.*

**For the Year ended 31st March 2007**

**Business Segment**

**(Rs. In million)**

Particulars	Broking	PMS	Unallocated	Total
	2006-07	2006-07	2006-07	2006-07
Revenue	3029.57	83.01	260.54	3373.12
Less: Inter Segment Revenue	-	-	-	-
Expenses	910.65	-	1471.51	2382.16
Less: Inter Segment Expenses	-	-	-	-
Exceptional Items	-	-	63.27	63.27
Profit Before Tax	2118.92	83.01	-1274.23	927.7
<b>Other Information</b>				
Segment Assets	2610.27	51.29	4396.49	7058.06
Segment Liability	4005.47	-	1376.26	5381.73

*The above Segments wise details are reported to the extent available with the Company (MOSL). The Group does not have any Reportable Geographical Segment.*

**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.**

Method	Project Unit Credit Method
<b>Assumptions</b>	
Discount Rate	7%P.A.
Expected Return On Plan Assets	NA
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Attrition	20% p.a.
Retirement	55yrs

**Motilal Oswal Financial Services Ltd.**

Change in Obligation	(Rs. In Million)
Present Value of obligation as on 01-04-2006	0.74
Interest Cost	0.05

Current Service Cost	0.13
Benefits Paid	-
Actuarial (gain) loss on obligation	(0.32)
Present Value of obligation 31-03-2007	0.60

#### Change in Plan Assets

Fair value of Plan Assets as on 01-04-2006	-
Expected Return On Plan Assets	-
Benefits Paid	-
Fair value of Plan Assets as of 31-03-2007	-
Total Actuarial gain /(loss) to be recognized	0.32

#### Reconciliation of Present Value of Obligation and Plan Assets

(Rs. In million)

Closing Fund Balances	
Closing Present Value of Accrued Gratuity	0.60
Net Liability	0.60
Unrecognized Past Service Cost	0.74
Liability recognized in the Balance Sheet	1.34

#### Motilal Oswal Securities Ltd.

Change in Obligation	(Rs. In Million)
Present Value Of obligation 01-04-2006	8.33
Interest Cost	0.58
Current Service Cost	8.21
Curtailment & settlement (employees Transfer to Motilal Oswal Financial Services Ltd)	(0.02)
Curtailment & settlement (employees Transfer to Motilal Oswal Commodities Broker Pvt Ltd)	(0.06)
Benefits Paid	0.22
Actuarial (gain) loss on Obligation	(3.44)
Present Value Of obligation 31-03-2007	13.37
<b>Change in Plan Assets</b>	
Fair value of plan Assets 01-04-2006	-
Contributions	0.30
Benefits Paid	(0.30)
Fair value of plan Assets 31-03-2007	-
Total Actuarial gain (loss) to be recognized	3.44

#### Reconciliation of Present Value of Obligation and Plan Assets

Closing Fund Balances	-
Closing Present Value of Accrued Gratuity	13.37

Net Liability	13.37
Liability recognised in the Balance Sheet	13.37

**Motilal Oswal Venture Capital Advisors Pvt. Ltd.**

**Changes in the Present Value of the Obligation and in the Fair Value of the Assets**

(Rs. In Million)

Present Value of obligation as on 01-04-2006	-
Interest Cost	-
Current Service Cost	0.02
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on obligation	0.03
Present Value of obligation as on 31-03-2007	0.05

Fair value of Plan Assets as on 01-04-2006	-
Expected Return On Plan Assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (loss) Plan Assets	-
Fair value of Plan Assets as on 31-03-2007	-

Total Actuarial gain (loss) to be recognised	(0.03)
--	--------

**Reconciliation of Present Value of Obligation and Plan Assets**

Closing Fund Balances	-
Closing Present Value of Accrued Gratuity	0.05
Net Liability	0.05
Liability recognised in the Balance Sheet	0.05

**Motilal Oswal Commodities Broker Pvt. Ltd.**

**Changes in the Present Value of the obligation and in the Fair Value of the Assets**

(Rs. In Million)

Present Value Of obligation 01-04-2006	0.06
Interest Cost	0.00
Current Service Cost	0.12
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	0.11
Present Value Of obligation 31-03-2007	0.30

Fair value of plan Assets 01-04-2006	-
Expected Return On plan assets	-
Contributions	-

Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2007	-

Total Actuarial gain (loss) to be recognized	(0.11)
--	--------

#### **Movement in the net Liability recognised in the Balance Sheet**

Closing Fund Balances	-
Op. of Net Liability	0.06
Closing Present Value of Accrued Gratuity (31.03.2007)	0.30
Liability recognised in the Balance Sheet	0.37

#### **Motilal Oswal Investment Advisors Pvt. Ltd.**

##### **Changes in the Present Value of the Obligation and in the Fair Value of the Assets**

**31-March 2007**

(Rs. In Million)

Present Value of obligation as on 01-04-2006	-
Interest Cost	-
Current Service Cost	0.23
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on obligation	0.28
Present Value of obligation as on 31-03-2007	0.51

Fair value of Plan Assets as on 01-04-2006	-
Expected Return on Plan Assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (loss) Plan Assets	-
Fair value of Plan Assets as on 31-03-2007	-
Total Actuarial gain (loss) to be recognised	(0.28)

#### **Movement in the Net Liability recognised in the Balance Sheet**

Opening net Liability	-
Expenses	0.51
Contribution	-
Closing Net Liability	0.51

#### **2.17 Provisions:**

Provisions made for the Year ended 31<sup>st</sup> March, 2007 comprises of :

Particulars	Opening balance (Rs.In million)	Provided during the Year ended 31.03.07 (Rs.In million)	Provision reversed during the year ended 31.03.07 (Rs.In million)	Closing balance as of 31.03.07 (Rs.In million)
Exgratia	231.52	346.67	231.52	346.67

**2.18** The Company has sponsored a Trust under the Indian Trusts Act, 1882 in the name of Business Excellence Trust by making initial settlement of Rs.0.01 million. The Trust has applied for registration as a domestic venture capital fund under Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996. It has been settled with the purpose of carrying out investments in Indian companies. IL & FS Trust Company Limited is appointed as the Trustee of the Trust who will manage the fund and float various schemes and different classes of units under such schemes for the fund.

*The Trust has floated the fund called “India Business Excellence Fund” structured as a unit scheme. The company has given capital commitment of 10% of total capital commitment received by the fund up to maximum limit of Rs. 450 Million. Out of total capital commitment the company has already invested Rs. 24 Million during the year ended on 31.03.07.*

**2.19 EXCEPTIONAL COST:**

The company has debited expense of Rs. 42.64 million towards Employee Compensation Cost in respect of ESOPs granted by the company as exceptional item.

**2.20** Pursuant to the resolution passed by the members at the Extraordinary General Meeting Of the Company held on 26<sup>th</sup> December, 2006, the Company consolidated the equity shares of the face value Of Rs. 2 Each into the Equity Shares of the face value of Rs. 5 each.

**2.21 IPO Expenses :**

Pending Completion of IPO, expenses incurred in connection with the same have been shown under “other Current Assets”. These expenses would be either adjusted against the Securities Premium Account or charged to Profit & Loss Account in the next year upon completion of IPO.

**2.22** 12,479,244 Optionally Convertible Redeemable Preference Shares (OCRPS) of the face value of Rs. 100 each aggregating to Rs. 1247.90 million issued in accordance with the provisions of the Investment Agreement dated 7<sup>th</sup> March, 2006 (“the Agreement”), entered into between the Company, New Vernon Private Equity Limited and Bessemer Venture Partners Trust were converted into 24,04,940 equity shares of the face value of Rs. 5 each at a premium of Rs. 513.90 per share in accordance with the Agreement and the fraction arising on the conversion is redeemed in cash. The Company has created a Capital Redemption Reserve of Rs. 1,034 in respect of the OCRPS redeemed in cash.

**2.23 Acquisition of Customer Rights, Fixed Assets and Goodwill:**

During the year, the company has entered into agreement with Peninsular Capital Markets Limited, Mani Stock Brokers and Capital Deals’ stock and share business for acquiring the Customer Rights, Fixed Assets, and Goodwill. Pursuant to these agreements, the company has paid Rs. 68.30 Million, Rs. 27.50 Million and Rs. 9.00 Million towards Customer Rights, Fixed Assets and Goodwill respectively. In accordance with the requirements of Accounting Standards (AS) 10 and 26 dealing with Fixed Assets and Intangible Assets, the company has capitalized these payments and shown the same under Fixed Assets Schedule under the respective heads.

**2.24** During the year, Motilal Oswal Financial Services Ltd, Motilal Oswal Securities Ltd and Motilal Oswal Commodities Broker Pvt Ltd has changed the method of accounting in respect of Gratuity Liabilities from cash to accrual basis. Accordingly, in terms of AS-15 “Employees Benefits (Revised 2005)” the company has recognized the Gratuity Liability amounting to Rs.15.08 millions in the Profit and Loss Account and the same is based on the Actuarial Valuation as on the Balance Sheet date.

2.25 During the year, the company has paid Rs. 65.36 Million Non- Compete Fees to various parties. Out of this, Rs.63.27 Million has been charged to Profit & Loss Account (net of taxes Rs. 41.97 Million) as extra-ordinary items and balance being prepaid in nature has been shown under Schedule “Current Assets, Loans and Advances”.

2.26 Figures of previous years have been re-grouped /re-arranged / restated wherever considered necessary.

Place : Mumbai

Dated : 09<sup>th</sup> July 2007

## AUDITORS' REPORT

To  
The Board of Directors  
**Motilal Oswal Financial Services Limited**

1. We have examined the Restated Summary Financial Statement of Assets and Liabilities (**Annexure I**), of the Company as at 31<sup>st</sup> March 2006 and as at 31<sup>st</sup> March 2007 and the Restated Summary Statement of Profits and Losses (**Annexure II**), of **Motilal Oswal Financial Services Limited (“the Company”)** for the year ended on those dates. We have also examined the following other restated financial summary statements relating to the Company for the purpose of inclusion in the Offer Document:

- a) Statement of Cash Flow as appearing in **Annexure IV** to this report.
- b) Statement of Other Income as appearing in **Annexure V** to this report
- c) Statement of Accounting Ratios as appearing in **Annexure VI** to this report.
- d) Statement of Investments as appearing in **Annexure VII** to this report.
- e) Statement of Loans and Advances as appearing in **Annexure VIII** to this report.
- f) Statement showing Contingent Liabilities as appearing in **Annexure IX** to this report.
- g) Statement of Tax Shelter as appearing in the **Annexure X** to this report.
- h) Capitalization Statement as appearing in **Annexure XI** to this report.
- i) Statement of Proposed Dividend as appearing in **Annexure XII** to this report.
- j) The summary of significant accounting policies and notes to accounts adopted by the Company is appearing in **Annexure XIII** to this report.

2. The above statements are hereinafter collectively referred to as summary financial statements. These summary financial statements have been prepared by the Company and approved by the Board of Directors. We have stamped & initialed these statements for the purpose of identification. These summary financial statements have been prepared in accordance with:

- a) Paragraph- B (1) of Part II of Schedule II to the Companies Act, 1956 (‘the Act’);
- b) The Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines 2000 (‘the Guidelines’) and the related clarifications issued by the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 and the amendments from time to time thereto, to the extent applicable;
- c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the offer document of the Company in connection with its proposed Initial Public Offer (‘IPO’) in India and
- d) The Guidance Note on “Reports in Company Prospectuses” and Guidance Note on “Audit Reports/Certificates on Financial Information in Offer Documents” issued by the Institute of Chartered Accountants of India.

3. The summary financial statements for the year ended 31<sup>st</sup> March 2007 have been audited by us in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered

Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the summary statements under examination is free of material misstatement.

4. Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the summary statements appropriately. Further, based on our examination of these related summary statements, we confirm that:
  - These profits/losses have been arrived at after making such adjustments and regroupings, as stated in **Annexure III** to the report and read together with notes to accounts.
  - The changes in accounting policies have been made retrospectively by the Company in respective financial years to reflect the same accounting treatment as per changed accounting policy for the all the reporting periods;
  - There are no material prior period items which require adjustments in the summary statements;
  - There are no extraordinary items which need to be disclosed separately in the summary statements and
  - There are no qualifications in the auditors' report, which require any adjustment to the summary statement.
5. The sufficiency of the procedures performed or adopted by the Company in preparation of the statements as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures.
6. This report should not be in any way be construed as a re-issuance or re-dating of any of the previous audit report issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
7. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company in India and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For HARIBHAKTI & CO.,  
Chartered Accountants**

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**MANOJ DAGA**  
Partner  
Membership No.: 048523

Place: Mumbai.  
Date: 9<sup>th</sup> July 2007

**MOTILAL OSWAL FINANCIAL SERVICES LTD**

**Annexure I**

**Summary of Restated Assets & Liabilities**

(Indian Rupees in Millions)

<b>Particulars</b>	<b>As at 31.03.2007</b>	<b>As at 31.03.2006</b>
<b>A. Fixed Assets :</b>	-	-
<b>B. Investments</b>	<b>475.49</b>	<b>19.49</b>
<b>C. Deferred Tax Assets</b>	<b>0.65</b>	<b>0.98</b>
<b>D. Current Assets, Loans and Advances :</b>		
Cash and Bank Balances	71.63	34.71
Loans and Advances	1,055.48	0.05
Other Current Assets	29.76	0.10
<b>Total</b>	<b>1,156.87</b>	<b>34.86</b>
<b>E. TOTAL (A+B+C+D)</b>	<b>1,633.01</b>	<b>55.33</b>
<b>F. Liabilities and Provisions :</b>		
Secured Loans	-	-
Deffered Tax Liability	-	-
Current Liabilities and Provisions		
(a) Current Liabilities	5.15	0.53
(b) Provisions	31.20	0.74
<b>Total</b>	<b>(36.35)</b>	<b>(1.27)</b>
<b>G. Networth (E+F)</b>	<b>1,596.66</b>	<b>54.06</b>

	As at 31.03.2007	As at 31.03.2006
<b>H Represented by</b>		
Paid up Share Capital		
Equity Shares	127.11	56.18
Outstanding ESOP	-	47.95
Reserves & Surplus	1,469.55	(7.25)
Less : Revaluation Reserve	-	-
Less: Miscellaneous Expenditure not written off	-	(42.82)
Reserves & Surplus (Total)	1,469.55	(50.07)
<b>Total</b>	<b>1,596.66</b>	<b>54.06</b>
<b>Net Worth</b>	<b>1,596.66</b>	<b>54.06</b>

Note:

1. Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.
2. Reserve & Surplus includes Securities Premium of Rs. 1461.92 Million
3. Miscellaneous Expenditure not written off consist of compensation cost to be deferred on account of Employee Stock Option Scheme. (ESOP)

## MOTILAL OSWAL FINANCIAL SERVICES LTD

### Annexure II

#### Summary of Restated Profit & Loss

(Rupees in Millions)

Particulars	For the year ended 31.03.2007	For the period ended 31.03.2006
<b>Income</b>		
Interest income	107.48	-
Other income	2.29	0.22
<b>Total Income</b>	<b>109.77</b>	<b>0.22</b>
<b>Expenditure</b>		
Staff Costs	13.92	2.28
Administration Expenses	8.28	1.04
Interest	2.00	-
Exceptional item	42.64	5.13
<b>Total Expenditure</b>	<b>66.84</b>	<b>8.45</b>

<b>Net Profit/(Loss) before tax</b>	<b>42.93</b>	<b>(8.23)</b>
<b>Provision for Taxation</b>		
Current Tax	(27.66)	-
Deffered Tax	(0.33)	0.98
Fringe Benefit Tax	(0.06)	-
Net Profit After Tax before Appropriations	14.88	(7.25)
Appropriations		
Transfer to Statutory Reserve for the year	(1.90)	-
Transfer to Capital Redemption Reserve	(0.00)	-
<b>Net Profit/(Loss) after Appropriations</b>	<b>12.98</b>	<b>(7.25)</b>
<b>Surplus as per restated Profit &amp; loss</b>	<b>(7.25)</b>	<b>-</b>
Balance Carried to Balance sheet	5.73	(7.25)
Note: Figures stated in the Year 2005-06, are for a period from 18th May, 2005 to 31st March, 2006.		

**Annexure III**  
**Statement of Reconciliation of Profit After Tax (Restated)**

(Rupees in Millions)

<b>Particulars</b>	<b>For the period ended 31.03.2006</b>
<b>Profit after tax (PAT) as per audited accounts</b>	<b>(1.88)</b>
<b><u>Adjustments for</u></b>	
Provision for Gratuity	(0.74)
ESOP Compensation cost	(5.13)
Deferred Tax Asset/(Liability)	0.50
<b>Total Adjustments</b>	<b>(5.37)</b>
PAT as per Restatement	(7.25)

**MOTILAL OSWAL FINANCIAL SERVICES LTD.**
**Annexure IV**
**CASH FLOW STATEMENT**

(Rupees in Millions)

	<b>For the Year Ended 31st March 2007</b>		<b>For the Period Ended 31st March 2006</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>PROFIT BEFORE TAX</b>		<b>42.94</b>		<b>(8.23)</b>
Add :				
1) ESOP Compensation (Exceptional Item)	42.64		5.13	
2) Interest Paid	1.96	44.60	-	5.13
		87.53		(3.10)
Less :				
1) Interest Received on Fixed Deposits	0.02		0.22	
2) Dividend Received	2.26	(2.28)	-	(0.22)
<b>OPERATING PROFIT</b>		<b>85.26</b>		<b>(3.32)</b>
Adjustment For:				
1) (Increase)/Decrease In Sundry Debtors	-			
2) (Increase)/Decrease In Stock-in-trade	-			
3) Increase In Loans & Advances	(1,055.43)		(0.05)	
4)(Increase)/Decrease In Interest Accrued/ Other Current Assets	(10.11)		(0.10)	
5) Increase In Current Liabilities	7.35	(1,058.19)	1.28	1.12
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(972.93)</b>		<b>(2.20)</b>
Taxes Paid	(19.55)	(19.55)	-	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(992.48)</b>		<b>(2.20)</b>

	For the Year Ended 31st March 2007	For the Period Ended 31st March 2006
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease In Investments	(456.00)	(19.49)
Interest Received on Fixed Deposits	0.02	0.22
Dividend Received	2.26	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(453.72)</b>	<b>(19.27)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) In Share capital	23.15	56.18
Increase/(Decrease) In Securities Premium Account	1,461.92	
Increase/(Decrease) In Borrowing	-	-
Interest Paid	(1.96)	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>1,483.12</b>	<b>56.18</b>
<b>NET CASH FLOW FOR THE YEAR/PERIOD ENDED</b>	<b>36.92</b>	<b>34.71</b>
Cash & Cash Equivalents as at 31.03.2006	34.71	-
Cash & Cash Equivalents as at 31.03.2007	71.63	34.71

**MOTILAL OSWAL FINANCIAL SERVICES LTD**

**Annexure V**

**Statement of Other Income (Restated)**

(Rupees in Millions)

Particulars	For the year ended 31.03.2007	For the period ended 31.03.2006
Dividend From Indian Companies	0.14	-
Dividend On Mutual Fund	2.12	-
Fixed Deposit Receipts Interest	0.02	0.22

Miscellaneous Income	0.02	-
<b>TOTAL</b>	<b>2.30</b>	<b>0.22</b>

**MOTILAL OSWAL FINANCIAL SERVICES LTD**

**Annexure VI**

**Restated Accounting Ratios**

(Indian Rupees in Millions)

<b>Paticulars</b>	<b>AS AT 31.03.2007</b>	<b>AS AT 31.03.2006</b>
Networth (Rs.) (A)	1,596.66	54.06
Restated Profit after Tax (Rs.) (B)	14.88	(7.25)
No. of Shares outstanding -( C)	25,421,290	11,236,636
Weighted average number of shares outstanding (For Basic EPS) (D)	20,025,063	2,633,089
Weighted average number of shares outstanding (For Diluted EPS) (E)	22,587,189	2,667,830
Basic earning per share (Non Annualised) (Rs.) (B / D)	0.74	(2.75)
Basic earning per share (Annualised) (Rs.)	0.74	(3.16)
Diluted earning per share (Non Annualised) (Rs.) (B / E)	0.66	-
Diluted earning per share (Annualised) (Rs.)	0.66	-
<b>Return on Networth (%) (B/A)</b>	<b>0.93</b>	<b>(13.41)</b>
<b>Net Asset Value per share (Rs.) (A / C)</b>	<b>62.81</b>	<b>4.81</b>

Note:

1. As at 31.03.2007 face value of per share is Rs. 5, which is consolidated during the year from Rs. 2.per share
2. Basic EPS as at 31.03.2006 is restated from Rs. (1.10) to Rs. (2.75) in accordance with Accounting Standard 20 "Earnings Per Share", issued by the Institute of Chartered Accountants of India, as the shares of Rs. 2 are consolidated to Rs. 5.
3. NAV per share as at 31.03.2006 is also restated from Rs. 1.92 to Rs. 4.81, due to the consolidation of shares to Rs. 5.

**MOTILAL OSWAL FINANCIAL SERVICES LTD**

**Annexure VII**

**Statement of Investments (Restated)**

(Indian Rupees in Millions)

Particulars	Face Value per share (Rs.)	Quantity	As at 31.03.2007	Quantity	As at 31.03.2006
<b><u>Long Term Investments</u></b>					
<b><u>Investment in Equity Shares</u></b>					
<b><u>Quoted Investments</u></b>					
IDFC Ltd	10	136,649	6.31	136,649	6.31
<b><u>Unquoted Investments in subsidiaries</u></b>					
<b><u>In Equity Shares:</u></b>					
Motilal Oswal Securities Ltd	10	1,318,218	13.18	1,318,218	13.18
Motilal Oswal Commodities Brokers Pvt Ltd	10	400,000	4.00		-
Motilal Oswal Investment Advisors Pvt Ltd	10	750,000	7.50		-
Motilal Oswal Venture Capital Advisors Pvt Ltd	10	50,000	0.50		-
<b><u>In Preference Shares</u></b>					
Motilal Oswal Investment Advisors Pvt Ltd	100	900,000	90.00		-
<b><u>Other Investments</u></b>					
Investments In India Business Excellence Fund	10		24.00		-
<b><u>Current Investments</u></b>					
<b><u>Investment in Mutual funds</u></b>					
PNB Principal	10		330.00		-

Note : Market value of quoted investments as on 30th March 2007 is Rs.11.44 Millions (previous year Rs.9.09 Millions)				
<b>Total</b>	<b>3,554,867.00</b>	<b>475.49</b>	<b>1,454,867.00</b>	<b>19.49</b>

## MOTILAL OSWAL FINANCIAL SERVICES LTD

### Annexure VIII

#### Statement of Restated Loans & Advances

(Indian Rupees in Millions)

<b>Particulars</b>	<b>As at 31.03.2007</b>	<b>As at 31.03.2006</b>
<b>Loans, Advances &amp; Deposits Recoverable in Cash or In Kind or for Value to be received</b>		
Loans Given (Secured & Considered Good)	883.25	-
Loans Given (Unsecured & Considered Good)	172.00	
Loan to staff	0.23	-
Tax deducted at source on Fixed Deposit Receipts	-	0.05
<b>Total</b>	<b>1,055.48</b>	<b>0.05</b>

### Annexure IX

#### Statement of Contingent Liabilities

(Indian Rupees in Millions)

<b>Particulars</b>	<b>AS AT 31.03.2007</b>	<b>AS AT 31.03.2006</b>
Bank Guarantees	712.00	-
<b>Total</b>	<b>712.00</b>	<b>-</b>

## MOTILAL OSWAL FINANCIAL SERVICES LTD

### Annexure X

#### STATEMENT OF TAX SHELTER

(Indian Rupees in Millions)

<b>Particulars</b>	<b>For the Year ended 31.03.2007</b>	<b>For the Period ended 31.03.2006</b>
Profit before Tax as Restated	42.93	(8.23)
Normal Tax Rate	A 33.66%	33.66%
MAT Tax Rate	11.22%	8.42%

<b>Notional Tax Expenses</b>	<b>B</b>	<b>14.45</b>	<b>(2.77)</b>
<b><u>Adjustments for</u></b>			
<b><u>I) Permanent differences</u></b>			
Share Issue Expenses		0.04	-
ESOP Compensation		42.64	5.13
Dividend		(2.26)	-
<b>Total</b>	<b>C</b>	<b>40.42</b>	<b>5.13</b>
<b><u>II) Timing differences</u></b>			
Expenditure disallowed u/s. 35D of Income-tax Act, 1961 - Preliminary expenses		-	0.76
1/5th Expenditure allowed u/s. 35D of Income-tax Act, 1961 - Preliminary expenses (disallowed in the previous year)		(0.19)	-
Set off of brought forward loss		(1.60)	
Gratuity Provision		0.60	0.74
<b>Total</b>	<b>D</b>	<b>(1.18)</b>	<b>1.50</b>
<b>Net Adjustments (C + D)</b>	<b>E</b>	<b>39.25</b>	<b>6.63</b>
<b>Tax payable on adjustments (E * A)</b>	<b>F</b>	<b>13.21</b>	<b>2.23</b>
<b>Total Provision for taxation (B +F)</b>		<b>27.66</b>	<b>-</b>

**Motilal Oswal Financial Services Ltd**

**Annexure XI**

**Capitalisation Statement**

(Rupees in Millions )

	<b>Pre Issue</b>	<b>*Post Issue (Refer point No. 2 below)</b>
Long Term debt	-	
Short Term debt	-	
Total debt	-	

<b><u>Shareholders funds</u></b>		
Equity Share Capital		127.11
Reserve and Surplus		1,469.55
Total Shareholder's Funds		1,596.66
Long Term debt/equity	-	

Notes :

1. The figures disclosed above are based on the restated summary statement of Assets and Liabilities of Motilal Oswal Financial Services Ltd as at March 31, 2007.
2. The post issue capitalization cannot be determined till the process of book building is complete. The same will be updated before filling of prospectus.
3. Long term debt/equity = Long term Debt/Total Shareholders fund
4. Reserves & Surplus includes Securities Premium of Rs 1461.92 million

## **Annexure XII**

### **Details of Dividend declared**

(Rupees in Millions )

<b>Particulars</b>	<b>For the period ended 31.03.2007</b>	<b>For the period ended 31.03.2006</b>
Equity Share Capital	127.11	56.18
Face Value Per Share	5	5
Amount of Dividend	-	-
Dividend Tax	-	-

## *ANNEXURE : XIII*

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007 AND FOR THE PERIOD ENDED MARCH 31, 2006

#### **1. Nature of Business:**

The Company is Non-banking Financial Company registered with the Reserve Bank of India ("RBI") under section 45-IA of the Reserve Bank of India Act, 1934. The Company received the Certificate of Registration from the RBI has 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 & transferred an amount of Rs. 1.90 millions being 20% of the Profit After Tax (PAT) for the year.

#### **2. SIGNIFICANT ACCOUNTING POLICIES:**

##### **2.1 SYSTEM OF ACCOUNTING:**

The financial statements have been prepared on the basis of historical cost convention, in accordance with the generally accepted accounting principles comprising the mandatory Accounting Standards

issued by the Institute of Chartered Accountants of India (ICAI), on the principles of a going concern and requirements of the Companies Act, 1956.

The Company follows accrual system of accounting and recognizes all items of income and expenditure on accrual basis.

## **2.2 USE OF ESTIMATES:**

The preparation of financial statements requires the management of the company to make estimates & assumptions that affect the reportable balances of assets & liabilities and disclosures relating to the contingent liabilities as at the date of financial statements & reported amounts of income & expenses during the year. Example of such estimates includes, employee retirement plan, provision for income taxes, useful life of fixed assets etc.

## **2.3 TAXATION:**

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.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax asset, if any, arising from timing differences are recognised to the extent there is virtual certainty that these would be realised in future.

## **2.4 INVESTMENTS:**

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

Current investments are carried at the lower of cost and fair market value.

## **2.5 REVENUE RECOGNITION:**

Income is accounted on accrual basis. Interest Income is recognized on the time proportionate method. Dividend Income is accounted when the right to receive the payment is established.

## **2.6 EXPENDITURE ON AN INTANGIBLE ITEM:**

Expenditure on an intangible item that cannot be treated as an asset is recognised as an expense.

## **2.7 RETIREMENT BENEFITS:**

### **Provident Fund:**

Contribution to Provident and pension fund are funded with the appropriate authorities and charged to Profit and Loss account.

### **Gratuity:**

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date and less the fair value of plan assets, 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 no leave is allowed to be carried forward to the next year or encashed .*

## **2.8 PROVISIONS AND CONTINGENT LIABILITIES:**

The Company creates a provision when there is a 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, requires an outflow of resources.

### **3. NOTES TO ACCOUNTS: -**

#### **1. Employees' Stock Options Scheme (ESOS) :**

##### **For Period Ended : 31st March 2006**

During the period under review, pursuant to the approval of the members, the Company has framed Employees' Stock Option Scheme(s) (ESOS) for grant of options dated on 23.01.2006 to the employees of the Company, of the holding company and the subsidiary company(ies) and, in accordance with the provisions of such ESOS, the Company has granted 73,73,675 options.

##### **For Year Ended : 31<sup>st</sup> March 2007**

During the year, the company has granted 1,261,500 Employee Stock Options to various employees of the company and its subsidiary companies. The company has adopted the policy to recognize Employee Compensation Cost as the difference between the intrinsic value and the exercise price of the options spread over its vesting period.

##### **Method of accounting for ESOS:**

The company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuation obtained from an independent valuer is Rs. 20.78 per share as on 23.01.2006 based on Net Asset Value/Asset Based Method. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The total amount to be amortised over the vesting period is Rs 47.77 million. Accordingly, the company has:

1. charged off to the Profit and Loss Account an amount of Rs. 42.64 million for the year ended 31<sup>st</sup> March 2007. Considering the frequency and materiality of this cost, it is reflected as Exceptional Item in Profit and Loss Account.
2. also, restated the Profit & Loss amounting to Rs. 5.13 Million for the year ended 31.03.2006

towards Employee Compensation Cost after netting off the effect of options lapsed.

##### **Fair value method**

The fair value of options, based on the valuation of the independent valuer is Rs. 21.28. Had this method been used, the additional charge to profit & loss account on account of amortisation of difference between the fair value & the exercise price during the period would have been Rs 0.39 million for the Period ended 31<sup>st</sup> March 2006 & Rs 3.13 million for the year ended 31<sup>st</sup> March 2007. The total amount that would have been amortised over the vesting period would be Rs. 51.29 millions.

##### **Salient Features: Options have been granted under the schemes as follows:**

Outstanding at the beginning of the period 01.04.2006	73,73,675
Options Granted during the year	1,261,500
Lapsed during the year	428,050
Options vested & exercised during the year	7,530,875
*Outstanding at the end of the year as on 31.03.2007	676,250

\*During the year under review the Company has consolidated face value of Equity Share from Rs.2 to Rs.5 each on 26<sup>th</sup> December 2006, In view of this Equity Shares arising out of Outstanding Option at the end of the year as on 31.03.2007 is 270,500.

#### **2. Issue of Equity Shares:**

**For Period ended: 31st March 2006**

During the period under review, the Company acquired 13,18,218 equity shares of the face value of Rs. 10 each aggregating to Rs. 13.182 millions of Motilal Oswal Securities Limited (MOSL), from Mr. Motilal Oswal and Mr. Raamdeo Agrawal and their family members. In this connection, the Company has issued 6,591,090 equity shares of Rs 2/- each.

**3. Managerial Remuneration: -****For the Period ended 31st March 2006**

During the Period the company has paid Rs. 0.02 millions as Managerial Remuneration to one executive director.

**For Year Ended : 31<sup>st</sup> March 2007**

During the year the company has paid Rs. 0.10 millions as Managerial Remuneration to one executive director.

**4. Auditor's Remuneration (exclusive of Service Tax) : -**

(Rs. in millions)

Particulars	Year ended 31.03.2007	Period ended 31.03.2006
<b>As Auditors:</b>		
Audit Fees	0.05	0.03
Tax Audit Fees	0.03	NIL
<b>In other capacity</b> , in respect of IPO	1.00	NIL
<b>Total</b>	<b>1.08</b>	<b>0.03</b>

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

(Rs. in millions)

PARTICULARS	Year ended 31.03.07	Period ended 31.03.2006
<b>Deferred Tax Liability</b>		
Loss for the year as per Profit & Loss account	---	(0.48)
Preliminary expenses	(0.19)	
Provision for Gratuity	(0.46)	(0.25)
<b>Deferred Tax Asset</b>		
Preliminary expenses		(0.25)
<b>Deferred Tax Asset/ (Liability)</b>	<b>(0.65)</b>	<b>(0.98)</b>

**6. Basic & Diluted Earnings/(Loss) per share:**

Particulars	For the year ended 31 <sup>st</sup> March 2007	For the period ended 31 <sup>st</sup> March 2006
Net Profit/(Loss) attributable to equity shareholders [A] (Rs)	14.88	(7.25)
Weighted Average of equity shares issued [B]	20,025,063	2,633,089
<b>Basic Earnings/(Loss) per share (Non - Annualised EPS) [A/B] (Rs.)</b>	<b>0.74</b>	<b>(2.75)</b>
<b>Basic Earnings/(Loss) per share (Annualised)</b>	<b>0.74</b>	<b>(3.16)</b>

<b>EPS) [A/B] (Rs.)</b>		
Weighted Number of equity shares outstanding for Diluted EPS [C]	22,587,189	2,667,830
<b>Diluted Earnings per share ( Non-Annualised) EPS) [A/C] (Rs.)</b>	0.66	--
<b>Diluted Earnings per share (Annualised) EPS) [A/C] (Rs.)</b>	0.66	--

During the year the Company has consolidated the Equity shares from the face value of Rs.2/- each to Rs. 5/- each and hence the basic & diluted earnings/(loss) per share for the year ended 31<sup>st</sup> March 2006 is restated from Rs. (1.10) to Rs. (2.75) respectively.

**7. Related Parties:-**  
**For Period ended 31<sup>st</sup> March 2006**

**Holding Company :**

Passionate Investment Management Pvt. Ltd.

(Formerly known as Motilal Oswal Investments Private Limited)

**Subsidiary Company :**

Motilal Oswal Securities Limited

**Group Companies :**

1. Motilal Oswal Commodities Broker Private Limited
2. Motilal Oswal Investment Advisors Private Limited
3. Nagori Agro & Cattlefeeds Private Limited
4. Rishabh Securities Private Limited
5. Windwell Securities Private Limited
6. Textile Exports Private Limited

**Key Management Personnel:-**

- 1) Mr. Motilal Oswal - Chairman & Managing Director
- 2) Mr. Navin Agrawal - Executive Director
- 3) Mr Raamdeo Agrawal - Director

**Transactions with related parties for the period ended 31.3.2006:**

(Rs. In Millions)

<b>Nature of Transaction</b>	<b>Holding company (Rs)</b>	<b>Key Management Personnel</b>
Remuneration Paid	-	0.02
Issue of Equity shares	42.5	12.58

**For Year Ended : 31<sup>st</sup> March 2007**

**Subsidiary Companies:**

- 1) Motilal Oswal Securities Ltd
- 2) Motilal Oswal Commodities Broker Private Limited
- 3) Motilal Oswal Investment Advisors Private Limited
- 4) Motilal Oswal Venture Capital Advisors Private Limited

**Group Companies :**

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

**Key Management Personnel:-**

- |                        |                                |
|------------------------|--------------------------------|
| 1. Mr. Motilal Oswal   | - Chairman & Managing Director |
| 2. Mr. Navin Agrawal   | - Director (Upto 28.02.07)     |
| 3. Mr. Raamdeo Agrawal | - Director                     |

**Transactions with related parties for the year ended 31.03.2007:**

(Rs. in millions)

Nature of Transaction	Subsidiary Company	Amount	Outstanding balance as of 31.03.07
Temporary advance given (current account)	Motilal Oswal Commodities Broker Private Limited	Maximum balance: 120.50	60.00
Temporary advance given (current account)	Motilal Oswal Investment Advisors Private Limited	Maximum balance :40.00	8.00
Temporary advance given (current account)	Motilal Oswal Securities Ltd	Maximum balance : 710.00	Nil
Temporary advance given (current account)	Motilal Oswal Venture Capital Advisors Private Limited	Maximum balance : 9.61	3.59
Purchase of equity shares	Passionate Investment Management Private Limited	4.00	Nil
Subscription to Preference shares	Motilal Oswal Investment Advisors Private Limited	90.00	Nil
Subscription to Equity shares	Motilal Oswal Investment Advisors Private Limited	7.40	Nil
Subscription to Equity Shares	Motilal Oswal Venture Capital Advisors Private Limited	0.40	Nil
Corporate Guarantee given	Motilal Oswal Securities Ltd	680.00	680.00
Corporate Guarantee given	Motilal Oswal Commodities Broker Pvt Ltd	32.00	32.00
Remuneration Paid to key managerial personnel		0.10	Nil

**8. Segment Reporting:****For Period ended 31<sup>st</sup> March 2006:**

During the period, the company does not have any reportable segment with in the meaning of Accounting Standard 17 for segmental reporting. Hence Segment – wise information is not given.

**For Year Ended : 31<sup>st</sup> March 2007**

During the year, the Company has only one segments i.e. Financing. In view of this, disclosure required by AS- 17 “Segment Reporting” is not applicable.

**9. Provisions made for the year ended 31<sup>st</sup> March, 2007 comprises of:**

Particulars	Opening balance (Rs. in millions)	Provided during the year ended 31.03.2007 (Rs. in millions)	Provision reversed /paid during the period ended 31.03.2007 (Rs. in millions)	Closing balance as of 31.03.2007 (Rs. in millions)
Exgratia	NIL	2.13	NIL	2.13

**10. 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.**

**For the Year Ended 31<sup>st</sup> March 2007**

Method	Unit Credit Method
<b>Assumptions</b>	
Discount Rate	7%P.A.
Expected Return On Plan Assets	NA
Mortality	L.I.C 1994-96 ULTIMATE
Future Salary Increases	15% p.a.
Attrition	20% p.a.
Retirement	55yrs

**Change in Obligation**

(Rs. in millions)

Present Value of obligation as on 01-04-2006	0.74
Interest Cost	0.05
Current Service Cost	0.13
Benefits Paid	-
Actuarial (gain) loss on obligation	(0.32)
Present Value of obligation 31-03-2007	0.60

**Change in Plan Assets**

Fair value of Plan Assets as on 01-04-2006	-
Expected Return On Plan Assets	-
Benefits Paid	-
Fair value of Plan Assets as of 31-03-2007	-
Total Actuarial gain /(loss) to be recognized	0.32

**Reconciliation of Present Value of Obligation and Plan Assets**

(Rs. in millions)

Closing Fund Balances	
-----------------------	--

Closing Present Value of Accrued Gratuity	0.60
Net Liability	0.60
Unrecognized Past Service Cost	0.74
Liability recognized in the Balance Sheet	1.34

11. The Company has sponsored a Trust under the Indian Trusts Act, 1882 in the name of Business Excellence Trust by making initial settlement of Rs.0.01 millions. The Trust has applied for registration as a domestic venture capital fund under Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996. It has been settled with the purpose of carrying out investments in Indian companies. IL & FS Trust Company Limited is appointed as the Trustee of the Trust who will manage the fund and float various schemes and different classes of units under such schemes for the fund.

*The Trust has floated the fund called “India Business Excellence Fund” structured as a unit scheme. The company has given capital commitment of 10% of total capital commitment received by the fund up to maximum limit of Rs. 450.00 millions. Out of total capital commitment the company has already invested Rs. 24.00 millions during the year ended on 31.03.07.*

12. During the year ended 31<sup>st</sup> March 2007 the company has changed the policy of Retirement benefits from the cash to accrual basis. Gratuity payable to employees is provided for on the basis of actuarial valuation as at the Balance Sheet date. Accordingly, the effect of change of Rs. 1.34 millions has been accounted in the profit and loss account.

**13. Exceptional Cost:**

The company has debited expense of Rs. 42.64 million towards Employee Compensation Cost in respect of ESOPs granted by the company as exceptional item.

**14. Contingent Liabilities:**

The company has given corporate guarantees of Rs. 712.00 Millions to various banks for its subsidiary companies. (Previous Period ended 31st March 2006 Rs. NIL )

15. Pursuant to the resolution passed by the members at the Extraordinary General Meeting of the Company held on 26<sup>th</sup> December, 2006, the Company consolidated the equity shares of the face value of Rs. 2 each into the equity shares of the face value of Rs. 5 each.

**16. IPO Expenses:**

Pending Completion of IPO, expenses incurred in connection with the same have been shown under “other Current Assets”. These expenses would be either adjusted against the Securities Premium Account or charged to Profit & Loss Account in the next year upon completion of IPO.

17. 12,479,244 Optionally Convertible Redeemable Preference Shares (OCRPS) of the face value of Rs. 100 each aggregating to Rs. 1247.90 millions issued in accordance with the provisions of the Investment Agreement dated 7<sup>th</sup> March, 2006 (“the Agreement”), entered into between the Company, New Vernon Private Equity Limited and Bessemer Venture Partners Trust were converted into 24,04,940 equity shares of the face value of Rs. 5 each at a premium of Rs. 513.90 per share in accordance with the Agreement and the fraction arising on the conversion is redeemed in cash. The Company has created a Capital Redemption Reserve of Rs. 1,034 in respect of the OCRPS redeemed in cash.

18. Previous Periods’ figures are from the date of incorporation i.e. 18<sup>th</sup> May 2005 to 31<sup>st</sup> March 2006 and the same have been regrouped/rearranged / restated wherever found necessary

Place : Mumbai

Dated : 09<sup>th</sup> July 2007

## AUDITORS' REPORT

To  
The Board of Directors  
**Motilal Oswal Securities Limited**

1. We have examined the Restated Summary Statement of Assets and Liabilities (**Annexure I**), as at 31<sup>st</sup> March 2003, 2004, 2005, 2006 and 2007 and the Restated Summary Statement of Profits and Losses (**Annexure II**), of Motilal Oswal Securities Limited ("**the Company**") for the year ended on those dates. We have also examined the following other restated summary financial statements relating to the Company for the purpose of inclusion in the Offer Document of Motilal Oswal Financial Services Limited ("**the Holding Company**") in connection with its proposed Initial Public Offer ('IPO') in India:
  - k) Statement of Observation on Auditors Qualifications as appearing in **Annexure IV** to this report
  - l) Statement of Cash Flow as appearing in **Annexure V** to this report.
  - m) Statement of Income from Operational Activities as appearing in **Annexure VI** to this report
  - n) Statement of Operating Expenses as appearing in **Annexure VII** to this report.
  - o) Statement of Administration Expenses as appearing in **Annexure VIII** to this report.
  - p) Statement of Other Income as appearing in **Annexure IX** to this report.
  - q) Statement of Proposed Dividend as appearing in **Annexure X** to this report. Statement.
  - r) The summary of significant accounting policies and notes to accounts adopted by the Company as appearing in **Annexure XI** to this report.
2. The above statements are hereinafter collectively referred to as summary financial statements. These summary financial statements have been prepared by the Company and approved by the Board of Directors. We have stamped & initialed these statements for the purpose of identification. These summary financial statements have been prepared in accordance with:
  - a) Paragraph- B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
  - b) The Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 and the amendments from time to time thereto, to the extent applicable;
  - c) The terms of reference received from the Holding Company, requesting us to carry out work, proposed to be included in the offer document of the Holding Company in connection with its proposed Initial Public Offer ('IPO') in India and
  - d) The Guidance Note on "Reports in Company Prospectuses" and Guidance Note on "Audit Reports/Certificates on Financial Information in Offer Documents" issued by the Institute of Chartered Accountants of India.
3. The above summary financial statements reflect the 'Assets and Liabilities' and the 'Profit and Losses' as extracted by the management from the audited Balance Sheet and Profit and Loss Account for the year 2002-03 audited and reported by by Khimji Kunverji & Co.

4. The summary financial statements for the year ended 31<sup>st</sup> March 2007 have been audited by us in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the summary statements under examination is free of material misstatement.
5. Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the summary statements appropriately. Further, based on our examination of these related summary statements, we confirm that:
  - These profits/losses have been arrived at after making such adjustments and regroupings, as stated in **Annexure III** to the report and read together with notes to accounts.
  - The changes in accounting policies have been made retrospectively by the Company in respective financial years to reflect the same accounting treatment as per changed accounting policy for the all the reporting periods;
  - The prior period items which require adjustments in the summary statements have been adjusted;
  - The extraordinary items which need to be disclosed separately in the summary statements have been disclosed appropriately and
  - Adjustments in relation to the qualifications in the auditors' report, has been carried out wherever these qualifications are adjustable in the restated summary financial statement (**Refer Annexure IV**).
6. The sufficiency of the procedures performed or adopted by the Company in preparation of the statements as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures.
7. This report should not be in any way be construed as a re-issuance or re-dating of any of the previous audit report issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
8. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Holding Company in India and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For HARIBHAKTI & CO.,  
Chartered Accountants**

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**MANOJ DAGA**  
Partner  
Membership No.: 048523

Place: Mumbai.  
Date: 5<sup>th</sup> July, 2007

**MOTILAL OSWAL SECURITIES LTD**  
**Annexure I**  
**Summary of Restated Assets and Liabilities**

(Rupees in Millions)

		As at 31st March				
		2007	2006	2005	2004	2003
<b>A.</b>	<b>Fixed Assets :</b>					
	Gross Block	957.93	670.11	301.33	206.77	162.58
	Less : Depreciation	(295.30)	(191.62)	(141.26)	(112.00)	(86.42)
	<b>Net Block</b>	<b>662.63</b>	<b>478.49</b>	<b>160.07</b>	<b>94.77</b>	<b>76.16</b>
	Less : Revaluation Reserve	-	-	-	-	-
	<b>Net Block after adjustment for Revaluation Reserve</b>	<b>662.63</b>	<b>478.49</b>	<b>160.07</b>	<b>94.77</b>	<b>76.16</b>
	Add: Capital Work in Progress	16.05	40.20	1.44	-	-
	<b>Total</b>	<b>678.68</b>	<b>518.69</b>	<b>161.51</b>	<b>94.77</b>	<b>76.16</b>
<b>B.</b>	<b>Investments</b>	463.12	72.89	68.51	69.19	27.57
<b>C.</b>	<b>Deferred Tax Asset</b>	-	-	-	-	8.93
<b>D.</b>	<b>Current Assets, Loans and Advances :</b>					
	Stock in Trade	-	18.43	-	-	8.59
	Sundry Debtors	2,661.57	1,344.41	499.15	213.97	40.39
	Cash and Bank Balances	1,915.56	1,206.21	578.87	392.53	67.10
	Loans and Advances	1,301.01	1,209.29	602.74	130.00	36.54
	Other Current Assets	38.12	11.43	4.01	3.52	-
	<b>Total</b>	<b>5,916.26</b>	<b>3,789.77</b>	<b>1,684.77</b>	<b>740.02</b>	<b>152.62</b>
<b>E.</b>	<b>Total (A+B+C+D)</b>	<b>7,058.06</b>	<b>4,381.35</b>	<b>1,914.79</b>	<b>903.98</b>	<b>265.28</b>

(Rupees in Millions)

		As at 31st March				
		2007	2006	2005	2004	2003
F.	<b>Liabilities and Provisions :</b>					
	Share Application Money	-	-	72.27	123.10	123.10
	Secured Loans	0.50	22.06	71.87	55.23	51.44
	Deferred Tax Liability	9.64	13.56	4.24	2.24	-
	Current Liabilities & Provisions:					
	(a) Current Liabilities	4,324.02	2,607.46	1,076.90	469.01	88.56
	(b) Provisions	1,047.56	676.57	238.96	91.40	2.98
G.	<b>Total</b>	<b>(5,381.72)</b>	<b>(3,319.65)</b>	<b>(1,464.24)</b>	<b>(740.98)</b>	<b>(266.08)</b>
H.	<b>Networth (E+G)</b>	<b>1,676.34</b>	<b>1,061.70</b>	<b>450.55</b>	<b>163.00</b>	<b>(0.80)</b>
	<b>Represented by:</b>					
I.	<b>Paid up Share Capital</b>					
	Equity Shares	13.19	13.19	13.19	13.19	13.19
	Reserves & Surplus (includes Capital Reserve of Rs.1.42 million)	1,663.15	1,048.51	437.36	149.81	(13.95)
	Less : Revaluation Reserve	-	-	-	-	-
	Less: Miscellaneous Expenditure not written off	-	-	-	-	(0.04)
	Net Reserves & Surplus	1,663.15	1,048.51	437.36	149.81	(13.99)
	<b>Net Worth</b>	<b>1,676.34</b>	<b>1,061.70</b>	<b>450.55</b>	<b>163.00</b>	<b>(0.80)</b>

**MOTILAL OSWAL SECURITIES LTD**  
**Annexure II**  
**Summary of Restated Profit & Loss**

(Rupees in Millions)

	For the Year Ended 31st March				
	2007	2006	2005	2004	2003
<b>Income</b>					
Income from operational activities	3,169.61	2,576.50	1,227.32	657.64	138.68
Other income	203.52	148.45	59.54	18.50	8.36
<b>Total Income</b>	<b>3,373.13</b>	<b>2,724.95</b>	<b>1,286.86</b>	<b>676.14</b>	<b>147.04</b>
<b>Expenditure</b>					
Operating Expenses	933.66	788.37	381.74	154.76	24.84
Staff Costs	873.32	632.97	288.67	154.33	56.30
Administration Expenses	430.14	306.03	135.34	69.00	38.99
Interest	36.56	31.76	11.99	10.73	7.73
Depreciation	108.48	55.48	32.15	25.78	25.73
<b>Total Expenditure</b>	<b>2,382.16</b>	<b>1,814.61</b>	<b>849.89</b>	<b>414.60</b>	<b>153.59</b>
<b>Profit before tax and Extraordinary items</b>	<b>990.97</b>	<b>910.34</b>	<b>436.97</b>	<b>261.54</b>	<b>(6.55)</b>
<b>Provision for Taxation</b>					
Current Tax	329.31	282.04	147.33	86.58	-
Deferred Tax (Credit)/Expenses	(3.92)	9.32	2.00	11.17	(8.93)
Fringe Benefit Tax	8.14	4.76	-	-	-
Wealth Tax	0.19	0.22	0.09	0.03	0.02
For Previous Year	0.63	2.85	-	-	-
<b>Net Profit after tax and before Extraordinary Items</b>	<b>656.62</b>	<b>611.15</b>	<b>287.55</b>	<b>163.76</b>	<b>2.36</b>
Extraordinary items (net of tax)	41.97	-	-	-	-
<b>Net Profit after tax</b>	<b>614.65</b>	<b>611.15</b>	<b>287.55</b>	<b>163.76</b>	<b>2.36</b>
Surplus / (Deficit) as per restated Profit & Loss A/c	1,047.09	435.94	148.39	(15.37)	(17.73)
<b>Balance Carried to Balance sheet</b>	<b>1,661.74</b>	<b>1,047.09</b>	<b>435.94</b>	<b>148.39</b>	<b>(15.37)</b>

**Annexure III****Reconciliation statement for restatement of Profit After Tax (PAT)**

(Rupees in Millions)

	For the year ended 31st March			
	2006	2005	2004	2003
Profit After Tax (PAT) as per audited accounts	612.21	288.32	165.92	(11.88)
<b>Adjustments For</b>				
Gratuity	(3.41)	(0.18)	(1.82)	(0.66)
Provision for Doubtful Debts	-	-	-	9.42
Prior Period Items	-	-	-	(0.06)
Deferred Tax	0.99	(0.59)	(0.43)	1.89
Stock Written Off	-	-	-	(0.09)
Expenses Written Back	1.36	-	-	-
Stock Reinstated	-	-	0.09	3.74
Net Total Adjustments	(1.06)	(0.77)	(2.16)	14.24
PAT as per Restatement	611.15	287.55	163.76	2.36

**Annexure IV:****Statement of Qualification / Observations mentioned in the Audit Report:****Financial Year: 2002-03**

1. In our opinion, proper books of accounts and records as specified in Rule 15 of the Securities Contracts (Regulation) Rules, 1957 have been kept so far as appears from our examination of such books *except for Sub-rule 2 (c) of Rule 15 of the Securities Contracts (Regulation) Rules, 1957.*

***Adjustment of such qualification :***

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

2. The *company is in the process of updating its records* showing full particulars including quantitative details and situation of Fixed Assets.

***Adjustment of such qualification:***

The above qualification/observation cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

3. On the basis of the examination of stock records, we are of the opinion that the *valuation of stock is not fair and proper* in accordance with the normally accepted accounting principles.

***Adjustment of such qualification:***

In the Restated Financial Statement, the Company has created the provision for diminution in the value of stock in trade of Rs.0.09 millions in accordance with the requirements of the Accounting Standard-13 regarding “Accounting for Investments”.

4. The Company does not have an Internal Audit System.

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

5. The company has *accounted for gratuity on cash basis* and has not provided for accrued gratuity liability in accordance with the requirements of the Accounting Standard-15 regarding “Accounting for Retirement Benefits”.

**Adjustment of such qualification :**

In the Restated Financial Statement, the company has created provision for gratuity of Rs.0.66 millions in accordance with the requirements of the Accounting Standard-15 regarding “Accounting for Retirement Benefits”.

**Financial Year: 2003-04**

1. In our opinion, proper books of accounts and records as specified in Rule 15 of the Securities Contracts (Regulation) Rules, 1957 have been kept so far as appears from our examination of such books except for Sub-rule 2 (c) of Rule 15 of the Securities Contracts (Regulation) Rules, 1957.

**Adjustment of such qualification**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

2. The company has *accounted for gratuity on cash basis* and has not provided for accrued gratuity liability in accordance with the requirements of the Accounting Standard-15 regarding “Accounting for Retirement Benefits”.

**Adjustment of such qualification :**

In the Restated Financial Statement, the company has created provision for gratuity of Rs.1.82 millions in accordance with the requirements of the Accounting Standard-15 regarding “Accounting for Retirement Benefits”.

3. Accounting Standard referred to in sub-section (3 c) of the section 211 of the Companies Act, 1956 has not been complied in relation to Segment Assets and Segment Liabilities, as required to be disclosed under Accounting Standard 17 on Segment Reporting.

**Adjustment of such qualification :**

Assets and liabilities pertaining to these segments have been identified by the Company and disclosed accordingly in the Restated Notes to Accounts.

4. The Company has *not maintained records showing full particulars* including quantitative details and situation of fixed assets.

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

5. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its Business. However, *the periodicity of audit report needs to be improved.*

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

6. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees state Insurance, Income Tax, Wealth Tax, Service Tax, Professional Tax, SEBI turnover fees and any other statutory dues were outstanding as at March 31, 2004 *for the period of more than six months* from the date they become payable except as follows:

Name of the Statute	Nature of the dues	Amount (Rs. in millions)	Period to which the amount relates	Due date	Date of payment
SEBI Act, 1992	Turnover fees	1.78	1998-99 to 2002-03	Due date not fixed	Not paid

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

**Financial Year: 2004-05**

1. In our opinion, proper books of accounts and records as specified in Rule 15 of the Securities Contracts (Regulation) Rules, 1957 have been kept so far as appears from our examination of such books *except for Sub-rule 2 (c) of Rule 15 of the Securities Contracts (Regulation) Rules, 1957.*

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

2. The company has *accounted for gratuity on cash basis* and has not provided for accrued gratuity liability in accordance with the requirements of the Accounting Standard-15 regarding "Accounting for Retirement Benefits".

**Adjustment of such qualification:**

In the Restated Financial Statement, the company has created provision for gratuity of Rs.0.18 millions in accordance with the requirements of the Accounting Standard-15 regarding "Accounting for Retirement Benefits".

3. According to the information and explanations given to us, there are no dues of Provident Fund, Employees state Insurance, Income Tax, Wealth Tax, Service Tax, Professional Tax, SEBI turnover fees and any other statutory dues which *have not been deposited on account of any dispute except as follows:*

Name of the Statute	Nature of the dues	Amount (Rs. In millions)	Period to which the amount relates	Forum where dispute is pending
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SEBI Act, 1992	Turnover fees	37.74	1998-99 to 2002-03	Security Appellate Tribunal
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**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

**Financial Year: 2005-06**

1. In our opinion, proper books of accounts and records as specified in Rule 15 of the Securities Contracts (Regulation) Rules, 1957 have been kept so far as appears from our examination of such books *except for Sub-rule 2 (c) of Rule 15 of the Securities Contracts (Regulation) Rules, 1957.*

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

2. The company has *accounted for gratuity on cash basis* and has not provided for accrued gratuity liability in accordance with the requirements of the Accounting Standard-15 regarding "Accounting for Retirement Benefits".

**Adjustment of such qualification:**

In the Restated Financial Statement, the company has created provision for gratuity of Rs.3.41 millions in accordance with the requirements of the Accounting Standard-15 regarding "Accounting for Retirement Benefits".

3. The Company has maintained records showing full particulars including quantitative details and situation of fixed assets acquired after 01/04/1999. We are informed that the Company *is in process of compiling the data of Fixed Assets acquired / disposed off prior to 31/03/1999.*

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

4. According to the information and explanations given to us, there are no dues of Provident Fund, Employees state Insurance, Income Tax, Wealth Tax, Service Tax, Professional Tax, SEBI turnover fees and any other statutory dues which *have not been deposited on account of any dispute except as follows:*

Name of the Statute	Nature of the dues	Amount (Rs. in millions)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax dues	25.47	1997-98 to 2003-04	Company has filed an appeal with Commissioner of Income Tax (Appeals)

**Adjustment of such qualification:**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

**Motilal Oswal Securities Ltd**  
**Annexure V**  
**Cashflow Statement**

For the Year Ended 31st March									

For the Year Ended 31st March									
	2007		2006		2005		2004		
5) (Increase)/Decrease In Interest Accrued/ Other Current Assets	(26.69)		(7.42)		(0.52)		(3.54)		
6) Increase/ (Decrease) In Current Liabilities	1,744.44	641.74	1,674.97	409.27	607.87	13.15	380.45	193.57	
<b>Cash Generated from Operations</b>		1,747.43		1,339.18		457.99		488.42	
Taxes Paid	(309.60)	(309.60)	(208.64)	(208.64)	(163.55)	(163.55)	(73.28)	(73.28)	
<b>Net cash generated from operation before Extraordinary items</b>		<b>1,437.83</b>		<b>1,130.54</b>		<b>294.44</b>		<b>415.14</b>	
Less Extraordinary items (net of tax)		(41.97)		-		-		-	
<b>Net Cash from Operating Activities</b>		<b>1,395.86</b>		<b>1,130.54</b>		<b>294.44</b>		<b>415.14</b>	
<b><u>Cash Flow From Investing Activities</u></b>									
Purchase of Fixed Assets	(299.30)		(375.70)		(99.90)		(42.87)		
(Increase)/Decrease in Investments	(394.87)		38.83		25.92		(41.36)		
(Increase)/Decrease in CWIP	24.15		(38.77)		0.11		(1.54)		
Sale of Fixed Assets	4.09		2.68		0.48		0.02		
Dividend Received	20.91		7.95		5.73		2.64		
<b>Net Cash Flow From Investing Activities</b>		<b>(645.01)</b>		<b>(365.01)</b>		<b>(67.66)</b>		<b>(83.12)</b>	
<b><u>Cash Flow From Financing Activities</u></b>									
Increase/(Decrease) in Borrowing	(21.56)		(49.81)		16.64		3.79		
Decrease in Share Application Money	-		(72.27)		(50.83)		-		
Interest Paid	(19.94)		(16.10)		(6.25)		(10.38)		
<b>Net Cash Flow from Financing Activities</b>		<b>(41.50)</b>		<b>(138.18)</b>		<b>(40.44)</b>		<b>(6.58)</b>	

	For the Year Ended 31st March			
	2007	2006	2005	2004
<b>Net Cash Flow for the year</b>	<b>709.35</b>	<b>627.35</b>	<b>186.34</b>	<b>325.43</b>
Cash & Cash Equivalents as at 31.03.2006	1,206.21	578.87	392.53	67.10
Cash & Cash Equivalents as at 31.03.2007	1,915.56	1,206.21	578.87	392.53

## **MOTILAL OSWAL SECURITIES LTD**

### **Annexure VI**

#### **INCOME FROM OPERATIONAL ACTIVITIES**

(Rupees in Millions)

	For the Year Ended 31st March				
	2007	2006	2005	2004	2003
Brokerage Income	3,029.58	2,382.37	1,160.21	624.67	143.42
Research fees	38.79	21.92	26.84	7.31	-
Management Fees - Portfolio Management Scheme	83.01	149.82	31.11	15.33	0.01
Depository Income	37.22	36.52	16.58	9.25	(0.55)
Profit/ (Loss) on sale of Stock-in-trade & Securities	0.60	0.31	-	2.70	(4.20)
Profit/ (Loss) on sale of Vanda	(19.59)	(14.44)	(7.42)	(1.62)	-
<b>Total</b>	<b>3,169.61</b>	<b>2,576.50</b>	<b>1,227.32</b>	<b>657.64</b>	<b>138.68</b>

### **Annexure VII**

#### **OPERATING EXPENSES**

(Rupees in Millions)

	For the Year Ended 31st March				
	2007	2006	2005	2004	2003
Transaction charges, Stamp Duty, & Miscellaneous (Net of recovery)	104.77	96.32	14.13	5.72	(5.10)
Brokerage sharing with Intermediaries	795.52	671.41	357.45	142.46	29.94
Depository Charges	25.87	20.64	10.16	6.58	-
Advisory fees	7.50	-	-	-	-

<b>Total</b>	<b>933.66</b>	<b>788.37</b>	<b>381.74</b>	<b>154.76</b>	<b>24.84</b>

**MOTILAL OSWAL SECURITIES LTD**  
**Annexure VIII**  
**ADMINISTRATIVE EXPENSES**

(Rupees in Millions)

	<b>For the Year Ended 31st March</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Rent, Rates & Taxes	49.08	30.49	10.70	6.00	4.77
Legal & Professional Charges	27.47	43.59	10.37	4.13	4.34
Marketing & Brand Promotion Expenses	65.82	55.92	29.31	9.22	3.16
Other Administrative Expenses	287.77	176.03	84.96	49.65	26.72
<b>Total</b>	<b>430.14</b>	<b>306.03</b>	<b>135.34</b>	<b>69.00</b>	<b>38.99</b>

**MOTILAL OSWAL SECURITIES LTD**  
**Annexure IX**  
**STATEMENT OF OTHER INCOME**

(Rupees in Millions)

	<b>For the year ended 31st March,</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Interest Income (Gross)	145.50	79.28	23.29	15.12	6.20
Income from Arbitrage Transaction	9.96	7.40	3.03	-	-
Profit/ (Loss) on sale of Investments	(4.64)	43.20	25.25	0.26	-
Dividend Income	20.91	7.95	5.73	2.64	0.26
Profit/(loss) on sale of fixed assets	(2.58)	0.87	(0.45)	(0.01)	0.13
Miscellaneous Income	20.02	9.75	2.69	0.49	1.77
Profit From Peninsular Capital Markets Ltd	13.57	-	-	-	-
Profit From Mani Stock Brokers Ltd	0.78	-	-	-	-
<b>Total</b>	<b>203.52</b>	<b>148.45</b>	<b>59.54</b>	<b>18.50</b>	<b>8.36</b>

**Annexure X**  
**Details of Dividend declared**

(Rupees in Millions)

	For the year ended 31st March,				
	2007	2006	2005	2004	2003
Equity Share Capital	13.19	13.19	13.19	13.19	13.19
Face Value Per Share	10	10	10	10	10
Amount of Dividend	-	-	-	-	-
Dividend Tax	-	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007 & FOR LAST FIVE YEARS:

*I SIGNIFICANT ACCOUNTING POLICIES:*

**1.1 SYSTEM OF ACCOUNTING:**

The financial statements have been prepared on the basis of historical cost convention in accordance with the generally accepted accounting principles comprising the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) on the principles of going concern and requirements of the Companies Act, 1956.

The Company follows accrual system of accounting and recognizes all items of income and expenditure on accrual basis.

**1.2 USE OF ESTIMATES:**

The preparation of financial statements requires the management of the company to make estimates & assumptions that affect the reportable balances of assets & liabilities and disclosures relating to the contingent liabilities as at the date of financial statements & reported amounts of income & expenses during the year. Example of such estimates include provision for doubtful debts, employee retirement plan, provision for income taxes, useful life of fixed assets etc.

**1.3 FIXED ASSETS, DEPRECIATION & AMORTISATION:**

1. *Fixed Assets are stated at cost less accumulated depreciation. On all assets, depreciation has been provided on pro rata basis using the Written Down Value method at the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.*
2. *Expenses incurred on Computer Software having enduring benefits are capitalized and amortised on Straight Line Method (SLM) basis over a period of five years.*
3. *The Customer Rights acquired by the Company are shown as Intangible asset and amortised over a period of five years on Straight Line Method (SLM) basis from the date of acquisition.*
4. *Goodwill acquired by the Company is amortised over a period of three years on Straight Line Method (SLM) basis from the date of acquisition.*

**1.4 INVESTMENTS:**

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

Current Investments are stated at lower of cost and fair value.

**1.5 STOCK IN TRADE:**

Stock in trade, comprising of securities is valued at cost or net realizable value, whichever is lower.

**1.6 REVENUE RECOGNITION:**

Brokerage and other income are accounted on accrual basis. Brokerage & other incomes are accounted net of service tax & Securities transaction tax (STT) wherever applicable. Arbitrage income is accounted gross of STT & STT thereon is separately booked as an expense. Dividend Income is accounted when the right to receive the payment is established.

**1.7 FOREIGN CURRENCY TRANSACTIONS:**

*Income & expenses in foreign currencies are converted at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets & liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising at the time of settlement of transaction, are recognized in the Profit & Loss account.*

## **1.8 RETIREMENT BENEFITS:**

### **Provident Fund:**

Contribution to Provident and pension fund are funded with the appropriate authorities and charged to Profit and Loss account.

### **Gratuity:**

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date and less the fair value of plan assets, 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, leave is neither allowed to be carried forward to the next year nor encashed.*

## **1.9 TAXATION:**

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.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax asset, if any, arising from timing differences are recognised to the extent there is virtual certainty that these would be realised in future.

## **1.10 PROVISIONS AND CONTINGENT LIABILITIES:**

The Company creates a provision when there is a 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.

## **1.11 IMPAIRMENT OF ASSETS:**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. The estimated recoverable amount is compared with the recoverable amount of the cash generation unit to which the asset belongs and is reduced to its recoverable amount, if found less. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

## **II CHANGE IN ACCOUNTING POLICIES:**

1. IN THE FINANCIAL YEAR ENDED 2003-04 ACCOUNTING POLICY OF VALUATION OF STOCK IN TRADE WAS CHANGED FROM COST TO COST OR NET REALIZABLE VALUE WHICHEVER IS LOWER AND ACCORDINGLY THE EFFECT OF DIMINUTION HAS BEEN ACCOUNTED IN THE RESTATED PROFIT AND LOSS FOR THE SAID PERIOD.

2. During the year, the company has changed the method of accounting in respect of Gratuity Liabilities from cash to accrual basis. Accordingly, in terms of AS-15 "Employees Benefits (Revised 2005)" the company has recognized the Gratuity Liability amounting to Rs.13.37 millions in the Profit and Loss Account and the same is based on the Actuarial Valuation as on the Balance Sheet date.

### III NOTES TO ACCOUNTS:

#### 1. Capital Commitments:

##### **Year Ended 2002-03:**

Estimated Amount Of Contracts Remaining To Be Executed On Capital Account and not Provided For Rs. Nil (Previous Year Rs. 2.99 millions)

##### **Year Ended 2003-04:**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.13.50 millions (Previous Year Rs. Nil)

##### **Year Ended 2004-05:**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 184.9 millions (Previous Year Rs. 13.50 millions)

##### **Year Ended 2005-06:**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs. 212.6 millions (Previous Year Rs. 184.9 millions)

##### **Year Ended 2006-07**

Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs.15.60 millions (Previous Year ended 31<sup>st</sup> March 2006 Rs. 212.60 millions)

2. Vide notification no. OFC (COC) No. 99 ED (JRP) / 97, dated 6<sup>th</sup> December 1997 issued by Reserve Bank of India under section 45NC of the Reserve Bank of India Act, 1934, provisions of sections 45IA, 45IB, 45IC, 45MB and 45MC of the Reserve Bank of India Act, 1934 does not apply to the Company as it is doing the business of a Stock Broker holding a valid certificate of registration obtained under section 12 of Securities Exchange Board of India Act, 1992.
3. 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. There is no impairment in the Fixed Assets.
4. Balance of Sundry debtors and Sundry creditors are subject to confirmation.
5. The Company does not have any dues in respect of Small Scale Industrial Undertakings.

#### 6 Contingent liabilities not provided for:

##### **Year Ended 2002-03:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the company has given counter guarantees - Rs.54.00 millions (Previous Year Rs. 64.00 millions).

Provision for turnover based fees payable to SEBI for the period from financial year 1998-99 to financial year 2002-03 aggregating to Rs. 2.66 millions has been made in the accounts during the year, however, in view of the prevailing uncertainty about the interest thereon, Rs. 2.07 millions (@15% p.a.) has not been provided.

##### **Year Ended 2003-04:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 114.00 millions (Previous Year Rs. 54.00 millions).

Provision for turnover based fees payable to SEBI for the period from Financial Year 1998-99 to Financial Year 2002-03 aggregating to Rs. 1.78 millions (Previous Year Rs.2.66) has been made in the accounts during the Financial Year 2002-03. However in view of prevailing uncertainty about interest thereon estimated at Rs. 2.33 millions (@15%p.a.) (Previous Year Rs.2.07 millions) has not been provided for.

#### **Year Ended 2004-05:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 803.00 millions (Previous Year Rs.114.00 millions).

Provision for turnover based fees payable to SEBI (NSE) for Financial Year 1998-99 to 2002-03 aggregating to Rs. 1.78 millions (Previous Year Rs.1.78 millions) has been made in the accounts during the Financial Year 2002-03, however in the view of prevailing uncertainty about interest thereon estimated at Rs. 2.60 millions (@15%p.a.) (Previous Year Rs. 2.33 millions) has not been provided. In addition to above the company has to pay turnover fees to SEBI (BSE) amounting to Rs. 18.58 millions and interest thereon estimated at Rs. 14.79 millions (Previous Year Nil) has not been provided for, as company has filed appeal in Securities Appellate Tribunal against SEBI.

#### **Year Ended 2005-06:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 1546.00 millions (Previous Year Rs. 803.00 millions).

The assessment proceedings with respect to the Company under section 153A of the Income tax Act, 1961 has been completed by the Income Tax authorities for the financial years 1997-98 to 2003-04. Demand of Rs 25.47 millions has been raised in respect of these assessment proceedings. The Company is in appeal before the Commissioner of Income tax (Appeals) in respect of the aforesaid demand. Since then the Company has paid an amount of Rs 8.08 millions in this respect.

#### **Year Ended 2006-07:**

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 2486 millions (Previous Year : Rs 1546.00 millions)

In respect of the demand of Rs. 25.47 millions raised for the assessment proceedings under Section 153A of the Income tax Act, 1961, the appeal proceedings are pending before the Commissioner of Income tax (Appeals). Since then the Company has paid an amount of Rs. 8.08 millions in this respect.

The assessment proceedings with respect to the Company under Section 143(3) of the Income tax Act, 1961 were completed by the Income Tax authorities for the financial year 2004-05 on 29/05/2007. The Company is in appeal before the Commissioner of Income tax (Appeals) in respect of the disallowances made by the Assessing Officer on Company's claim for depreciation on BSE Cards (as an intangible asset), part depreciation on VSAT systems, and Carpet expenses written off in the books. However, no demand is raised / payable since tax paid was in excess of tax on disallowances made.

## **7 Managerial Remuneration:**

#### **Year Ended 2002-03:**

<b>(Rs. in Millions)</b>			
<b>Particulars</b>		<b>Year Ended 31-03-2003 Amount</b>	<b>Year Ended 31-03-2002 Amount</b>
Salary	(i)	14.01	1.37
Commission	(ii)	Nil	Nil

Included in P. & L. A/c.	A=(i) + (ii)	14.01	1.37
Other perquisites	B	0.08	0.18
<b>Total</b>	<b>A+B</b>	<b>14.09</b>	<b>1.55</b>

**Year Ended 2003-04:**

Managerial Remuneration paid to Chairman cum Managing Director, Joint Managing Director and Executive Director.

(Rs. in Millions)

Particulars		Year ended 31.03.2004 Amount	Year ended 31.03.2003 Amount
Salary	(i)	14.67	14.01
Commission	(ii)	13.00	-
Included in P & L a/c	A=(i) + (ii)	27.67	14.01
Contribution to P.F.	B	0.17	0.14
Other perquisites	C	0.07	0.08
<b>Total</b>	<b>A+B+C</b>	<b>27.91</b>	<b>14.23</b>

In the determination of Managerial remuneration, above perquisites have been valued in accordance with the Income Tax Rules, 1962.

**Year Ended 2004-05:**

Managerial Remuneration paid to Chairman cum Managing Director, Joint Managing Director and Whole Time Director

(Rs. in Millions)

Particulars		Year ended 31.03.2005 Amount	Year ended 31.03.2004 Amount
Salary	(i)	26.33	14.67
Commission	(ii)	15.00	13.00
Included in P & L a/c	A=(i) + (ii)	41.33	27.67
Contribution to P.F.	B	0.04	0.17
Other perquisites	C	0.05	0.07
<b>Total</b>	<b>A+B+C</b>	<b>41.42</b>	<b>27.91</b>

In the determination of Managerial remuneration, above perquisites have been valued in accordance with the Income Tax Rules, 1962.

**Year Ended 2005-06:**

Managerial Remuneration paid to Chairman & Managing Director, Joint Managing Director and Whole Time Director

(Rs. in Millions)

Particulars		Year ended 31.03.2006 Amount	Year ended 31.03.2005 Amount
Salary	(i)	25.02	26.33
Commission	(ii)	71.20	15.00
Included in P & L a/c	A=(i) + (ii)	96.22	41.33
Contribution to P.F.	B	0.04	0.04
Other perquisites	C	-	0.05
<b>Total</b>	<b>A+B+C</b>	<b>96.26</b>	<b>41.42</b>

**Year Ended 2006-07**

Managerial Remuneration paid to Chairman & Managing Director, Joint Managing Director and Whole Time Director

(Rs. in Millions)

Particulars		Year ended 31.03.2007 Amount	Year ended 31.03.2006 Amount
Salary	(i)	25.44	25.02
Commission	(ii)	74.44	71.20
Medical Allowance	(iii)	0.03	
Included in P & L a/c	A=(i) + (ii)+ (iii)	99.92	96.22
Contribution to P.F.	B	0.12	0.04
Other perquisites	C	-	-
<b>Total</b>	<b>A+B+C</b>	<b>100.03</b>	<b>96.26</b>

**Computation of Managerial Remuneration under Section 198 of the Companies Act, 1956**

	Year ended 31.03.2007 Amount (Rs. in Millions)	Year ended 31.03.2006 Amount (Rs. in Millions)
Profit as per Profit & Loss A/c	985.05	912.17
Less: Extraordinary item (gross of tax)	63.27	-
Profit after Extraordinary items	921.78	912.17
Add: Depreciation Charged in the accounts	108.48	55.48
Managerial Remuneration debited to P & L A/c.	100.03	96.26
Loss on sale of investments	4.64	-
Loss on sale of Fixed Assets (Net)	2.58	--
<b>Sub Total (A)</b>	<b>1137.51</b>	<b>1063.90</b>
Less: Depreciation in accordance with Section 350 of the Companies Act, 1956	108.48	55.48
Profit on sale of Investments	--	43.20
Profit on sale of Fixed Assets (Net)	--	0.87
<b>Sub Total (B)</b>	<b>108.48</b>	<b>99.55</b>
<b>Net profit under Section 198 of the companies Act, 1956 (A) - (B)</b>	<b>1029.03</b>	<b>964.36</b>
<b>Maximum Managerial Remuneration @ 10% of Net Profit</b>	<b>102.90</b>	<b>96.44</b>

8 Amount of margin money received from clients and outstanding as on year-end are as follows:

**Year Ended 2002-03:**

(Rs. in Millions)

Security Settlement for the	In the form of Securities at market Value*	Received in cash / cheques
Year ended 31.03.2003	62.63	27.15

\* Margin money received in the form of securities is held by the company as beneficiary.

**Year Ended 2003-04:**

(Rs. in Millions)

Security Settlement for the	In the form of Securities at market Value *	Received in cash / cheques
Year ended 31.03.2004	368.06	87.64
Year ended 31.03.2003	62.63	27.15

\* Margin money received in the form of securities is held by the Company as beneficiary.

**Year Ended 2004-05:**

(Rs. in Millions)

Security Settlement for the	In the form of Securities at market Value *	Received in cash / cheques
Year ended 31.03.2005	338.81	107.59
Year ended 31.03.2004	368.06	87.64

\* Margin money received in the form of securities is held by the Company as beneficiary.

**Year Ended 2005-06:**

(Rs. in Millions)

Security Settlement for the	In the form of Securities at market Value *	Received in cash / cheques
Year ended 31.03.2006	934.68	218.41
Year ended 31.03.2005	338.81	107.59

\* Margin money received in the form of securities is held by the Company as beneficiary.

**Year Ended 2006-07**

1. Amount of margin money received from clients and outstanding as on 31.03.2007 are as follows:

(Rs. in Millions)

Security Settlement for the	In the form of Securities at market Value *	Received in cash / cheques
Year ended 31.03.2007	1425.82	447.90
Year ended 31.03.2006	934.68	218.41

\* Margin money received in the form of securities is held by the Company as beneficiary.

**9 Auditors' Remuneration: -****Year Ended 2002-03:**

(Rs. in Millions)

Particulars	Year ended 31.03.2003	Year ended 31.03.2002
<b>As Auditors:</b>		
Audit Fees	0.11	0.06
Tax Audit Fees	0.02	0.02
<b>In any other capacity, in respect of:</b>		
Out of pocket expenses, etc.	0.00	0.00

<b>Total</b>	<b>0.13</b>	<b>0.08</b>
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**Year Ended 2003-04:**

(Rs. in Millions)

<b>Particulars</b>	<b>Year ended 31.03.2004</b>	<b>Year ended 31.03.2003</b>
<b>As Auditors:</b>		
Audit Fees	0.25	0.11
Tax Audit Fees	0.05	0.02
<b>Total</b>	<b>0.30</b>	<b>0.13</b>

**Year Ended 2004-05:**

(Rs. in Millions)

<b>Particulars</b>	<b>Year ended 31.03.2005</b>	<b>Year ended 31.03.2004</b>
<b>As Auditors:</b>		
Audit Fees	0.25	0.25
Tax Audit Fees	0.05	0.05
<b>Total</b>	<b>0.30</b>	<b>0.30</b>

**Year Ended 2005-06:**

(Rs. in Millions)

<b>Particulars</b>	<b>Year ended 31.03.2006</b>	<b>Year ended 31.03.2005</b>
<b>As Auditors:</b>		
Audit Fees	0.25	0.25
Tax Audit Fees	0.05	0.05
<b>Total</b>	<b>0.30</b>	<b>0.30</b>

**Year Ended 2006-07:**

(Rs. in Millions)

<b>Particulars</b>	<b>Year ended 31.03.2007</b>	<b>Year ended 31.03.2006</b>
<b>As Auditors:</b>		
Audit Fees	0.30	0.25
Tax Audit Fees	0.10	0.05
<b>In any other capacity, in respect of:</b>		
Other Certification	0.12	-
<b>Total</b>	<b>0.52</b>	<b>0.30</b>

**10 Foreign Currency Transactions:**

**Year Ended 2002-03 :**

Expenditure incurred in foreign currency (on cash basis) on travelling is Rs. 0.59 millions (Previous Year Rs. 0.20 millions).

**Year Ended 2003-04:**

**Expenditure in Foreign Currency**

(Rs. in Millions)

<b>Particulars</b>	<b>2003-04</b>	<b>2002-03</b>
Travelling Expenses	3.41	0.59
Membership and subscriptions	0.38	0.01
<b>Total</b>	<b>3.79</b>	<b>0.60</b>

#### **Earnings in Foreign Currency**

(Rs. in Millions)

<b>Particulars</b>	<b>2003-04</b>	<b>2002-03</b>
Royalty	0.06	Nil
Advisory Fees	6.70	Nil
<b>Total</b>	<b>6.76</b>	<b>Nil</b>

#### **In addition to above, income earned from (as certified by management):**

(Rs. in Millions)

<b>Particulars</b>	<b>2003-04</b>	<b>2002-03</b>
Foreign Institutional Investors	158.90	18.50
Foreign Institutions	58.90	20.40
Corporate/Others	22.20	2.60
<b>Total</b>	<b>240.00</b>	<b>41.50</b>

#### **Year Ended 2004-05 :**

#### **Expenditure in Foreign Currency**

(Rs. in Millions)

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
Travelling Expenses	1.91	3.41
Membership and subscriptions	0.075	0.38
Software Charges	0.74	Nil
Marketing Commission	0.73	Nil
<b>Total</b>	<b>3.455</b>	<b>3.79</b>

#### **Earnings in Foreign Currency**

(Rs. in Millions)

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
Royalty	0.10	0.06
Advisory Fees	25.70	6.70
<b>Total</b>	<b>25.80</b>	<b>6.70</b>

#### **In addition to above income earned from**

(Rs. in Millions)

<b>PARTICULAR</b>	<b>2004-05</b>	<b>2003-04</b>
Foreign Institutional Investor	273.50	158.90
Financial Institution & Mutual Fund	133.70	81.10
<b>Total</b>	<b>407.20</b>	<b>240.00</b>

#### **Year Ended 2005-06:**

#### **Expenditure in Foreign Currency**

(Rs. in Millions)

<b>Particulars</b>	<b>2005-06</b>	<b>2004-05</b>
Travelling Expenses	9.44	1.91
Membership and subscriptions	-	0.07
Software Charges	1.35	0.74
Marketing Commission	0.55	0.73
<b>Total</b>	<b>11.34</b>	<b>3.46</b>

**Earnings in Foreign Currency**

(Rs. in Millions)

Particulars	2005-06	2004-05
Royalty	0.17	0.10
Advisory Fees	12.71	25.70
<b>Total</b>	<b>12.89</b>	<b>25.80</b>

**In addition to above income earned from**

(Rs. in Millions)

Particulars	2005-06	2005-06
Foreign Institutional Investor	663.07	273.50
Financial Institution & Mutual Fund	202.89	133.70
<b>Total</b>	<b>865.97</b>	<b>407.20</b>

**Year Ended 2006-07****Foreign Currency Transactions:****Expenditure in Foreign Currency:**

(Rs. in Millions)

Particulars	2006-07	2005-06
Travelling Expenses	7.99	9.44
Software Charges	2.63	1.35
Marketing Commission	0.54	0.55
<b>Total</b>	<b>11.17</b>	<b>11.34</b>

**Earnings in Foreign Currency:**

(Rs. in Millions)

Particulars	2006-07	2005-06
Royalty	0.61	0.17
Advisory Fees	31.87	12.71
<b>Total</b>	<b>32.48</b>	<b>12.89</b>

**Foreign Exchange gain/ loss :**

Monetary items being foreign currency lying on hand is valued at the exchange rate prevailing on the Balance sheet date. The foreign exchange loss arising thereon of Rs.0.15 millions has been debited to profit and loss account and shown separately.

**11 Lease:****Year Ended 2002-03 :**

Fixed Assets (VSATs) taken on operating lease during the year amounts to Rs. 0.89 millions  
(Previous Year Rs. NIL)

- (a) Future obligations towards lease rentals under the lease agreements as on 31<sup>st</sup> March 2003 amounts to Rs.5.82 millions (Previous Year Rs. Nil). Details of lease rentals payable within one year & thereafter are as under.

(Rs. in Millions)

Particulars	2002-03	2001-02
Within one year	2.24	NIL
Later than one year and not later than five year	3.58	NIL
Later than five years	NIL	NIL

- (b) General Description of lease terms:

- (i) Lease rentals are charged on the basis of agreed terms.
- (ii) Assets are taken on lease for a period of 3 years.
- (iii) Lease rentals are fully recovered from clients.

**Year Ended 2003-04 :**

Fixed Assets (V SATs) taken on operating lease during the year amounts to Rs 4.50 millions (Previous Year Rs. 0.89 millions)

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2004 amounts to Rs.14.43 millions (Previous Year Rs. 5.82million) Details of lease rentals payable within one year and thereafter are as under: -

(Rs. in Millions)

Particulars	2003-04	2002-03
Within one year	6.65	2.24
Later than one year and not later than five year	7.79	3.58
Later than five years	NIL	NIL

- b) **General Description of lease terms:**

- i) Lease rentals are charged on the basis of agreed terms.
- ii) Assets are taken on lease for a period of 3 years.
- iii) Lease rentals are fully recovered from clients.

**Year Ended 2004-05 :**

Fixed Assets (V SATs) taken on operating lease during the year amounts to Rs. 7.37 millions (Previous Year Rs.4.50 millions)

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2005 amounts to Rs.16.44 millions (Previous Year Rs.14.43 millions). Details of lease rentals payable within one year and thereafter are as under: -

(Rs. in Millions)

Particulars	2004-05	2003-04
Within one year	8.62	6.65
Later than one year and not later than five year	7.82	7.79
Later than five years	NIL	NIL

- b) **General Description of lease terms: -**

- i) Lease rentals are charged on the basis of agreed terms.
- ii) Assets are taken on lease for a period of 3 years.

- iii) Lease rentals are fully recovered from clients.

**Year Ended 2005-06 :**

Fixed Assets (V SATs) taken on operating lease during the year amounts to Rs 12.54 millions (Previous Year Rs. 7.37 millions)

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2006 amounts to Rs.19.08 millions (Previous Year Rs. 16.44 millions)

Details of lease rentals payable within one year and thereafter are as under: -

(Rs. in Millions)

Particulars	2005-06	2004-05
Within one year	9.20	8.62
Later than one year and not later than five year	9.87	7.82
Later than five years	NIL	NIL

**b) General Description of lease terms: -**

- i) Lease rentals are charged on the basis of agreed terms.
- ii) Assets are taken on lease for a period of 3 years.
- iii) Lease rentals are fully recovered from clients.

**Year Ended 2006-07**

Fixed Assets (V SATs) taken on operating lease during the year ended 31<sup>st</sup> March 2007 amounts to Rs. 10.22 millions (Previous Year : Rs. 12.54 millions) .

- a) Future obligations towards lease rentals under the lease agreements as on 31st March 2007 amounts to Rs. 13.11millions (Previous Year ended 31<sup>st</sup> March, 2006: Rs. 19.08 millions) Details of lease rentals payable within one year and thereafter are as under:-

(Rs. in Millions)

Particulars	2006-07	2005-06
Within one year	7.83	9.20
Later than one year and not later than five year	5.27	9.87
Later than five years	NIL	NIL

**b) General Description of lease terms: -**

- i) Lease rentals are charged on the basis of agreed terms.
- ii) Assets are taken on lease for a period of 3 years.
- iii) Lease rentals are fully recovered from clients.

**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.

**12 Miscellaneous Expenditure:**

**Year Ended 2003-04**

Preliminary expenses were written off in the financial year ended 2003-04 in compliance with Accounting Standard-26 “Intangible Assets” issued by ICAI. Prior to which they were amortised over a period of five years.

**13 Additional Information** pursuant to the provisions of paragraphs 3, 4C & 4D of Schedule VI to the Companies Act, 1956:

*Quantitative details of Opening Stock, Purchases, Sales and Closing Stock (including Derivatives):*

**Year Ended 2002-03 :**

Particulars	2002-2003		2001-2002	
	Quantity	Value (Rs. in Millions)	Quantity	Value (Rs. in Millions)
Opening Stock	202,650	40.91	418,893	70.17
Purchases	14,667,028.00	289.49	154,367	58.82
Sales	14,606,646	318.49	370,610	85.70
Profit / (Loss)	-	(3.23)	-	(2.38)
Closing Stock	263,032	8.68	202,650	40.91

**Year Ended 2003-04:**

Particulars	2003-04		2002-03	
	Quantity	Value (Rs. in Millions)	Quantity	Value (Rs. in Millions)
Opening stock	263,032	8.68	202,650	40.91
Purchases	10,882,298	248.16	14,961,728	294.08
Sales	11,145,230	257.93	14,901,346	322.11
Profit / (Loss)	-	1.09	-	(4.21)
Closing stock	100	-	263,032	8.68

**Year Ended 2004-05 :**

Particulars	2004-05		2003-04	
	Quantity	Value (Rs. in Millions)	Quantity	Value (Rs. in Millions)
Opening Stock	100	-	263,032	8.68
Purchases	1,650,201	639.48	10,882,298	248.16

Sales	1,772,051	642.01	11,145,230	257.93
Short Sale	121,850			
Profit / (Loss)		2.52		1.09
Transfer to investment	100	0.00		-
Closing Stock	-	-	100	-

**Year Ended 2005-06:**

Particulars	2005-06		2004-05	
	Quantity	Value (Rs. in Millions)	Quantity	Value (Rs. in Millions)
Opening Stock	-		100	-
Purchases	11215462	2,647.74	1,650,201	639.48
Sales	11222076	2,637.03	1,772,051	642.01
Short Sale	25,400	-	121,850	-
Profit / (Loss)		7.71	-	2.52
Transfer to investment	-	-	100	-
Closing Stock	18,786	18.43	-	-

**Year Ended 2006-07 :**

	2006-07		2005-06	
	Quantity	Value (in Rs.millions)	Quantity	Value (in Rs.millions)
Opening Stock	18,786	18.43	-	-
Purchases	16,055,556	9280.16	11,215,462	2647.74
Sales	16,065,542	9309.15	1,12,22,076	2637.03
Short Sale	8,800		25,400	
Profit / (Loss)		10.56		7.71

Closing Stock	0	0	18,786	18.43
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#### 14 **Basic & Diluted Earnings per share:**

##### **Year Ended 2002-03**

<b>Particulars</b>	<b>2002-03</b>	<b>2001-02</b>
Net Profit / (Loss) attributable to equity shareholders [A] (Rs. in Millions)	2.36	(33.98)
Weighted Average Number of equity shares issued [B]	1,318,830	1,318,830
<b>Basic Earnings/(Loss) per share (EPS) [A/B] (Rs.)</b>	<b>1.79</b>	<b>(25.77)</b>
Weighted Average Number of equity shares outstanding for diluted EPS [C]	2,905,147	2,905,147
<b>Diluted Earnings/(Loss) per share (DEPS) [A/(B+C)] (Rs.)</b>	<b>0.56</b>	<b>(8.05)</b>

##### **YEAR ENDED 2003-04**

<b>Particulars</b>	<b>2003-04</b>	<b>2002-03</b>
Net Profit / (Loss) attributable to equity shareholders [A] (Rs. in Millions)	163.76	2.36
Weighted Average Number of equity shares issued [B]	1,318,830	1,318,830
<b>Basic Earnings/(Loss) per share (EPS) [A/B] (Rs.)</b>	<b>124.18</b>	<b>1.79</b>
Weighted Average Number of equity shares outstanding for diluted EPS [C]	2,905,147	2,905,147
<b>Diluted Earnings/(Loss) per share (DEPS) [A/(B+C)] (Rs.)</b>	<b>38.77</b>	<b>0.56</b>

##### **Year Ended 2004-05**

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
Net Profit / (Loss) attributable to equity shareholders [A] (Rs. in Millions)	287.55	163.76
Weighted Average Number of equity shares issued [B]	1,318,830	1,318,830
<b>Basic Earnings/(Loss) per share (EPS) [A/B] (Rs.)</b>	<b>218.03</b>	<b>124.18</b>
Weighted Average Number of equity shares outstanding for diluted EPS [C]	3,028,814	2,905,147
<b>Diluted Earnings/(Loss) per share (DEPS) [A/(B+C)] (Rs.)</b>	<b>66.14</b>	<b>38.77</b>

##### **YEAR ENDED 2005-06**

<b>Particulars</b>	<b>2005-06</b>	<b>2004-05</b>
Net Profit / (Loss) attributable to equity shareholders [A] (Rs. in Millions)	611.15	287.55
Weighted Average Number of equity shares issued [B]	1,318,830	1,318,830
<b>Basic Earnings/(Loss) per share (EPS) [A/B] (Rs.)</b>	<b>463.40</b>	<b>218.03</b>
Weighted Average No. of equity shares outstanding for diluted EPS [C]	-	3,028,814
<b>Diluted Earnings/(Loss) per share (DEPS) [A/(B+C)] (Rs.)</b>	<b>463.40</b>	<b>66.14</b>

##### **Year Ended 2006-07**

<b>Particulars</b>	<b>2006-07</b>	<b>2005-06</b>
Net Profit / (Loss) attributable to equity shareholders [A] (Rs. in Millions)	614.65	611.15
Number of equity shares issued [B]	1,318,830	1,318,830
<b>Basic Earnings/(Loss) per share (EPS) [A/B] (Rs.)</b>	<b>466.06</b>	<b>463.40</b>

Number of potential equity shares [C]	-	-
<b>Diluted Earnings/(Loss) per share (DEPS) [A/(B+C)] (Rs.)</b>	<b>466.06</b>	463.40

**15 As per the Accounting Standard (AS) 22 on Accounting for Taxes on Income issued by ICAI, the Deferred tax Assets/(Liability) comprises the following:**

**Year Ended 2002-03 :**

<b>Particulars</b>	<b>(Rs. in Millions)</b>
<b>Deferred Tax Liability</b>	
Depreciation	(4.89)
Profit/(Loss) on sale of fixed assets	(0.05)
<b>Deferred Tax Asset</b>	
Unabsorbed carried forward losses	12.17
Disallowances u/s 43B	0.64
Provision for Gratuity	1.07
<b>Deferred Tax (Liability)/Assets</b>	<b>8.93</b>

**Year Ended 2003-04 :**

<b>Particulars</b>	<b>(Rs. in Millions)</b>
<b>Deferred Tax Liability</b>	
Depreciation	(3.53)
Unabsorbed carried forward losses	-
Profit/(Loss) on sale of fixed assets	-
<b>Deferred Tax Asset</b>	

Preliminary expenses u/s 35D	0.01
Disallowances u/s 43B	0.64
Provision for Gratuity	0.65
<b>Deferred Tax (Liability)/Assets</b>	<b>(2.23)</b>

**Year Ended 2004-05 :**

<b>Particulars</b>	<b>(Rs. in Millions)</b>
<b>Deferred Tax Liability</b>	
Depreciation	(4.90)
<b>Deferred Tax Asset</b>	
Disallowances u/s 43B	0.60
Preliminary expenses u/s 35D	-
Provision for Gratuity	0.06
<b>Deferred Tax (Liability)/Assets</b>	<b>(4.24)</b>

**Year Ended 2005-06 :**

<b>Particulars</b>	<b>(Rs. in Millions)</b>
<b>Deferred Tax Liability</b>	
Depreciation (on the basis of Written Down Value)	(14.88)
<b>Deferred Tax Asset</b>	
Disallowances u/s section 43B of the Income tax Act 1961	-
Provision for Gratuity	0.13
<b>Deferred Tax (Liability)/Assets</b>	<b>(14.75)</b>

<b>Deferred Tax (Liability)/Assets</b>	(13.56)
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**Year ended 2006-07 :**

Particulars	(Rs. in Millions)
<b>Deferred Tax Liability</b>	
Difference in Closing Net Block	(22.11)
Customer rights (Depreciation)	(1.47)
Non compete	(0.71)
Disallowance under Section 40(a)(ia) of the Income tax Act, 1961	(0.27)
<b>Deferred Tax Asset</b>	
Disallowance under Section 43 B of the Income tax Act, 1961	9.08
Disallowance under Section 40(a)(ia) of the Income tax Act, 1961	2.55
Profit /(Loss) on sale of Investments	1.58
Provision for doubtful debts	--
Gratuity Provision	1.71
<b>Deferred Tax (Liability)/Assets</b>	<b>(9.64)</b>

**16 Related Party Disclosure:**

**Year Ended 2003-04 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding Company:**

Motilal Oswal Investments Private Limited (now known as Passionate Investment Management Private Limited)

**Subsidiary Company**

Nagori Agro & Cattle Feeds Private Limited

**Names of other related parties:**

**Group Companies:**

1. Motilal Oswal Commodities Broker Private Limited
2. Windwell Securities Private Limited
3. Rishabh Securities Private Limited
4. Textile Export Private Limited

**Key Management Personnel:**

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

**Transactions with related parties for the year-ended 31.3.2004:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration Paid	Nil	20.60
Compensation & Rent Paid	0.35	Nil
Business Service Center Charges to MOIPL	2.64	Nil

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2004:**  
(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Remuneration to Mr. Motilal Oswal	Nil	10.30
Remuneration to Mr. RaamdeoAgrawal	Nil	10.30
Compensation paid to Nagori Agro & Cattle feeds Pvt. Ltd	0.30	Nil
Business Service Center Charges to MOIPL	2.64	Nil

**Note:** No amount pertaining to related parties have been provided for as a doubtful debt. Also, no amount has been written off or written back during the year.

**Year Ended 2004-05 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding Company:**

Motilal Oswal Investments Pvt. Ltd. (MOIPL)

**Subsidiary Company:**

Nagori Agro & Cattle Feeds Pvt. Ltd.

**Names of other related parties:****Group Companies:**

1. Rishabh Securities Pvt. Ltd.
2. Motilal Oswal Commodities Broker Pvt. Ltd.
3. Windwell Securities Pvt. Ltd.
4. Textile Exports Pvt. Ltd.

**Key Management Personnel:**

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

**Transactions with related parties for the year-ended 31.3.2005:**

(Rs. in Millions)

Nature of Transaction	Group Company	Key Management Personnel
Brokerage Received	2.24	Nil
Remuneration Paid	Nil	39.00
Compensation & Rent Paid	1.25	Nil
Security Deposit for office premises	20.00	Nil

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2005:**  
(Rs. in Millions)

<b>Nature of Transaction</b>	<b>Group Company</b>	<b>Key Management Personnel</b>
Remuneration to Mr. Motilal Oswal	Nil	19.50
Remuneration to Mr. RaamdeoAgrawal	Nil	19.50
Compensation paid to Nagori Agro & Cattle feeds Pvt. Ltd	1.20	Nil
Security Deposit for office premises to Motilal Oswal Investments Pvt. Ltd.	20.00	Nil

**Year Ended 2005-06 :**

Names of related parties and nature of relationship where control exists are as under:

**Holding companies**

1. Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)
2. Motilal Oswal Financial Services Limited

**Group Companies**

- 1) Nagori Agro & Cattlefeeds Private Limited
- 2) Motilal Oswal Commodities Broker Private Limited
- 3) Rishabh Securities Private Limited
- 4) Windwell Securities Private Limited
- 5) Textile Exports Private Limited
- 6) Motilal Oswal Investment Advisors Private Limited

**Key Management Personnel :-**

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

**Transactions with related parties for the year-ended 31.3.2006:**

(Rs. in Millions)

<b>Nature of Transaction</b>	<b>Holding company/Group company (Rs)</b>	<b>Key Management Personnel</b>
Brokerage Received	1.70	-
Remuneration Paid	-	96.26
Compensation & Rent Paid	1.23	-
Security Deposit for office premises	20.00	-

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31.03.2006:**

(Rs. in Millions)

<b>Nature of Transaction</b>	<b>Group Company</b>	<b>Key Management Personnel</b>
Remuneration to Mr. Motilal Oswal	-	46.00
Remuneration to Mr. RaamdeoAgrawal	-	46.00
Security Deposit for office premises to Passionate Investments Management Pvt Ltd	20.00	-

**Year Ended 2006-07**

Names of related parties and nature of relationship where control exists are as under:

**Holding company**

1. Motilal Oswal Financial Services Limited

**Group Companies**

- i. Motilal Oswal Commodities Broker Private Limited

- ii. Motilal Oswal Investment Advisors Private Limited
- iii. Motilal Oswal Venture Capital Advisors Private Limited
- iv. Motilal Oswal Portfolio Management Services Private Limited
- v. Passionate Investment Management Private Limited.
- vi. Nagori Agro & Cattle Feeds Private Limited
- vii. Rishabh Securities Private Limited
- viii. Windwell Securities Private Limited
- ix. Textile Exports Private Limited

**Key Management Personnel :-**

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

**Transactions with related parties for the year ended 31<sup>st</sup> March , 2007 :**

Nature of Transaction	Group companies		Key Management Personnel	
	Year ended 31 <sup>st</sup> March 2007	Year ended 31 <sup>st</sup> March 2006	Year ended 31 <sup>st</sup> March 2007	Year ended 31 <sup>st</sup> March 2006
Brokerage Received	1.16	1.7	-	-
Remuneration Paid to key Managerial Personnel	-	-	100.03	96.26
Business Support Services Received from Motilal Oswal Investment Advisors Pvt. Ltd.	9.80	-	-	-
Business Support Services Received from Motilal Oswal Venture Capital Advisors Pvt. Ltd	0.04			
Business Support Services Received from Motilal Oswal Commodities Broker Pvt. Ltd	2.30			
Advisory fees Paid to Motilal Oswal Investment Advisors Pvt. Ltd. (o/s balance as on 31.03.2007 : Rs. 2.81millions)	7.50	-	-	-
Advisory fees received from Motilal Oswal Venture Capital Advisors Pvt. Ltd.	4.82			
Compensation & Rent Paid to Nagori Agro & Cattle Feeds Pvt Ltd	1.20	1.23	-	-
Compensation & Rent Paid to Rishabh Securities Pvt Ltd	0.02			
Compensation & Rent Paid to Windwell Securities Pvt Ltd	0.01			
Compensation & Rent Paid to Textile Exports Pvt. Ltd	0.02			

Compensation & Rent Received from Motilal Oswal Investment Advisors Pvt. Ltd.	3.00	-	-	-
Rent received/ receivable from Motilal Oswal Venture Capital Advisors Pvt. Ltd. (o/s balance as on 31.03.2007 : Rs. 0.21 millions)	3.00			
Security Deposit received for office premises received from Motilal Oswal Investment Advisors Pvt. Ltd.	3.30	-	-	-

**Transaction with related parties in excess of 10% of the total related parties transactions for the year ended 31<sup>st</sup> March 2007 :**  
(Rs. in Millions)

<b>Nature of Transaction</b>	<b>Transaction amounts</b>	<b>O/s Balances</b>
	<b>Year ended 31.03.07</b>	<b>As on 31<sup>st</sup> March 2007</b>
Temporary Advance during the year from holding company Motilal Oswal Financial Services Ltd	710.00 (Maximum balance)	NIL
Corporate Guarantee given by holding company Motilal Oswal Financial Services Ltd	680.00	680.00
Remuneration to Mr. Motilal Oswal	48.64	-
Remuneration to Mr. Raamdeo Agrawal	48.64	-
Security Deposit for office premises to Passionate Investments Management Pvt. Ltd	20.00	20.00

**Transactions for the year ended 31.03.2006:**

Nature of Transaction	Group Company	Key Management Personnel
Remuneration to Mr. Motilal Oswal	-	46.00
Remuneration to Mr. Raamdeo Agrawal	-	46.00
Security Deposit for office premises to Passionate Investments Management Pvt. Ltd.	20.00	-

Passionate Investment Management Pvt. Ltd. (group company) has provided the shares towards margin for exposure limit in the Exchanges and Margin towards Bank Guarantee valuing Rs. 1923.72 millions as on 31.03.07.

**17 SEGMENT INFORMATION:****Year Ended 2002-03 & 2003-04 :****(Rs. in Millions)**

Particulars	Broking		PMS		Unallocated		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Revenue	618.94	148.53	15.33	0.01	41.87	(1.50)	676.14	147.04
Less: Inter Segment Revenue	-	-	-	-	-	-	-	-
Expenses	142.46	29.94	-	-	272.13	123.65	414.60	153.59
Less: Inter Segment Expenses	-	-	-	-	-	-	-	-
Exceptional Items	-	-	-	-	-	-	-	-
Profit Before Tax	476.48	118.59	15.33	0.01	(230.26)	(125.15)	261.54	(6.55)
<b>Other Information</b>								
Segment Assets	199.24	40.39	14.73	-	690.02	215.97	903.98	256.36
Segment Liability	300.86	39.53	-	-	317.02	143.00	617.89	143.00

Segments wise details are reported to the extent available with the Company.

*The Company does not have any Reportable Geographical Segment.*

**Year Ended 2004-05 & 2005-06 :****(Rs. in****Millions)**

Particulars	Broking		PMS		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenue	2,382.37	1,160.05	149.82	31.11	192.75	95.70	2,724.95	1,286.85
Less: Inter Segment Revenue	-	-	-	-	-	-	-	-
Expenses	787.30	388.19	-	-	1,027.31	461.70	1,814.61	849.89
Less: Inter Segment Expenses	-	-	-	-	-	-	-	-
Exceptional Items	-	-	-	-	-	-	-	-

Profit Before Tax	1,595.07	771.86	149.82	31.11	(834.56)	(366.00)	910.34	436.96
<b>Other Information</b>								
Segment Assets	1,202.69	331.59	141.72	30.65	3,036.94	1,552.57	4,381.34	1,914.80
Segment Liability	2,063.12	569.18	-	-	1,256.54	822.81	3,319.66	1,391.99

*Segments wise details are reported to the extent available with the Company.  
The Company does not have any Reportable Geographical Segment.*

#### **Year Ended 2006-07**

*The above Segments wise details are reported to the extent available with the Company. The company does not have any Reportable Geographical Segment.*

Particulars	Broking		PMS		Unallocated		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Revenue	3029.57	2382.37	83.01	149.82	260.54	192.75	3373.12	2724.95
Less: Inter Segment Revenue	-	-	-	-	-	-	-	-
Expenses	910.65	787.30	-	-	1471.51	1027.31	2382.16	1814.61
Less: Inter Segment Expenses	-	-	-	-	-	-	-	-
Exceptional Items	-	-	-	-	63.27	-	63.27	-
Profit Before Tax	2118.92	1595.08	83.01	149.82	(1274.23)	(834.56)	927.70	910.34
<b>Other Information</b>								
Segment Assets	2610.27	1202.69	51.29	141.72	4396.49	3036.94	7058.06	4381.34
Segment Liability	4005.47	2063.12	-	-	1376.26	1256.54	5381.73	3319.66

Segments wise details are reported to the extent available with the Company.

*The Company does not have any Reportable Geographical Segment.*

#### **18 Donation :**

##### **Year Ended 2003-04 :**

Donation to Political Party refers to amount paid to “ Gopinath Munde Gaurav Nidhi “ of Rs 0.05 million.

##### **Year Ended 2004-05 :**

Donation to Political Party refers to amount paid to “ Bhartiya Janta Party “ of Rs.0.05 million.

#### **19 Shares Purchased and sold during the year:**

##### **Year Ended 2003-04 :**

Shares purchased and sold during the year ended 31st March 2004:

Security Name	Purchase in qty.	Sale in qty.	Purchase (Rs. in millions)	Sale (Rs. in Millions)
Hoechst Marion Roussel Ltd.	19,000	19,000	6.11	6.24
Paper Products Ltd	45,000	45,000	5.59	5.72

**Year Ended 2004-05 :**

Shares Purchased and sold during the year ended 31<sup>st</sup> March 2005:

**(In cash Market)**

Security Name	Purchase in qty.	Sale in qty.	Purchase (Rs. in Millions)	Sale (Rs. in millions)
Arvind Mills Ltd	34,500	34,500	2.80	2.79
Bharti Televenture	50,000	50,000	9.02	8.27
Grasim Industries Ltd	4,200	4,200	4.79	4.81
Hero Honda Motors Ltd	5,500	5,500	2.12	2.26
Infosys Technologies Ltd	20,000	20,000	35.32	36.36
Mahanagar Telephone Nigam	104,000	104,000	13.26	13.77
State Bank Of India	150,500	150,500	70.41	79.69
Steel Authority Of India	1	1	0.00	0.00
Tata Consultancy Ser Ltd	32,500	32,500	33.98	36.95
Tata Iron And Steel Co Lt	28,350	28,350	8.22	8.95
Vijaya Bank Ltd	50,000	50,000	2.19	2.44

**(In Future & Option Market)**

Security Name	Purchase in qty.	sale in qty	Purchase (Rs. in Millions))	Sale (Rs. in Millions)
Arvindmill	34,400	34,400	2.79	2.80
Grasim	4,200	4,200	4.81	4.81
Hero Honda	400	400	0.20	0.20
Hero Honda	-	6,400	-	0.09
Hero Honda	8,000	8,000	0.02	0.11
Infosystch	20,000	20,000	36.36	35.53
IOC	24,600	24,600	8.43	9.32
ITC	9,900	9,900	10.67	11.41
ITC	9,900	9,900	0.77	0.26
Maruti	17,600	17,600	7.01	6.67
Maruti	-	10,000	-	0.16
Maruti	-	8,400	-	0.16
MTNL	104,000	104,000	13.77	13.29
NTPC	-	39,000	-	0.03

NTPC	-	58,500	-	0.02
NTPC	97,500	97,500	0.32	0.17
PNB	48,000	48,000	20.49	20.30
SBIN	430,500	430,500	210.94	207.46
TCS	40,250	40,250	44.91	42.35
TISCO	256,500	256,500	76.25	75.93
TISCO	54,900	54,900	1.02	<b>0.96</b>
WIPRO	10,000	10,000	14.11	13.69

**Year Ended 2005-06 :**

*Shares Purchased and sold during the year ended 31<sup>st</sup> March 2006:*

**(In cash Market)**

Security Name	Purchase Quantity	in Sale Quantity	in Purchase (Rs. in Millions)	Sale (Rs.in millions)
Bank Of Baroda	330,446	330,446	79.35	74.46
Bharat Forge Co Ltd	16,000	16,000	6.06	6.19
CESC LTD	46,200	46,200	10.43	10.26
Great Eastern Shipping Co Ltd	12,150	12,150	2.94	2.92
Hindustan Petroleum Corporation Ltd	24,700	24,700	7.58	7.90
ICICI Bank Ltd	88,748	88,748	52.99	53.42
Indian Petrochemicals Corporation Ltd	12,201	12,201	2.94	2.92
Indusind Bank Limited	26,950	26,950	1.54	1.55
Ivrel Infrastructures And Projects Ltd	73,991	73,991	54.50	68.56
Jaiprakash Hydro- Power Ltd	1,138,250	1,138,250	38.97	36.88
Mahanagar Telephone Nigam Ltd	81,471	81,471	12.30	12.76
Matrix Laboratories Ltd	67,500	67,500	14.54	17.24
Nagarjuna Fertilisers Chemicals Ltd	504,000	504,000	6.89	7.79
New Delhi Television Ltd	290,500	290,500	60.89	57.84
NTPC Ltd	26,000	26,000	3.01	3.01
Oriental Bank Of Commerce	79,210	79,210	19.17	19.13
Polaris Software Lab Limited	2,800	2,800	0.39	0.36
Punjab National Bank	9,089	9,089	4.20	4.13
State Bank Of India	184,347	180,347	170.31	163.42
The Federal Bank Ltd	87,100	87,100	15.59	14.99
The Karnataka Bank Ltd	80,000	80,000	8.73	8.44
Union Bank Of India	7,022	7,022	0.87	0.87
Vijaya Bank	10,350	10,350	0.59	0.60

BHARAT HEAVE ELECTRICAL Ltd.	17,977	17,977	38.56	38.35
Era Constructions Ltd	27,724	27,724	8.21	8.26
GUJRAT STATE PETRONET Ltd.	10,003	10,003	0.38	0.38
Ind. Acrylics	1	1	0.00	0.00
Jagran Prakashan Ltd.	2,000	2,000	0.52	0.53
Mahindra & Mahindra Financial Services Ltd.	1,558,825	1,558,825	35.78	36.03
Maruti Udyog Ltd.	266,846	258,006	230.83	224.28
ONGC LTD	23,768	23,768	27.59	27.53
Pratibha Industries Ltd.	11,383	11,383	3.05	3.06
Provogue (India) Ltd.	12,506	12,506	3.74	3.75
Reliance Energy Ltd.	8,543	8,543	5.58	5.60
Reliance Industries Ltd	79,902	76,902	57.39	55.29
Renuka Sugars Ltd.	22,332	19,411	28.43	23.94
Sadbhav Engg. Ltd.	7,000	7,000	2.33	2.36
Satyam Computer Seviles Ltd.	115,987	115,987	91.88	92.05
Simbh Sugar Ltd.	2,500	2,500	0.36	0.36
Sunil Hitech Engg. Ltd.	33,929	33,929	4.48	4.53
Suzlon Energy Ltd.	2,000	2,000	2.20	2.18
Tata Motors Ltd.	12,892	12,867	11.73	11.69
Titan Industries Ltd.	2,780	2,780	2.25	2.29
Videsh Sanchar Nigam Ltd.	62,916	62,916	26.40	26.35
<b>TOTAL</b>	<b>5,480,839</b>	<b>5,462,053</b>	<b>1,156.47</b>	<b>1,144.45</b>

**(In Future & Option Market)**

Security Name	Purchase Quantity	in Sale Quantity	in Purchase (Rs. in Millions)	Sale (Rs. in Millions)
Arvind Mills	8,600	8,600	0.90	0.90
Bank Of Baroda	330,400	330,400	74.91	80.17
Bharat Forg Co Ltd	16,000	16,000	6.19	6.11
Bharat Heavy Electricals Ltd	18,300	18,300	39.03	39.37
CESC LTD	46,200	46,200	10.25	10.49
Geshipping	12,150	12,150	2.93	2.93
Herohonda	8,400	8,400	5.03	5.27
Hindustan Petroleum Corporation Ltd	24,700	24,700	7.93	7.66
ICICI Bank	86,100	86,100	51.48	51.34

Indian Petro Chemicals Corporation Ltd	15,400	15,400	3.73	3.75
Indusind Bank Ltd	26,950	26,950	1.54	1.55
IVRCL Infrastructures And Projects Ltd	214,000	214,000	183.92	171.12
Jaiprakash Hydro-Power Ltd	2,381,250	2,381,250	77.65	80.56
Mahanagar Telephone Nigam Ltd	48,000	48,000	6.87	6.40
Maruti	234,400	243,200	203.49	210.73
Matrix Laboratories Ltd	133,750	133,750	33.39	30.93
Nagarjuna Fertilisers And Chemicals Ltd	504,000	504,000	7.84	7.06
New Delhi Television Ltd	564,300	564,300	112.26	116.19
NIFTY	65,000	65,000	85.07	85.04
NTPC LTD	26,000	26,000	2.98	2.99
ONGC	15,900	15,900	18.34	18.53
Oriental Bank Of Commerce	79,800	79,800	19.30	19.66
Polaris Software Lab Limited	2,800	2,800	0.36	0.40
Punjab National Bank	12,600	22,200	4.20	4.31
Reliance Industries Ltd	93,600	96,600	67.04	69.28
Satyam Computers Ltd.	93,600	93,600	74.57	74.55
State Bank Of India	334,000	338,000	300.31	308.76
Tata Iron And Steel Co	48,600	48,600	0.36	0.36
Tata Motors	10,725	10,725	9.75	9.78
The Karnataka Bank	82,500	82,500	8.76	9.17
The Federal Bank Ltd	88,400	88,400	15.43	16.04
Titan Industries Ltd	7,398	7,398	6.15	6.10
Union Bank	9,600	9,600	0.77	0.78
Videsh Sanchar Nigam Ltd	80,850	80,850	33.59	33.69
Vijaya Bank	10,350	10,350	0.60	0.60
<b>TOTAL</b>	<b>5,734,623</b>	<b>5,760,023</b>	<b>1,476.93</b>	<b>1,492.58</b>

#### Year Ended 2006-07

*Shares Purchased and sold during the year ended 31<sup>st</sup> March 2007 :*  
**(In Cash Market)**

Security Name	Purchase in qty.	Sale in qty.	Purchase (Rs. in Millions)	sale (Rs. in millions)
3I Infotech Limited	32827	32827	6.04	6.04
Action Construction Equipment Ltd	7754	7754	1.66	1.66
Adani Exports Ltd	9218	9218	1.34	1.34

AIA Engineering Ltd	200	200	0.16	0.15
All Cargo Global Logistics Ltd	6400	6400	3.72	3.71
Andhra Petrochemicals Ltd.	5658	5658	0.08	0.09
Aptech Ltd	20765	20765	2.57	2.55
Arvind Mills Ltd	42107	42107	4.55	4.52
AI CHAMPDANY INDUSTRIES LTD	13694	13694	2.43	2.45
Associated Cement Co. Ltd	40945	40945	37.47	37.61
Atlanta Ltd	34577	34577	6.83	6.83
Bajaj Auto Ltd.	500	500	1.26	1.26
ASSAMCO	253218	253218	6.18	6.22
Bausch & Lomb Ltd	4820	4820	0.45	0.44
Bharat Heavy Electricals Ltd.	9936	9936	18.45	18.39
Balaji Telefilms	105603	105603	15.21	15.23
Bihar Tubes	4166	4166	0.5	0.49
Castrol India Ltd	319	319	0.08	0.08
Ccs Infotech Ltd	550	550	0.01	0.01
Cosmo Films Ltd	3999	3999	0.43	0.43
Bombay Dyeing & Mfg.	45927	45927	33.43	33.42
Dabur India Ltd	1000	1000	0.15	0.15
DCW Ltd	17341	17341	0.21	0.21
Donear Industries Ltd	500	500	0.05	0.05
Educomp Solutions Ltd	59152	59152	43.79	43.76
Entertainment Network India Ltd	13103	13103	3.34	3.25
Era Construction India Ltd	7520	7520	3.14	3.15
Cambridge Technology			0.32	0.32
Enterprises Ltd	3010	3010	0	0
Essar Shipping Ltd	84936	84936	2.87	2.86
Gesco Corpn Ltd	30462	30462	25.89	25.9
Cranes Soft	17353	17353	1.9	1.85
GMR Industries Ltd	43360	43360	10.16	10.3
Great Eastern Shipping Co. Ltd	20470	20470	6.33	6.34
GTL Infrastructure Limited	2000	2000	0.11	0.11
Gulshan Sugar & Chemicals Ltd	3601	3601	0.22	0.22
CTE	224214	224214	21.26	21.31
Hcl Technologies Ltd	4702	4702	2.89	2.88
Helios & Matherson Information Technologies Ltd.	2000	2000	0.35	0.35
Hexaware Technologies Ltd	2000	2000	0.36	0.36
Hindustan Lever Ltd	5001	5001	1.16	1.15
Hindustan Zinc Ltd.	2468	2468	2.01	2.01
DCB	30004	30004	1.97	1.97
Development Credit Bank Ltd	42746	42746	2.79	2.78

Indian Card Clothing Co Ltd	7563	7563	1.96	1.96
Indian Petrochemicals Corporation Ltd.	35529	35529	9.98	10.02
Indraprastha Medical Corporation Ltd	15000	15000	0.53	0.53
Indraprastha Gas Limited	2185	2185	0.27	0.27
ESS DEE ALUM	111610	111610	34.91	34.89
Ispat Alloys Ltd	1184	1184	0.01	0.01
Glenmark	7597	7597	4.23	4.21
Hanug Toys	100270	100270	11.78	11.81
Kale Consultants Ltd	500	500	0.06	0.06
Kesoram Industries Ltd	1000	1000	0.37	0.38
Kew Industries Ltd	12478	12478	0.37	0.37
Lanco Infratech Ltd	119677	119677	30.11	30.77
Larsen & Toubro Limited	1000	1000	1.31	1.31
HDFC Bank	1	1	0	0
Hero Honda	401	401	0.28	0.28
Maxwell Industries Ltd	3501	3501	0.13	0.13
Nandan Exim Limited	5000	5000	0.05	0.05
Narmada Gelatine Ltd	2000	2000	0.07	0.07
IBREALEST	68439	68439	24.44	24.36
National Organic Chemicals Industries Ltd	69305	69305	1.82	1.82
ICICI Banking Corporation	1064475	1064475	645.51	646.64
Northgate Technologies Ltd	2259	2259	1.99	2
IDBI	22272	22272	2.18	2.18
Oswal Chemicals & Fertilizers Limited	43870	43870	1.89	1.88
Parsvnath Developers Ltd	78150	78150	42.87	43.28
PBA Infrastructure Ltd	36682	36682	7.13	7.09
Pearl Polymer Ltd	8501	8501	0.19	0.19
Pidilite Industries Ltd.	2000	2000	0.24	0.24
Polaris Laboratories Ltd	6050	6050	0.65	0.65
Pratibha Industries Ltd	6237	6237	1.63	1.64
Prime Focus Limited	2272	2272	0.79	0.79
Provogue(Ind) Ltd	14869	14869	4.97	5.01
Punjab National Bank	243464	243464	122.44	127.64
Rain Calcining Ltd	5000	5000	0.18	0.18
Reliance Energy Ltd	129804	129804	56.32	53.6
Reliance Industries Ltd	949060	952060	1014.1	1022.5
IDFC	11800	11800	1.19	1.19
Repro India Ltd	3358	3358	0.37	0.37
RPG Life Sciences Ltd	50	50	0.01	0.01
Sadbhav Engg Ltd	17583	17583	10.24	10.32
Satyam Computer Services Ltd	670033	670033	503.51	502.73

Shree Renuka Sugar Ltd	5057	7978	7.63	12.07
Simbhaoli Sugar Ltd	5000	5000	0.54	0.55
Sobha Developers Limited	55090	55090	55.96	55.7
Spice Jet Ltd	43722	43722	1.84	1.84
IFCI	15000	15000	0.42	0.42
India Bulls	19664	19664	9.24	9.24
Sterlite Industries Ltd	54213	54213	22.23	22.38
Sujana Steel	10000	10000	1.08	1.08
Sun Tv Ltd	500	500	0.71	0.7
Suzlon Energy Ltd	44195	44195	47.6	47.35
Tantia Constructions Limited	32451	32451	8.44	8.57
Tata Motors Ltd	1650	1675	1.61	1.63
Tata Steel Ltd.	5000	5000	2.4	2.39
Industrial Development	2	2	0	0
Titan Industries Ltd.	53763	53763	37.34	37.2
INFO EDGE I LTD	73513	73513	44.19	44.18
Videsh Sanchar Nigam Ltd	131012	131012	53.09	53.11
Voltamp Transformers Ltd	17274	17274	7.84	7.87
IVR Construction	2961	2961	0.77	0.77
Zee Telefilms Limited	355	355	0.13	0.13
JBF.IND.LTD	2000	2000	0.21	0.21
JET AIRWAYS (INDIA)	72968	72968	47.71	47.81
Lawreshwar Polymers Ltd.	85684	85684	1.36	1.37
Lumax Auto	11016	11016	1.24	1.25
Lumax Tech	39433	39433	4.93	4.94
Manglalam TIM	1	1	0	0
Maruti Udyog	889041	897881	729.57	738.27
Mid – Day	5702	5702	0.3	0.3
MTNL	25415	25415	3.51	3.53
Mudra	3000	3000	0.21	0.2
NELCO LTD.	50	50	0.01	0.01
Naukri	18420	18420	12.29	12.27
NISSAN COPER	643814	643814	58.05	57.99
ONGCORP LTD	245570	245570	245.64	246.14
Ranbaxy Laboratories	500	500	0.22	0.22
RPL	1560000	1560000	136.25	136.71
SREI Int.Finance	92362	92362	5.17	5.14
State Bank Of India	358734	362734	347.2	348.98
SWIL LTD.	10000	10000	0.14	0.14
Tata Tele Services	5003	5003	0.12	0.12
Tech Mahindra Ltd	40229	40229	65.71	67.61

TTML	51754	51754	1.28	1.28
TV TODAY	2000	2000	0.2	0.2
Unity	23451	23451	13.15	13.17
Voltas	1000	1000	0.1	0.1
Wanbury Ltd	20893	20893	3.02	3
Western Ship	10000	10000	0.07	0.07
Zentith Infotech	1680	1680	0.51	0.51
<b>Total</b>	<b>9932297</b>	<b>9951083</b>	4796.44	4826.37
<b>(In Future &amp; Option Market)</b>				
<b>Security Name</b>	<b>Purchase in qty.</b>	<b>Sale in qty.</b>	<b>Purchase (Rs. in Millions)</b>	<b>sale (Rs. in millions)</b>
Arvind Mills Ltd	15050	15050	1.56	1.6
Associated Cement Co. Ltd	35250	35250	32.29	32.16
Bharat Heavy Electricals Ltd.	10800	10800	19.87	19.93
CENTURY TEXTILES AND	5950	5950	3.64	3.66
Cipla Ltd	7500	7500	2	2
Corporation Bank	2400	2400	0.98	0.98
Gmr Industries Ltd	97000	97000	22.29	22.13
Great Eastern Shipping Co. Ltd	24300	24300	7.52	7.52
Hcl Technologies Ltd	4550	4550	2.79	2.8
Hindalco Industries Ltd	6380	6380	1.11	1.11
Hindustan lever Ltd	45000	45000	10.47	10.49
ICICI Bank	791000	798000	453.88	461.21
Indian Petrochemicals corporation Ltd.	34100	34100	10	10.01
Jet Airways (ind) Ltd	71800	71800	46.74	46.72
Lanco Infratech Ltd	37400	37400	9.92	9.37
Mahindra & Mahindra Finance Ltd.	2500	2500	2.15	2.15
Maruti Udyog Ltd	739200	730400	608.81	601.44
National Thermal Power Corporation Ltd	19500	19500	2.93	2.93
NDTV Ltd	2200	2200	0.52	0.52
NIFTY	106850	106850	129.77	129.72
Oil & Natural gas Corporation Ltd.	184500	184500	188.4	188.64
Parsvnath Developers Ltd	11200	11200	5.8	5.82
Polaris Laboratories Ltd	11200	11200	1.21	1.21
Punjab National Bank	112800	112800	56.92	56.93
Punjab National Bank	151200	151200	132.14	127.62
Punjilloyd Ltd	600	600	0.49	0.49

Reliance Energy	132000	132000	57.77	60.62
Reliance Industries	1221900	1218900	1403.3	1405.27
Satyam Computer services Ltd	462000	462000	340.14	341.89
Sobha Developers Limited	6300	6300	5.87	5.82
STATE BANK OF INDIA	486750	482750	483.44	479.34
Sterlite Industries Ltd	42875	42875	17.89	17.71
Sun Tv Ltd	500	500	0.76	0.76
SUZLON ENERGY	61000	61000	65.96	66.66
TITAN IND.	46854	46854	34.42	34.71
Videsh Sanchar Nigam Ltd	69300	69300	28.4	28.41
Vijaya Bank	48300	48300	2.56	2.55
BAJAJAUTO	500	500	1.37	1.37
CAIRN	12500	12500	1.68	1.69
GMRINFRA	85000	85000	33.12	33.86
HDFCBANK	69400	69400	65.59	65.49
HEROHONDA	91200	91200	60.69	60.96
IDEA	2700	2700	0.25	0.25
IDFC	20650	20650	2.1	2.1
IFCI	338625	338625	10.35	10.43
INDIANB	2200	2200	0.2	0.2
MTNL	8000	8000	1.18	1.18
NAGARFERT	196000	196000	2.84	2.84
PFC	62400	62400	7.22	7.17
RPL	30150	30150	2.08	2.07
SIEMENS	1875	1875	2.32	2.31
SUNPHARMA	94050	94050	98.05	97.97
TOTAL	6123259	6114459	4483.73	4482.78

## **20 Subsidiary of :**

### **Year Ended 2002-03 :**

The Company is a subsidiary company of Motilal Oswal Investments Ltd by virtue of Section 4(1)(a) of The Companies Act, 1956.

### **Year Ended 2003-04 :**

The Company is a subsidiary Company of Motilal Oswal Investments Pvt. Ltd. (MOIPL) by virtue of Section 4(1)(a) of the Companies Act, 1956. MOIPL does not hold any shares of the Company as of 31<sup>st</sup> March 2004.

### **Year Ended 2004-05 :**

The Company is a subsidiary Company of Motilal Oswal Investments Pvt. Ltd. (MOIPL) by virtue of Section 4(1)(a) of the Companies Act, 1956. MOIPL does not hold any shares of the Company as of 31<sup>st</sup> March 2005.

#### **Year Ended 2005-06**

The Company is a subsidiary Company of Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited) & Motilal Oswal Financial Services Limited by virtue of Section 4(1)(a) of the Companies Act, 1956. MOIPL does not hold any shares of the Company as of 31<sup>st</sup> March 2006.

#### **21.Acquisition of Customer Rights, Fixed Assets and Goodwill:**

During the year, the company has entered into agreement with Peninsular Capital Markets Limited, Mani Stock Brokers and Capital Deals' stock and share business for acquiring the Customer Rights, Fixed Assets, and Goodwill. Pursuant to these agreements, the company has paid Rs. 68.30 millions, Rs. 27.50 millions and Rs. 9.00 millions towards Customer Rights, Fixed Assets and Goodwill respectively. In accordance with the requirements of Accounting Standards (AS) 10 and 26 dealing with Fixed Assets and Intangible Assets, the company has capitalized these payments and shown the same under Fixed Assets Schedule under the respective heads.

- 22 During the year, the company has paid Rs. 65.36 millions Non- Compete Fees to various parties. Out of this, (net of taxes Rs. 41.97 millions) as extra- ordinary items Rs.63.27 millions has been charged to Profit & Loss Account and balance being prepaid in nature has been shown under Schedule “ Current Assets, Loans and Advances”.

**23 Brokerage Income:**

**Year Ended 2002-03**

Brokerage Income is shown net of payments made to Franchisees aggregating Rs. 18.89 millions (Previous Year Rs. 5.29 millions).

**24 Provisions made for the period ended 31<sup>st</sup> March , 2007 comprises of :**

(Rs.in millions.)

Particulars	Opening balance	Provided during the year ended 31.03.07	Provision Paid /reversed during the year ended 31.03.07	Closing balance as of 31.03.07
Exgratia	231.52	296.45	231.52	296.45

**25 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.

Method	Unit Credit Method
<b>Assumptions</b>	
Discount Rate	7%P.A.
Expected Return On Plan Assets	NA
Mortality	L.I.C 1994-96 Ultimate
Future Salary Increases	15% p.a.
Attrition	20% p.a.
Retirement	55yrs
<b>Change in Obligation</b>	<b>(Rs. in Millions)</b>
Present Value Of obligation 01-04-2006	8.33
Interest Cost	0.58
Current Service Cost	8.21
Curtailment & settlement (employees Transfer to Motilal Oswal Financial Services Ltd)	(0.02)
Curtailment & settlement (employees Transfer to Motilal Oswal Commodities Broker Pvt Ltd)	(0.06)
Benefits Paid	0.22
Actuarial (gain) loss on Obligation	(3.44)
Present Value Of obligation 31-03-2007	13.37
<b>Change in Plan Assets</b>	
Fair value of plan Assets 01-04-2006	-
Contributions	0.30
Benefits Paid	(0.30)
Fair value of plan Assets 31-03-2007	-
Total Actuarial gain (loss) to be recognized	3.44

**Reconciliation of Present Value of Obligation and Plan Assets**

Closing Fund Balances	-
Closing Present Value of Accrued Gratuity	13.37
Net Liability	13.37
Liability recognised in the Balance Sheet	13.37

**26 Share Application Money :**

**Year Ended 2003-04 :**

Share Application Money is outstanding from prior years. The allotment is pending awaiting the approval from SEBI. Share Application Money includes Rs. 120.50 millions from Motilal Oswal Investments Pvt. Ltd.

**Year Ended 2004-05 :**

Share Application Money is outstanding from prior years. The allotment is pending awaiting the approval from SEBI. Share Application Money includes Rs. 55.50 millions from Motilal Oswal Investments Pvt. Ltd. (Previous Year 120.50 millions)

- 27 Previous Year 's figures have been regrouped, rearranged, reclassified to the extent considered necessary.

## AUDITORS' REPORT

The Board of Directors  
**Motilal Oswal Commodities Broker Pvt. Limited**  
2<sup>nd</sup> Floor, Palm Spring,  
Next to D Mart,  
Malad (W), Mumbai- 400 064

**M/s. Haribhakti & Co.,**  
42, Free Press House,  
215, Nariman Point,  
Mumbai – 400 021.

Dear Sirs,

At your request, we **Aneel Lasod And Associates.**, Auditors of **Motilal Oswal Commodities Broker Pvt. Limited**, have examined the Summary Statement of Assets and Liabilities (**Annexure I**) -As Restated, of the Company as at March 31<sup>st</sup> 2003, 2004, 2005, 2006 and 2007 and the Summary Statement of Profits and Losses (**Annexure II**) - As Restated, for the Year ended on those dates (together referred to as '**Summary Statements**') prepared by the Company, approved by the Board of Directors and stamped & initialed by us for identification. These Statements reflect the 'Profits or Losses' and 'Assets and Liabilities' for the relevant year as extracted from the Profit and Loss Account and the Balance Sheet for the financial years ended March 31<sup>st</sup> 2004, 2005, 2006 and 2007, audited and reported by us **and** for the financial year ended March 31<sup>st</sup> 2003, audited and reported by M/s Vijay R Tater & Co. Chartered Accountants. These profits/losses have been arrived at after making such adjustments and regroupings, more fully described in the notes appearing in **Annexure V** to the report and read together with notes to accounts and are in accordance with: -

- a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b. The Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance of Section 11 of the Securities & Exchange Board of India Act, 1992, and related clarifications, and the amendments from time to time thereto, to the extent applicable;
- c. The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the offer document of Motilal Oswal Financial Services Limited the Holding Company in connection with its proposed Initial Public Offer ('IPO'); and
- d. The Guidance Note on "Reports in Company Prospectuses" and Guidance Note on "Audit Reports/Certificates on Financial Information in Offer Documents" issued by the Institute of Chartered Accountants of India.

Based on our examination of these related summary statements, we confirm that:

The accounting policies have been consistently applied by the Company and are consistent to those used in previous year except change in accounting policy as stated in **Annexure V**

There are no material prior period items, which required adjustments in the summary statements;

There are no extraordinary items which need to be disclosed separately in the summary statements; and

There are no qualifications in the auditors' reports, which require any adjustment to the summary statement.

We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:

1. The summary of significant accounting policies adopted by the Company is enclosed to this report.
2. Statement of Cash Flow for 12 months year ended 31<sup>st</sup> March 07 as appearing in **Annexure III** to this report.
3. Statement of reconciliation of profit /Loss after tax (Restated) as appearing in **Annexure IV** to this report.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of chartered accountants, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information in connection with the proposed IPO of Motilal Oswal Financial Services Limited, the holding Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Aneel Lasod And Associates**  
Chartered Accountants

ANEEL LASOD  
(PROPRIETOR)  
Membership. No.: 40117

Mumbai, July 5, 2007

**Motilal Oswal Commodities Broker Pvt. Limited**  
**Annexure - I**  
**Summary of Assets and Liabilities - As Restated**

(Rupees in Millions)

Particulars	As at March 31st,				
	2007	2006	2005	2004	2003
<b>A. Fixed Assets :</b>					
Gross Block	6.16	2.37	4.69	4.51	3.81
Less : Depreciation	(1.75)	(0.65)	(2.03)	(1.73)	(1.57)
<b>Net Block</b>	<b>4.41</b>	<b>1.72</b>	<b>2.66</b>	<b>2.78</b>	<b>2.24</b>
Less : Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
<b>Net Block after adjustment for Revaluation Reserve</b>	<b>4.41</b>	<b>1.72</b>	<b>2.66</b>	<b>2.78</b>	<b>2.24</b>
<b>B. Deffered Tax Assets</b>	<b>0.12</b>	<b>0.00</b>	<b>0.09</b>	<b>0.13</b>	<b>0.04</b>
<b>C. Current Assets, Loans and Advances :</b>					
Stock in Trade	0.04	0.04	0.04	0.05	0.06
Sundry Debtors	11.90	50.91	0.64	0.00	0.00
Cash and Bank Balances	100.32	14.54	10.76	2.09	0.18
Loans and Advances	45.80	50.63	1.68	1.85	0.52
Other Current Assets	10.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>168.07</b>	<b>116.12</b>	<b>13.12</b>	<b>3.99</b>	<b>0.76</b>
<b>D. Liabilities and Provisions :</b>					
Unsecured Loans	60.00	42.51	-	-	-
Deffered Tax Liability	-	0.23	-	-	-
<b>Current Liabilities and Provisions</b>					
(a)Current Liabilities	97.45	61.44	8.98	0.03	0.02
(b)Provisions	5.87	3.55	0.00	0.00	0.00
<b>Total</b>	<b>(163.33)</b>	<b>(107.73)</b>	<b>(8.98)</b>	<b>(0.03)</b>	<b>(0.02)</b>
<b>E. Networth(A+B+C+D)</b>	<b>9.27</b>	<b>10.11</b>	<b>6.89</b>	<b>6.87</b>	<b>3.02</b>

		As at March 31st,				
		2007	2006	2005	2004	2003
<b>Represented by</b>						
<b>F.</b>	<b>Paid up Share Capital</b>					
	Equity Shares	4.10	4.10	4.10	4.10	0.10
	Reserves & Surplus	5.17	6.01	2.79	2.77	2.92
	<i>Less : Revaluation Reserve</i>	-	-	-	-	-
<b>G.</b>	<b>Net Reserves &amp; Surplus (including General reserve of 0.2 million)</b>	5.17	6.01	2.79	2.77	2.92
<b>Net worth(F+G)</b>		<b>9.27</b>	<b>10.11</b>	<b>6.89</b>	<b>6.87</b>	<b>3.02</b>

**Motilal Oswal Commodities Broker Pvt. Limited**  
**Annexure - II**  
**Summary of Profits and Losses - as restated**

(Rupees in Millions)

<b>Particulars</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Income</b>					
<b>Revenue from Operations</b>					
Brokerage & related income	49.34	17.12	2.00	-	-
Other income	4.56	5.69	0.05	0.01	0.02
<b>Total Income</b>	<b>53.90</b>	<b>22.81</b>	<b>2.05</b>	<b>0.01</b>	<b>0.02</b>
<b>Expenditure</b>					
Operating Expenses	21.80	6.48	0.90	-	-
Staff Costs	23.51	5.04	0.04	-	0.23
Administration Expenses	7.69	5.40	0.78	0.10	0.04
Interest	0.81	0.17	-	-	-
Depreciation	1.10	0.46	0.30	0.16	0.12
<b>Total Expenditure</b>	<b>54.91</b>	<b>17.55</b>	<b>2.02</b>	<b>0.26</b>	<b>0.39</b>
<b>Net Profit/(Loss) before tax</b>	<b>(1.01)</b>	<b>5.26</b>	<b>0.03</b>	<b>(0.25)</b>	<b>(0.37)</b>
<b>Provision for Taxation</b>					
Current Tax	-	1.64	-	-	-
Deffered Tax (Asset)/liability	(0.35)	0.33	0.04	0.10	0.04
Fringe Benefit Tax	0.16	-	-	-	-
For Previous Year	-	0.07	(0.03)	-	-
<b>Net Profit/(Loss) after tax</b>	<b>(0.82)</b>	<b>3.22</b>	<b>0.02</b>	<b>(0.15)</b>	<b>(0.33)</b>
Income Tax Refund	-	-	-	-	-
<b>Surplus as per restated Profit &amp; loss A/c</b>	<b>5.81</b>	<b>2.59</b>	<b>2.57</b>	<b>2.72</b>	<b>3.05</b>
<b>Balance Carried to Balance sheet</b>	<b>4.99</b>	<b>5.81</b>	<b>2.59</b>	<b>2.57</b>	<b>2.72</b>

**Motilal Oswal Commodities Broker Pvt. Limited**  
**Annexure III**  
**Cash Flow Statement - as restated**

(Rupees in Millions)

Particulars	For the Year Ended 31st March 2007	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAX</b>		(1.03)
Add :		
1) Depreciation	1.10	1.10
<b>OPERATING PROFIT</b>		0.07
<b>Adjustment For:</b>		
1) (Increase)/Decrease in Sundry Debtors	39.00	
2) (Increase)/Decrease in Loans & Advances	7.95	
3) Increase/(Decrease) in Current Liabilities	36.01	
4) Increase/(Decrease) in Provision	2.16	85.14
<b>CASH GENERATED FROM OPERATION</b>		<b>85.21</b>
Taxes Paid	(3.13)	(3.13)
<b>NET CASH FROM OPERATIONS</b>		<b>82.08</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment	(10.00)	
Purchase of Fixed Assets	(3.79)	
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(13.79)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
1) Increase/(Decrease) in Unsecured Loans		17.49
<b>NET CASH FLOW FOR THE YEAR</b>		<b>85.78</b>
Cash & Cash Equivalents As at 31.03.2006		14.54
Cash & Cash Equivalents As at 31.03.2007		100.32

**Motilal Oswal Commodities Broker Pvt. Limited**  
**Annexure - IV**  
**Statement of Reconciliation of Profit after Tax (Restated)**

(Rupees in Millions)

Changes Made in Past Years	2006	2005	2004	2003
PAT as per audited accounts	3.29	0.02	(0.16)	(0.36)
<b><u>Adjustment for</u></b>				
Provision for Gratuity	(0.06)			
Depreciation	0.00			
Deferred Tax (Asset)/Liability	(0.01)			0.04
<b>Total Adjustment - Profit/(Loss)</b>	<b>(0.07)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.04</b>
PAT as per Restatement	3.22	0.02	(0.16)	(0.33)

**MOTILAL OSWAL COMMODITIES BROKER PVT. LTD.**

**ANNEXURE V**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2007, INCLUDING RESTATED FOR PREVIOUS YEARS.**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**1.1. SYSTEM OF ACCOUNTING:**

The financial statements have been prepared on the basis of historical cost convention, in accordance with the generally accepted accounting principles comprising the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), on the principles of a going concern and requirements of the Companies Act, 1956. The Company follows accrual system of accounting and recognizes all items of income and expenditure on accrual basis

**1.2. USE OF ESTIMATES**

The preparation of financial statements requires the management of the company to make estimates & assumptions that affect the reportable balances of assets & liabilities and disclosures relating to the contingent liabilities as at the date of financial statements & reported amounts of income & expenses during the year. Example of such estimates include provision for doubtful debts, employee retirement plan, provision for income taxes, useful life of fixed assets etc.

**1.3. FIXED ASSETS & DEPRECIATION**

- (i) Fixed assets are stated at cost less accumulated depreciation. On all assets, depreciation has been provided on pro rata basis using the Written Down Value method at the rates specified in the Schedule XIV to the Companies Act, 1956 except Computer Software & Membership of Multi Commodity Exchange of India Ltd. Assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.
- (ii) Expenses incurred on Computer Software having enduring benefits are capitalized and amortised on Straight Line Method (SLM) basis over a period of five years.

- (iii) Payment made for the membership of the Multi-Commodity Exchange has been treated as Intangible asset and has been depreciated over a period of five years on Straight Line Basis.

**1.4. INVESTMENTS :**

Long-term investments are shown at cost. Provision for diminution in value of long-term investments is made if in the opinion of the management such a decline is other than temporary. Current investments are carried at the lower of cost and fair value.

**1.5. STOCK-IN-TRADE**

Stock in trade, comprising of securities is valued at cost or net realizable value, whichever is lower.

**1.6. REVENUE RECOGNITION**

Brokerage and other income are accounted on accrual basis. Brokerage & other incomes are accounted net of service tax wherever applicable. Dividend Income is accounted when the right to receive the payment is established.

**1.7. FOREIGN CURRENCY TRANSACTIONS :**

*Income & expenses in foreign currencies are converted at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets & liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising at the time of settlement of transaction, are recognized in the Profit & Loss account.*

**1.8. RETIREMENT BENEFITS :**

Expenses and liabilities in respect of employee benefits are recorded in accordance With Accounting Standard 15 Employee Benefits (Revised 2005) "Revised AS-15".

**Provident Fund:**

Contribution to Provident and pension fund are funded with the appropriate authorities and charged to Profit and Loss account.

**Gratuity:**

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date and less the fair value of plan assets, 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, leave is neither allowed to be carried forward to the next year nor encashed.

**1.9. TAXATION**

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.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax asset, if any, arising from timing differences are recognised to the extent there is virtual certainty that these would be realised in future.

**1.10. PROVISIONS AND CONTINGENT LIABILITIES :**

The Company creates a provision when there is a 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.

**1.11. IMPAIRMENT OF ASSETS :**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. The estimated recoverable amount is compared with the recoverable amount of the cash generation unit to which the asset belongs and is reduced to its recoverable amount, if found less. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

## 2. NOTES ON ACCOUNTS :

2.1 The Company was incorporated in the name of Prudential Portfolio Services Private Limited on 26<sup>th</sup> March 1991 . The name of the Company was changed to Motilal Oswal Commodities Brokers Private Limited on 12<sup>th</sup> November 2003 and to Motilal Oswal Commodities Broker Private Limited on 27<sup>th</sup> August 2004.

2.2 During the financial year ended 2003-04 the Company has acquired the membership of National Commodity & Derivatives Exchange Ltd. w.e.f 9th January 2004.

### 2.3 Changes in Accounting Policies

During the year ended 31st March 07, the company has changed the method of depreciation on Electrical Equipments from Straight Line Method to Written Down Value method and depreciated at the rate of 13.91% instead of depreciating over a period of five years. Accordingly, the effect of change has been accounted in the restated profit and loss account with retrospective effect from the date of use of the asset.

During the year ended 31st March 2007 the Company has changed the policy of Retirement benefits from the cash to accrual basis and charged to the Profit and Loss account. Gratuity payable to employees is provided for on the basis of actuarial valuation as at the Balance Sheet date. Accordingly, the effect of change has been accounted in the restated profit and loss account.

2.4 During the financial year ended 2003-04 due to increase in the paid up capital, Motilal Oswal Investments Pvt. Ltd (now known as Passionate Investment Management Pvt. Ltd) has become the holding company. However w.e.f from 6<sup>th</sup> April 2006, Motilal Oswal Financial Services Ltd became the holding company.

### 2.5 Contingent liabilities not provided for:

#### Year ended 2006-07:

Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which the Company has given counter guarantees – Rs 77.00 millions. (Previous year: NIL)

### 2.6 Related Party Disclosure :

#### Year ended 2003-04 :

##### 1. Holding Company :

Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)

##### 2. Group Companies :

1. Motilal Oswal Securities Limited.
2. Nagori Agro & Cattlefeeds Private Limited
3. Rishabh Securities Private Limited
4. Windwell Securities Private Limited
5. Textile Exports Private Limited

#### Year ended 2004-05 :

##### 1. Holding Company :

Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)

##### 2. Group Companies :

- 1) Motilal Oswal Securities Limited.
- 2) Nagori Agro & Cattlefeeds Private Limited
- 3) Rishabh Securities Private Limited
- 4) Windwell Securities Private Limited
- 5) Textile Exports Private Limited

**Year ended 2005-06 :**

**1. Holding Company :**

Passionate Investment Management Pvt. Ltd. (formerly known as Motilal Oswal Investments Private Limited)

**2. Group Companies :**

- 1) Motilal Oswal Financial Services Limited
- 2) Motilal Oswal Securities Limited.
- 3) Motilal Oswal Investment Advisors Private Limited
- 4) Nagori Agro & Cattlefeeds Private Limited
- 5) Rishabh Securities Private Limited
- 6) Windwell Securities Private Limited
- 7) Textile Exports Private Limited

**Year ended 2006-07 :**

c) **Holding Company :**

Motilal Oswal Financial Services Ltd

d) **Group Companies:**

- 1) Motilal Oswal Securities Limited
- 2) Motilal Oswal Investment Advisors Private Limited
- 3) Motilal Oswal Venture Capital Advisors Private Limited
- 4) Motilal Oswal Portfolio Management Services Private Limited
- 5) Passionate Investment Management Private Limited
- 6) Nagori Agro & Cattle Feeds Private Limited
- 7) Rishabh Securities Private Limited
- 8) Windwell Securities Private Limited
- 9) Textile Exports Private Limited

**c) Transactions with Related Parties :**

<b>Name of the Group company/ Holding company</b>	<b>Particulars</b>	<b>Amount (Rs.in millions)</b>
Motilal Oswal Securities Ltd	Business Support Services	2.30
Motilal Oswal Financial Services Ltd	Corporate Guarantee	32.00
Temporary advance taken from Motilal Oswal Financial Services Ltd (current account)	Maximum balance : Rs. 120.50 millions	Outstanding balance as of 31.03.2007 : 60.00
Temporary advance taken from Passionate Investment Management Private Limited (current account)	Maximum balance : Rs. 66.50 millions	Outstanding balance as of 31.03.2007 : NIL

**2.7 Particulars in respect of Opening Stock, Purchases, Sales and Closing Stock of shares and securities traded in:**

**Year Ended 2002-03 :**

	<b>Particulars</b>	For 2002-2003	
		<b>Quantity</b>	<b>Value (Rs. In Millions)</b>
	Opening Stock	10,627	0.06
Add:	Purchases(Bonus)	-	--
Less:	Sales	-	--
	Profit/Loss	--	--
	<b>Closing Stock</b>	<b>10,627</b>	<b>0.06</b>

**Year ended 2003-04 :**

	<b>Particulars</b>	For 2003-2004	
		<b>Quantity</b>	<b>Value (Rs. In Millions)</b>
	Opening Stock	10,627	0.06
Add:	Purchases	50	0.01
Less:	Sales	-	--
Less:	Loss due to decrease in market value of closing stock	-	(0.02)
	<b>Closing Stock</b>	<b>10,677</b>	<b>0.05</b>

**Year ended 2004-05:**

	<b>Particulars</b>	For 2004-2005	
		<b>Quantity</b>	<b>Value (Rs. In Millions)</b>
	Opening Stock	10,677	0.05
Add:	Purchases	--	--
Less:	Sales	50	0.01
Less:	Loss due to decrease in market value of closing stock	-	-
	<b>Closing Stock</b>	<b>10,627</b>	<b>0.04</b>

**Year ended 2005-06 :**

	<b>Particulars</b>	For 2005-2006	
		<b>Quantity</b>	<b>Value (Rs. In Millions)</b>
	Opening Stock	10,627	0.04
Add:	Purchases	--	--
Less:	Sales	-	-
Less:	Loss due to decrease in market value of closing stock	-	-
	<b>Closing Stock</b>	<b>10,627</b>	<b>0.04</b>

**Year ended 2006-07 :**

	<b>Particulars</b>	For the year ended 31.03.07		For the year ended 31.03.06	
		<b>Quantity</b>	<b>Value (Rs. in millions)</b>	<b>Quantity</b>	<b>Value (Rs. in millions)</b>
	Opening Stock	10,627	0.04	10,627	0.04
Add:	Purchases	--	--	--	--

Less:	Sales	--	--	--	--
Less:	Loss due to decrease in market value of closing stock	--	--	--	--
	<b>Closing Stock</b>	<b>10,627</b>	<b>0.04</b>	<b>10,627</b>	<b>0.04</b>

2.8 In the opinion of the Board of Directors, all current assets, loans and advances would be realizable at least of an amount equal to the amount at which they are stated in the Balance sheet.

## 2.9 Auditors Remuneration :

(Rs. In Millions)

Particulars	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Audit fees	0.06	0.011	0.010	0.01	0.01
Tax Audit fees	0.01	NIL	0.002	0.012	NIL

## 2.10 Basic & Diluted Earnings per share:

(Rs. In Millions)

Particulars	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Net Profit attributable to equity shareholders [A] (Rs.)	(0.91)	3.22	0.02	(0.16)	(0.33)
Number of equity shares issued [B]	410044	410044	410044	410044	10044
<b>Basic &amp; Diluted Earnings/(Loss) per share [A/B] (Rs.)</b>	<b>(2.22)</b>	<b>7.86</b>	<b>0.06</b>	<b>(0.39)</b>	<b>(32.52)</b>

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

(Rs. In

Millions)

Particulars	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Depreciation (on the basis of Written Down Value)	(0.45)	(0.22)	0.09	0.13	0.04
Gratuity Provision	0.10	0.02	--	--	--
Loss to be c/f	0.47	(0.03)	--	--	--
<b>Deferred Tax Assets/(Liability)</b>	<b>0.12</b>	<b>(0.23)</b>	<b>0.09</b>	<b>0.13</b>	<b>0.04</b>

## 2.12 Provisions :

Year ended 2004-05 and 2005-06 NIL

**Year ended 2006-07 :**

Provisions made for the year ended 31<sup>st</sup> March , 2007 comprises of :

( Rs. In Millions)

Particulars	Opening balance	Provided during the year ended 31.03.07	Provision reversed during the year ended 31.03.07	Closing balance as of 31.03.07
Exgratia	NIL	3.71	NIL	3.71

## 2.13 Discloser of Actuarial Gratuity Calculations:

**Actuarial Calculations as per revised As 15 effective 01/04/2006**

**Changes in the Present Value of the Obligation and in the Fair Value of the Assets**

<b>Method:Unit Credit Method</b>	
<b>Assumptions</b>	
Discount Rate	7%P.A.
Expected Return On Plan Assets	n/a
Mortality	L.I.C 1994-96 ULTIMATE
Future Salary Increases	15% p.a.
Disability	nil
Attrition	20% p.a.
Retirement	55yrs

**Changes in the Present Value of the bligation and in the Fair Value of the** (Rs. in millions)

Present Value Of obligation 01-04-2006	0.06
Interest Cost	0.00
Current Service Cost	0.12
Past Service Cost	-
Benefits Paid	-
Actuarial (gain) loss on Obligation	0.11
Present Value Of obligation 31-03-2007	0.30

Fair value of plan Assets 01-04-2006	-
Expected Return On plan assets	-
Contributions	-
Benefits Paid	-
Actuarial gain (Loss) Plan Assets	-
Fair value of plan Assets 31-03-2007	-

Total Actuarial gain (loss) to be recognized	(0.11)
--	--------

**Movement in the net Liability recognised in the Balance Sheet**

Closing Fund Balances	-
Op. of Net Liability	0.06
Closing Present Value of Accrued Gratuity (31.03.2007)	0.30
Liability recognised in the Balance Sheet	0.37

**2.14 Fixed deposits pledged with the Commodity exchanges for margin :**

Year ended	Amount(Rs.in Millions)
2003-04	1.5
2004-05	6.5
2005-06	7.75
2006-07	31.50

**2.15 Segment Reporting:**

**For Year ended 2005-06 :**

During the year, the company has only one segments i.e. Broking and geographical segment. In view of this disclosure required by AS- 17 "Segment Reporting" is not applicable.

**For Year ended 2006-07 :**

During the year, the company has only one segments i.e. Broking and geographical segment. In view of this disclosure required by AS- 17 "Segment Reporting" is not applicable.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MOTILAL OSWAL SECURITIES LIMITED (UNCONSOLIDATED)**

*You should read the following discussion of the financial condition and results of operations of Motilal Oswal Securities Limited (MOSL) together with unconsolidated audited financial statements and the reports thereon and annexures thereto, which have been restated in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and with the SEBI Guidelines, and which are all included in this Red Herring Prospectus. The consolidated financial statements of Motilal Oswal Financial Services Limited are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations of Motilal Oswal Financial Services Limited (Consolidated)", beginning on page 256 of this Red Herring Prospectus.*

*The financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degree to which the financial statements included in this Red Herring Prospectus will provide meaningful information is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance on the financial disclosures presented in this Red Herring Prospectus by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein. Where figures have been provided in US Dollars, they have been converted using an exchange rate of US\$ 1.00 equal to Rs. 43.10.*

### **OVERVIEW**

Motilal Oswal Securities Limited (MOSL) is a subsidiary of the Issuer and is a financial services company providing retail wealth management and institutional brokerage services. MOSL is an important part of the Group and contributed 99.99% and 88.50% of the Group's consolidated revenues in the years ended March 31, 2006 and 2007, respectively.

MOSL is a member of BSE, NSE and OTCEI and offers secondary market broking services to retail and institutional clients including high-net worth individuals, financial institutions and corporate clients. MOSL is registered with SEBI to provide portfolio management services and as at March 31, 2007 had Rs. 5,088.60 million of assets under management for 1,541 clients. MOSL, as a participant with CDSL and NSDL, also offers its retail broking customers depository services as a value-added service. It has recently started distributing third-party financial products including mutual fund schemes and initial public offerings and secondary market equities. Products and services are distributed through 1,200 Business Locations and through MOSL's online channel known as mybroker.com. MOSL's retail wealth management and institutional brokerage businesses are supported by a dedicated research team.

### **FACTORS AFFECTING RESULTS OF OPERATIONS**

The financial condition and results of operations of MOSL are affected by numerous factors. We believe the following are of particular importance:

#### ***Competition***

MOSL faces significant competition from other Indian and foreign brokerage houses operating in the markets in India in which it operates. In recent years, international banks have also entered these markets. Some of these firms have greater resources and/or a more widely recognised brand than MOSL, which may give them a competitive advantage. MOSL's ability to grow revenues will depend on investor demand for its products and services in preference to those of its competitors.

### ***Growth in the Indian economy***

General economic conditions in India have a significant impact on MOSL's results of operations. The Indian economy has grown rapidly over the past decade and is expected to continue to grow in the future. MOSL believes growth in the overall economy has driven, and will drive, the underlying demand for investment products and services both in terms of the availability of capital for investment and the availability of such products and services.

### ***Stock market trends***

A significant portion of MOSL's revenues is derived from equity broking for both retail and institutional clients. Revenues, level of operations and, consequently, profitability are dependent on favourable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, although the Indian and world securities markets have fluctuated considerably, the trend has overall been upwards. Revenues have benefited from the increased trading volumes and the increase in the number of clients. However, there are many factors outside MOSL's control that may offset future increases or result in a decline in the trading volumes.

### ***Geographical expansion and new branch openings.***

MOSL delivers its products and services through Business Locations operated by it and by its Business Associates. The number of Business Locations, and consequently MOSL's geographical reach, has grown significantly in the last three years. As at March 31, 2007, it had 1,200 Business Locations spread across 377 cities and towns. Expansion has resulted in both increased revenues and increased expenses.

### ***Brokerage sharing with intermediaries***

As at March 31, 2007, MOSL had 815 registered Business Associates, which conduct broking activities through MOSL's Business Locations. MOSL and its Business Associates have a revenue-sharing system in place that has been established pursuant to agreements required by the relevant regulations. Under the terms of these agreements, which are separately negotiated with each Business Associate, MOSL generally receives between 25% and 75% of the brokerage or net revenue earned through clients introduced by its Business Associates.

### ***Regulatory developments***

MOSL is regulated by the Companies Act and some of its activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, RBI, CDSL, NSDL and the exchanges. For more information see the section titled "Regulations and Policies" beginning on page 71 of this Red Herring Prospectus. It is therefore subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles.

### ***Recruitment and retention of employees***

MOSL is dependent on its senior management, its directors and other key personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and MOSL must reward employees in line with the market to remain competitive and to retain and attract well-qualified individuals. In addition, its employee base has increased as its network has grown and MOSL has expanded into new business products. As a result, staff costs as a percentage of total income have increased since the year ended March 31, 2004.

### ***New business products***

Leveraging its customer base, MOSL has started distributing third-party financial products and services such as mutual fund schemes and primary equity market offerings. MOSL expects that the introduction of

these and other new products may result in increased revenues, but to date, such revenues have not formed a material portion of MOSL's revenues.

### ***Technology***

MOSL recognises the need to have state-of-the-art technology in place across its network to allow customers to avail of advanced trading systems, real time information and access to research reports online. MOSL expects that advances in technology will enable it to provide a more efficient trade execution and ancillary services to its customers, which is expected to have a positive impact on its revenues although this may be partially offset by initial capital investment costs.

For further details, see the sections entitled "Risk Factors", "Business" and "Industry Overview" beginning on pages xi, 55 and 47 respectively, of this Red Herring Prospectus.

## **RESULTS OF OPERATIONS**

The following tables set forth, for the periods indicated, MOSL's restated profit and loss account, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
<b>Income</b>									
Income from Operations	657.64	97.26%	1,227.32	95.37%	2,576.50	94.55%	3,169.61	73.54	93.97%
Other Income	18.50	2.74%	59.54	4.63%	148.45	5.44%	203.52	4.72	6.03%
<b>Total Income</b>	<b>676.14</b>	<b>-</b>	<b>1,286.86</b>	<b>-</b>	<b>2,724.95</b>	<b>-</b>	<b>3,373.13</b>	<b>78.26</b>	<b>-</b>
<b>Expenditure</b>									
Operating Expenses	154.76	22.89%	381.74	29.66%	788.37	28.92%	933.66	21.66	27.68%
Staff Costs	154.33	22.83%	288.67	22.43%	632.97	23.22%	873.32	20.26	25.89%
Administration Expenses	69.00	10.20%	135.34	10.52%	306.03	11.23%	430.14	9.98	12.75%
Interest	10.73	1.59%	11.99	0.93%	31.76	1.17%	36.56	0.85	1.08%
Depreciation	25.78	3.81%	32.15	2.50%	55.48	2.03%	108.48	2.52	3.22%
<b>Total Expenditure</b>	<b>414.60</b>	<b>61.32%</b>	<b>849.89</b>	<b>66.04%</b>	<b>1,814.61</b>	<b>66.59%</b>	<b>2,382.16</b>	<b>55.27</b>	<b>70.62%</b>
<b>Profit before tax and Extraordinary items</b>	<b>261.54</b>	<b>38.68%</b>	<b>436.97</b>	<b>33.96%</b>	<b>910.34</b>	<b>33.41%</b>	<b>990.97</b>	<b>22.99</b>	<b>29.38%</b>
<b>Provision for taxation</b>									
Current tax	86.58	12.81%	147.33	11.45%	282.04	10.35%	329.31	7.64	9.76%
Deferred Tax (Credit)/Expenses	11.17	1.65%	2.00	0.16%	9.32	0.34%	(3.92)	(0.09)	-0.12%

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Fringe Benefit Tax	-	-	-	-	4.76	0.17%	8.14	0.19	0.24%
Wealth Tax	0.03	0.00%	0.09	0.01%	0.22	0.01%	0.19	0.01	0.01%
For Previous Year	-	-	-	-	2.85	0.10%	0.63	0.01	0.02%
<b>Net Profit after tax and before Extraordinary Items</b>	<b>163.76</b>	<b>24.22%</b>	<b>287.55</b>	<b>22.35%</b>	<b>611.15</b>	<b>22.43%</b>	<b>656.62</b>	<b>15.23</b>	<b>19.47%</b>
Extraordinary items (net of tax)	-	-	-	-	-	-	41.97	0.97	1.24%
<b>Net Profit after extraordinary items</b>	<b>163.76</b>	<b>24.22%</b>	<b>287.55</b>	<b>22.35%</b>	<b>611.15</b>	<b>22.43%</b>	<b>614.65</b>	<b>14.26</b>	<b>18.22%</b>

Net profit after extraordinary items as a percentage of total income for the years ended March 31, 2004, 2005, 2006 and 2007, was 24.22%, 22.35%, 22.43% and 18.22%, respectively. Margins have decreased principally because operating and staff expenses have increased relative to the increases in revenue year-on-year. These increases have related principally to MOSL's geographic and product-line expansion, particularly in respect of increased brokerage sharing with MOSL's Business Associates, and in connection with increased staff costs, including costs related to qualified personnel retained to work on new business products that have not yet realised significant revenues. In addition, as MOSL's operations have expanded, it has incurred administrative expenses, including communication costs, marketing costs and property costs in new locations. Further, MOSL's margins have declined during the year ended March 31, 2007 due to extraordinary payments (relating to non-compete fees for the acquisition of customer rights and other assets of Peninsular Capital Market Limited and Mani Stock Brokers Limited) of Rs. 41.97 million (net of tax) made during the period.

## Revenues

MOSL's revenues consist of income from operations and other income.

### *Income from Operations*

MOSL's income from operations consists principally of brokerage income, research fees, management fees and depository income. The income from operations has grown at a CAGR of approximately 48.00% from the year ended March 31, 2004 to the year ended March 31, 2007. The following table illustrates the breakdown of MOSL's income from operations for the years ended March 31, 2004, 2005, 2006 and 2007, both in absolute terms and with each line item represented as a percentage of the total income.

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
<b>Income from Operational Activities</b>									

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Brokerage income	624.67	92.39%	1,160.21	90.16%	2,382.37	87.42%	3,029.58	70.29	89.82
Research fees	7.31	1.08%	26.84	2.09%	21.92	0.80%	38.79	0.90	1.15
Management fees	15.33	2.27%	31.11	2.42%	149.82	5.50%	83.01	1.93	2.46
Depository income	9.25	1.37%	16.58	1.29%	36.52	1.34%	37.22	0.86	1.10
Profit/(loss) on sale of Stock-in-trade and Securities	2.70	0.40%	-	-	0.31	0.01%	0.60	0.01	0.02
Profit/(Loss) on sale of Vanda	(1.62)	(0.24)%	(7.42)	(0.58)%	(14.44)	(0.53)%	(19.59)	0.45	0.58
<b>Total Income from Operations</b>	<b>657.64</b>	<b>97.26%</b>	<b>1,227.32</b>	<b>95.37%</b>	<b>2,576.50</b>	<b>94.51%</b>	<b>3,169.61</b>	<b>73.54</b>	<b>93.97</b>

#### *Brokerage income*

MOSL's income from its brokerage business is its principal source of income and comprises revenues earned from equities and derivatives traded on the exchanges. Income from brokerage services constituted 92.39% of total income for the year ended March 31, 2004, 90.16% for the year ended March 31, 2005, 87.42% for the year ended March 31, 2006 and 89.82% for the year ended March 31, 2007. The brokerage income has grown at a CAGR of 83.20% from the year ended March 31, 2004 to the year ended March 31, 2007.

The income from brokerage services is driven principally by the number of active clients. Client growth has been a significant driver of revenue growth in MOSL's broking business. Growth in total client numbers has been driven primarily by increased geographical presence, enhanced online services and enhanced trade and execution teams.

#### *Research fees*

MOSL provides its institutional clients with research and investment advice for which it normally does not charge any fees. In circumstances where an institutional client executes a transaction through a broker other than MOSL, but uses advice and research provided by MOSL, it pays MOSL a research fee as compensation.

#### *Management fees*

MOSL earns revenue from services provided to PMS clients through management fees and performance fees. The income from PMS is driven by the amount of assets under management which has grown from approximately Rs. 522.22 million for the year ended March 31, 2004 to approximately Rs. 5,088.60 million for the year ended March 31, 2007.

#### *Depository income*

MOSL is a depository participant with CDSL and NSDL and offers depository services to its retail broking clients as a value-added service. This income constitutes an annual maintenance fee and a transaction-based charge for transactions undertaken by MOSL's depository clients. MOSL had approximately 188,989 depository clients as at March 31, 2007.

### ***Other Income***

Other income is comprised primarily of interest income and profit on sale of investments. Interest income is derived principally from interest earned on bank deposits made to support bank guarantee facilities required in connection with MOSL's activity on the stock exchanges. MOSL makes short-term investments as part of its working capital management by deploying surplus funds in mutual funds. Further, MOSL has investments in equity shares. MOSL derives income from dividends and profit on sale of investments in these equity shares and mutual funds.

During the year ended March 31, 2007, MOSL entered into agreements for the purchase of customer rights from Peninsular Capital Markets Limited (PCML) and Mani Stock Brokers Limited (MSB). By virtue of these agreements, MOSL has obtained rights over the relevant net profits pertaining to customers not yet transferred or in the process of being transferred. Accordingly, MOSL has included in other income an amount of Rs. 13.57 million and Rs. 0.78 million net towards income entitlement in respect of PCML and MSB respectively.

The following table sets out MOSL's other income for the years ended March 31, 2004, 2005, 2006 and 2007, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Interest Income (Gross)	15.12	2.24%	23.29	1.81%	79.28	2.91%	145.50	3.38	4.31
Income from Arbitrage Transaction	-	-	3.03	0.24%	7.40	0.27%	9.96	0.23	0.30
Profit/ (Loss) on sale of Investments	0.26	0.04%	25.25	1.96%	43.20	1.58%	(4.64)	0.11	0.14
Dividend Income	2.64	0.39%	5.73	0.44%	7.95	0.29%	20.91	0.49	0.62
Profit/(loss) on sale of fixed assets	(0.01)	0.00%	(0.45)	(0.03)%	0.87	0.03%	(2.58)	(0.06)	0.08
Miscellaneous Income	0.49	0.07%	2.69	0.21%	9.75	0.36%	20.02	0.46	0.59
Profit From Peninsular Capital Markets Limited	-	-	-	-	-	-	13.57	0.31	0.40
Profit From Mani Stock Brokers Limited	-	-	-	-	-	-	0.78	0.02	0.02
<b>TOTAL</b>	<b>18.50</b>	<b>2.74%</b>	<b>59.54</b>	<b>4.63%</b>	<b>148.45</b>	<b>5.45%</b>	<b>203.52</b>	<b>4.72</b>	<b>6.03</b>

### **Expenditure**

MOSL's expenses consist of operating expenses, staff costs and administrative and other expenses.

### *Operating Expenses*

The principal components of MOSL's operating expenses are transaction charges, stamp duty and miscellaneous, brokerage sharing with intermediaries (Business Associates) and depository charges. These expenses pertain directly to the number and size of transactions carried out by MOSL on behalf of its customers.

The following table sets out MOSL's operating expenses for the years ended March 31, 2004, 2005, 2006 and 2007, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31,								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Transaction charges, Stamp Duty & Miscellaneous (Net of recovery)	5.72	0.85%	14.13	1.10%	96.32	3.53%	104.77	2.43	3.11
Brokerage sharing with Intermediaries	142.46	21.07%	357.45	27.78%	671.41	24.64%	795.52	18.46	23.58
Depository Charges	6.58	0.98%	10.16	0.79%	20.64	0.76%	25.87	0.60	0.77
Advisory Fees							7.50	0.17	0.22
<b>TOTAL</b>	<b>154.76</b>	<b>22.89%</b>	<b>381.74</b>	<b>29.66%</b>	<b>788.37</b>	<b>28.93%</b>	<b>933.66</b>	<b>21.66</b>	<b>27.68</b>

#### *Transaction charges, stamp duty and miscellaneous*

MOSL incurs various statutory, regulatory and other charges payable to different authorities in the nature of stamp duty, charges towards investor protection and other charges that are principally in connection with the transactions that MOSL undertakes.

#### *Brokerage sharing with intermediaries*

MOSL operates extensively through a sub-broker model whereby gross revenue from the client is shared between MOSL and its Business Associates in a pre-agreed ratio generally in the range of 25% to 75%. Therefore, significant payments, principally linked to the Trading Volumes of MOSL's Business Associates, have to be made to them.

#### *Depository charges*

As a depository participant of CDSL and NSDL, MOSL pays charges in connection with transactions undertaken by its depository clients.

#### *Staff Costs*

Staff costs include salaries, bonuses, ex-gratia payments, directors' remuneration, contributions to provident and other funds, data processing charges and training. MOSL's staff costs have grown substantially since the year ended March 31, 2004, resulting principally from the increase in the number of employees and salaries. Staff costs have also increased due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period. Staff costs have grown as a percentage of total revenue, being 22.83% for the year ended March 31, 2004, 22.43% for the year ended

March 31, 2005, 23.23% for the year ended March 31, 2006 and 25.89% for the year ended March 31, 2007.

### *Administrative Expenses*

The principal components of administrative expenses relate to costs associated with marketing and branding, leasing Business Locations and legal and professional charges. The following table sets out MOSL's administrative expenses for the years ended March 31, 2004, 2005, 2006 and 2007, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31								
	2004		2005		2006		2007		
	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Marketing & Brand Promotion Expenses	9.22	1.36%	29.31	2.28%	55.92	2.05%	65.82	1.53	1.95
Rent, Rates & Taxes	6.00	0.89%	10.70	0.83%	30.49	1.12%	49.08	1.14	1.46
Legal & Professional Charges	4.13	0.61%	10.37	0.81%	43.59	1.60%	27.47	0.64	0.81
Other Administrative Expenses	49.65	7.34%	84.96	6.60%	176.03	6.46%	287.77	6.68	8.53
<b>TOTAL</b>	<b>69.00</b>	<b>10.20%</b>	<b>135.34</b>	<b>10.52%</b>	<b>306.03</b>	<b>11.23%</b>	<b>430.14</b>	<b>9.98</b>	<b>12.75</b>

### *Marketing and brand promotion expenses*

MOSL has sought to increase the awareness of its brand, products and services and to increase its market presence and share. These activities have led to higher marketing and brand promotion expenses, which have increased from Rs. 9.22 million for the year ended March 31, 2004 to Rs. 65.82 million for the year ended March 31, 2007. However, as a percentage of total revenue for those periods, marketing and brand promotion expenses have increased slightly from 1.36% in the year ended March 31, 2004 to 1.95% in the year ended March 31, 2007.

### *Rent, rates and taxes*

The expansion of MOSL's Business Locations network has led to an increase in the amount of space MOSL leases, which has increased rent and ancillary charges from Rs. 6.00 million for the year ended March 31, 2004 to Rs. 49.08 million for the year ended March 31, 2007. However, as a percentage of total revenue for those periods, rent rates and taxes have increased from 0.89% in the year ended March 31, 2004 to 1.46% in the year ended March 31, 2007.

### *Legal & professional charges*

These expenses primarily relate to fees paid to accountants, financial experts, IT consultants and lawyers. They have increased from Rs. 4.13 million for the year ended March 31, 2004 to Rs. 27.47 million for the year ended March 31, 2007. However, as a percentage of total revenue for those periods, legal and professional charges have increased from 0.61% in the year ended March 31, 2004 to 0.81% in the year ended March, 31 2007.

#### *Other administrative expenses*

The principal components of other administrative expenses are printing and stationery, communication expenses, electricity expenses and travelling expenses. These expenses have increased as MOSL's business and geographical network have grown.

#### ***Interest***

Interest principally includes interest and other fees charged by banks. Interest is charged on MOSL's overdraft facilities. Bank charges consist of fees pertaining to bank guarantees obtained to meet MOSL's margin requirements. Interest has increased from Rs. 10.73 million for the year ended March 31, 2004 to Rs. 36.56 million for the year ended March 31, 2007. This increase is due to the growth of MOSL's business activities.

#### ***Taxation***

**Current tax:** Current tax is the provision made for income tax liability on the profits for the applicable financial period in accordance with applicable tax law.

**Deferred tax:** Deferred tax arises from timing differences between book profits (accounting) and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted as of the date of MOSL's balance sheet.

**Fringe Benefit Tax and Wealth Tax:** MOSL, in accordance with the applicable laws, has to pay fringe benefit tax and deferred tax.

#### **Comparison of Unconsolidated Results for the Year Ended March 31, 2007 and for the Year Ended March 31, 2006**

##### ***Income***

Total income increased from Rs. 2,724.95 million for the year ended March 31, 2006 to Rs. 3,373.13 million for the year ended March 31, 2007, an increase of 23.79%.

##### ***Income from operations***

Income from operational activities increased from Rs. 2,576.50 million for the year ended March 31, 2006 to Rs. 3,169.61 million for the year ended March 31, 2007, an increase of 23.02%. This increase was principally due to an increase in MOSL's brokerage income as a result of MOSL's expanded operations and increased customer base. The table below sets out the increases in Trading Volumes for this period.

<b>Trading Volumes</b>	<b>For the year ended March 31, 2006 Rs. millions</b>	<b>For the year ended March 31, 2007 Rs. millions</b>	<b>Percentage increase</b>
Cash equities	1,004,750	1,494,562	48.75
Derivatives equities	1,523,641	2,759,052	81.08

Income from management fees, which includes income from both management fees (based on assets under management) and performance fees (based on the performance of the portfolio) decreased from Rs. 149.82 million for the year ended March 31, 2006 to Rs. 83.01 million for the year ended March 31, 2007, a decrease of 44.59%. This was as a result of a decrease in performance fees received for the year ended

March 31, 2007. Income from depository fees increased from Rs. 36.52 million for the year ended March 31, 2006 to Rs. 37.22 million for the year ended March 31, 2007.

#### *Other income*

Other income increased from Rs. 148.45 million for the year ended March 31, 2006 to Rs. 203.52 million for the year ended March 31, 2007, an increase of 37.10%. This was principally due to increases in interest income, dividend income and profits from acquisitions. Interest income increased by 83.53% from Rs. 79.28 million in the year ended March 31, 2006 to Rs. 145.50 million in the year ended March 31, 2007, mainly due to an increased volume of business, which requires us to maintain a greater number of bank guarantees to satisfy MOSL's margin requirements that results in us holding greater amounts in deposits with banks. Profit on the sale of investments decreased from Rs. 43.20 million for the year ended March 31, 2006 to Rs. (4.64) million for the year ended March 31, 2007, a decrease of 110.74%.

#### *Expenditure*

Total expenses increased from Rs. 1,814.61 million for the year ended March 31, 2006 to Rs. 2,382.16 million for the year ended March 31, 2007, an increase of 31.28%. The principal increases in expenses are discussed below.

#### *Operating expenses*

Operating expenses increased from Rs. 788.37 million for the year ended March 31, 2006 to Rs. 933.66 million for the year ended March 31, 2007, an increase of 18.43%. This was principally due to increases in brokerage sharing with intermediaries (Business Associates) by 18.49% from Rs. 671.41 million for the year ended March 31, 2006 to Rs. 795.52 million for the year ended March 31, 2007 and the addition of Rs. 7.50 million in advisory fees in the year ended March 31, 2007. Overall operating expenses have increased concurrently with income from operations.

#### *Staff Costs*

Staff costs increased from Rs. 632.97 million for the year ended March 31, 2006 to Rs. 873.32 million for the year ended March 31, 2007, an increase of 37.97%. This increase was due to higher costs associated with an increase in the number of employees hired to support MOSL's growth. The number of employees increased from 1,258 for the year ended March 31, 2006 to 2,072 (including 741 on a contract basis) for the year ended March 31, 2007. In addition, this increase was due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period.

#### *Administrative expenses*

Administrative expenses increased from Rs. 306.03 million for the year ended March 31, 2006 to Rs. 430.14 million for the year ended March 31, 2007, an increase of 40.55%. This increase was principally due to increases in other administrative expenses, particularly rent, rates and taxes, marketing and brand promotion expenses. Rent, rates and taxes increased by 60.97% from Rs. 30.49 million for the year ended March 31, 2006 to Rs. 49.08 million for the year ended March 31, 2007 because of the increase number of properties leased by MOSL. Marketing and brand promotion expenses increased by 17.70% from Rs. 55.92 million for the year ended March 31, 2006 to Rs. 65.82 million for the year ended March 31, 2007. This increase was primarily due to higher spending on brand promotion, advertising and marketing. This was offset by a decrease in legal and professional charges of 36.98% from Rs. 43.59 million for the year ended March 31, 2006 to Rs. 27.47 million for the year ended March 31, 2007. The legal and professional charges during the year ended March 31, 2006 was higher due to a one off fee paid to a consultant for advising on business matters.

#### *Interest*

MOSL's financial expenses increased from Rs. 31.76 million for the year ended March 31, 2006 to Rs. 36.56 million for the year ended March 31, 2007. This increase was principally due to increased volumes of business, which required further bank guarantees and overdrafts to satisfy MOSL's margin requirements.

#### ***Depreciation***

Depreciation increased from Rs. 55.48 million for the year ended March 31, 2006 to Rs. 108.48 million for the year ended March 31, 2007, an increase of 95.53%, predominantly due to the purchase of MOSL's corporate office.

#### ***Profit before Taxation***

Profit before tax increased from Rs. 910.34 million for the year ended March 31, 2006 to Rs. 990.97 million for the year ended March 31, 2007, an increase of 8.86%.

#### ***Provision for taxation***

Provision for taxation including deferred taxation increased from Rs. 299.19 million for the year ended March 31, 2006 to Rs. 334.35 million for the year ended March 31, 2007, an increase of 11.75%.

#### ***Profit after taxation***

Unconsolidated net profit increased from Rs. 611.15 million for the year ended March 31, 2006 to Rs. 656.62 million for the year ended March 31, 2007, an increase of 7.44%.

### **Comparison of Unconsolidated Results for the Year Ended March 31, 2006 and for the Year Ended March 31, 2005**

#### ***Income***

Total income increased from Rs. 1,286.86 million for the year ended March 31, 2005 to Rs. 2,724.95 million for the year ended March 31, 2006, an increase of 111.75%.

#### ***Income from operations***

Income from operational activities increased by Rs. 1,349.18 million from Rs. 1,227.32 million for the year ended March 31, 2005 to Rs. 2,576.50 million for the year ended March 31, 2006, an increase of 109.93%. This increase was principally due to an increase in MOSL's brokerage income as a result of MOSL's expanded operations and increased customer base. The table below sets out the increases in Trading Volumes for this period.

<b>Trading Volumes</b>	<b>For the year ended March 31, 2005 Rs. Millions</b>	<b>For the year ended March 31, 2006 Rs. millions</b>	<b>Percentage increase</b>
Cash equities	510,230	1,004,750	96.92%
Derivatives equities	482,621	1,523,641	215.70%

Income from management fees increased from Rs. 31.11 million for the year ended March 31, 2005 to Rs. 149.82 million for the year ended March 31, 2006, an increase of 381.58%, as a result of a 164% increase in the amount of assets under MOSL's management during that period. Income from management fees includes both management fees and performance fees. Income from depository fees increased from Rs. 16.58 million for the year ended March 31, 2005 to Rs. 36.52 million for the year ended March 31, 2006.

### *Other income*

Other income increased by Rs. 88.91 million from Rs. 59.54 million for the year ended March 31, 2005 to Rs. 148.45 million for the year ended March 31, 2006, an increase of 149.33%. This was principally due to increased volume of business, which requires further bank guarantees to satisfy MOSL's margin requirements resulting in more deposits with banks. Profit on the sale of investments increased from Rs. 25.25 million for the year ended March 31, 2005 to Rs. 43.20 million for the year ended March 31, 2006, an increase of 71.09%.

### *Expenditure*

Total expenses increased by Rs. 966.08 million from Rs. 849.89 million for the year ended March 31, 2005 to Rs. 1,814.61 million for the year ended March 31, 2006, an increase of 113.51%. The principal increases in expenses are discussed below.

#### *Operating expenses*

Operating expenses increased by Rs. 406.63 million from Rs. 381.74 million for the year ended March 31, 2005 to Rs. 788.37 million for the year ended March 31, 2006, an increase of 106.52%. This was principally due to increases in brokerage sharing with intermediaries (Business Associates) of 87.83% from Rs. 357.45 million for the year ended March 31, 2005 to Rs. 671.41 million for the year ended March 31, 2006 and in transaction charges, stamp duty and miscellaneous expenses from Rs. 14.13 million for the year ended March 31, 2005 to Rs. 96.32 million for the year ended March 31, 2006 resulting from increased transaction activity by institutional clients. Overall operating expenses have increased concurrently with income from operations.

#### *Staff Costs*

Staff costs increased by Rs. 344.30 million from Rs. 288.67 million for the year ended March 31, 2005 to Rs. 632.97 million for the year ended March 31, 2006, an increase of 119.27%. This increase was due to higher costs associated with an increase in the number of employees hired to support MOSL's growth. The number of employees increased from 563 for the year ended March 31, 2005 to 1,258 for the year ended March 31, 2006. In addition, this increase was due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period.

#### *Administrative expenses*

Administrative expenses increased by Rs. 170.69 million from Rs. 135.34 million for the year ended March 31, 2005 to Rs. 306.03 million for the year ended March 31, 2006, an increase of 126.12%. This increase was principally due to increases in rent, rates and taxes, marketing and brand promotion expenses, legal and professional charges. Rent, rates and taxes increased by 184.95% from Rs. 10.70 million for the year ended March 31, 2005 to Rs. 30.49 million for the year ended March 31, 2006 because of the increase number of properties leased by MOSL. Marketing and brand promotion expenses increased by 90.79% from Rs. 29.31 million for the year ended March 31, 2005 to Rs. 55.92 million for the year ended March 31, 2006. This increase was primarily due to higher spending on brand promotion, advertising and marketing. Legal and professional charges increased by 320% from Rs. 10.37 million for the year ended March 31, 2005 to Rs. 43.59 million for the year ended March 31, 2006. This increase was due to fees paid to a consultant for advising on business matters.

#### *Interest*

MOSL's financial expenses increased by Rs. 19.77 million from Rs. 11.99 million for the year ended March 31, 2005 to Rs. 31.76 million for the year ended March 31, 2006. This increase was principally due to increased volumes of business, which required further bank guarantees to satisfy MOSL's margin requirements.

### ***Depreciation***

Depreciation increased by Rs. 23.33 million from Rs. 32.15 million for the year ended March 31, 2005 to Rs. 55.48 million for the year ended March 31, 2006, an increase of 72.57%, predominantly due to the purchase of MOSL's corporate office.

### ***Profit before Taxation***

Profit before tax increased by Rs. 473.37 million from Rs. 436.97 million for the year ended March 31, 2005 to Rs. 910.34 million for the year ended March 31, 2006, an increase of 108.33%.

### ***Provision for taxation***

Provision for taxation including deferred taxation increased by Rs. 149.77 million from Rs. 149.42 million for the year ended March 31, 2005 to Rs. 299.19 million for the year ended March 31, 2006, an increase of 100.23%.

### ***Profit after taxation***

Unconsolidated net profit increased by Rs 323.60 million from Rs. 287.55 million for the year ended March 31, 2005 to Rs. 611.15 million for the year ended March 31, 2006, an increase of 112.54%.

## **Comparison of Unconsolidated Results for the Year Ended March 31, 2005 and the Year Ended March 31, 2004**

### ***Income***

Total income increased by Rs. 610.72 million from Rs. 676.14 million for the year ended March 31, 2004 to Rs. 1286.86 million for the year ended March 31, 2005, an increase of 90.32%.

### ***Income from operations***

Income from operations increased by Rs. 569.68 million from Rs. 657.64 million for the year ended March 31, 2004 to Rs. 1,227.32 million for the year ended March 31, 2005, an increase of 86.63%. This increase was principally due to an increase in brokerage income, which increased by Rs. 535.54 million, or 85.7%, from Rs. 624.67 million in the year ended March 31, 2004 to Rs. 1,160.21 million in the year ended March 31, 2005, principally as a result of increased brokering activities and geographic expansion. The table below sets out the increases in Trading Volumes for this period.

<b>Trading Volumes</b>	<b>Year ended March 31, 2004 Rs. millions</b>	<b>Year ended March 31, 2005 Rs. millions</b>	<b>Percentage increase</b>
Cash equities	315,091	510,230	61.93%
Derivatives equities	223,850	482,621	115.60%

Income from management fees increased from Rs. 15.33 million for the year ended March 31, 2004 to Rs. 31.11 million for the year ended March 31, 2005, an increase of 102.93%, as a result of a 344.44% increase in the amount of assets under MOSL's management during that period.

### ***Other income***

Other income increased by Rs. 41.04 million from Rs. 18.50 million for the year ended March 31, 2004 to

Rs. 59.54 million for the year ended March 31, 2005, principally due to an increase in interest income of 221.84% resulting from an increased volume of business which requires further bank guarantees to satisfy MOSL's margin requirements resulting in more deposits with banks. Profit on the sale of investments increased from Rs. 0.26 million for the year ended March 31, 2004 to Rs. 25.25 million for the year ended March 31, 2005, an increase of 9,611.54%.

### ***Expenditure***

Total expenditure increased by Rs. 435.29 million from Rs. 414.60 million for the year ended March 31, 2004 to Rs. 849.89 million for the year ended March 31, 2005, an increase of 104.99%. The increase in expenditure is discussed below.

#### ***Operating expenses***

Operating expenses increased by Rs. 226.98 million from Rs. 154.76 million for the year ended March 31, 2004 to Rs. 381.74 million for the year ended March 31, 2005, an increase of 146.67%, which was principally due to an increase in brokerage sharing expenses. Such expenses increased by Rs. 214.99 million, or 150.91% from Rs. 142.46 million for the year ended March 31, 2004 to Rs. 357.45 million for the year ended March 31, 2005.

#### ***Staff costs***

Staff costs increased by Rs. 134.34 million from Rs. 154.33 million for the year ended March 31, 2004 to Rs. 288.67 million for the year ended March 31, 2005, an increase of 89.05%. This increase was due to higher costs associated with an increase in the number of employees hired to support MOSL's growth. The number of employees increased from 308 for the year ended March 31, 2004 to 563 for the year ended March 31, 2005. In addition, this increase was due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period.

#### ***Administrative expenses***

Administrative and other expenses increased by Rs. 66.34 million from Rs. 69.00 million for the year ended March 31, 2004 to Rs. 135.34 million for the year ended March 31, 2005, an increase of 96.1%. This increase was principally due to increases in rent, rates and taxes, marketing and brand promotion expenses, legal and professional charges and expenses. Rent, rates and taxes increased by 78.33% from Rs. 10.70 million for the year ended March 31, 2005 to Rs. 6.00 million for the year ended March 31, 2004. Marketing and brand promotion expenses increased by 218% from Rs. 9.22 million for the year ended March 31, 2004 to Rs. 29.31 million for the year ended March 31, 2005. Legal and professional charges increased by Rs. 6.24 million or 151.09% from Rs. 4.13 million for the year ended March 31, 2004 to Rs. 10.37 million for the year ended March 31, 2005. These increases all principally related to geographical expansion during the year ended March 31, 2005.

### ***Depreciation***

Depreciation increased by Rs. 6.37 million from Rs. 25.78 million for the year ended March 31, 2004 to Rs. 32.15 million for the year ended March 31, 2005, an increase of 24.71%, due to the purchase of additional premises and equipment.

### ***Interest***

Interest increased by Rs. 1.26 million from Rs. 10.73 million for the year ended March 31, 2004 to Rs. 11.99 million for the year ended March 31, 2005, an increase of 11.74%. This increase was principally due to increased volumes of business which required further bank guarantees to satisfy MOSL's margin requirements.

### ***Profit before tax***

Profit before tax increased by Rs. 175.43 million from Rs. 261.54 million for the year ended March 31, 2004 to Rs. 436.97 million for the year ended March 31, 2005.

### ***Provision for taxation***

Provision for taxation including deferred taxation increased by Rs. 51.64 million from Rs. 97.78 million for the year ended March 31, 2004 to Rs. 149.42 million for the year ended March 31, 2005, an increase of 52.81%.

### ***Profit after tax***

Net profit increased by Rs. 123.79 million from Rs. 163.76 million for the year ended March 31, 2004 to Rs. 287.55 million for the year ended March 31, 2005, an increase of 75.59%.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Liquidity***

MOSL's primary liquidity requirements have been to finance its working capital needs and capital expenditure. MOSL requires working capital to meet its requirement for funds in connection with its ordinary-course business payments. The principal portion of MOSL's working capital requirement is deployed by depositing funds with banks to obtain guarantees so that MOSL can obtain appropriate levels of trading exposure on the exchanges. These requirements fluctuate on a regular basis depending on trading needs. To fund these costs, MOSL currently relies principally on cash flows from operations. In the past, MOSL has also relied on short-term credit or overdraft facilities to meet margin requirements to fund such needs.

### ***Cash Flows***

The following table summarises MOSL's restated cash flows for the years ended March 31, 2004, 2005, 2006 and 2007:

	Year ended March 31,				
	2004	2005	2006	2007	
	Rs. Millions			Rs. millions	US\$ millions
Net cash from / (used) in operating activities	415.13	294.44	1,130.54	1,395.86	32.39
Net cash from / (used) in investing activities	(83.11)	(67.66)	(365.01)	(645.01)	14.97
Net cash from / (used) in financing activities	(6.59)	(40.44)	(138.18)	(41.50)	0.96
Net increase / (decrease) in cash and cash equivalents	325.43	186.34	627.35	709.35	16.46

MOSL's net cash from operating activities in the year ended March 31, 2007 was Rs. 1,395.86 million. In the year ended March 31, 2006, it was Rs. 1,130.54 million. Cash from operating activities reflects both increased operating profit (net of tax) and the working capital position which primarily constitutes changes

in debts, loan and advances and current liabilities. For movement in working capital, please refer to “Current Assets, Loans and Advances” and “Current Liabilities and Provisions” below.

MOSL’s net cash used in investing activities in the year ended March 31, 2007 was Rs. 645.01 million. Net cash from investing activities was Rs. 365.01 million in the year ended March 31, 2006. The variations in cash from, or used in, investing activities vary from period to period based on capital expenditure and sale or purchase of investment in equity shares and mutual funds. For movement in investing activities, please refer to “Fixed Assets” and “Investments” below.

MOSL’s net cash used in financing activities was Rs. 41.50 million in the year ended March 31, 2007 and Rs. 138.18 million from financing activities for the year ended March 31, 2006, respectively. The variations in net cash used in financing activities principally reflect changes in secured loans including the overdraft facility. For movement in secured loans, please refer to “Secured Loans” below.

## **Review of Assets and Liabilities**

### ***Fixed Assets***

Fixed assets comprise:

- Gross block, which is mainly comprised of office premises, equipment and related assets
- Capital work in progress, including advances for capital expenditures.

The following table illustrates MOSL’s fixed assets as at March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007:

	<b>As at March 31,</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
	<b>Rs. millions</b>			<b>Rs. millions</b>	<b>US\$ millions</b>
Gross Block	206.77	301.33	670.11	957.93	22.23
Less Depreciation	(112.00)	(141.26)	(191.62)	(295.30)	(6.85)
Net Block	94.77	160.07	478.49	662.63	15.37
Capital Work in Progress	-	1.44	40.20	16.05	0.37
<b>Total</b>	<b>94.77</b>	<b>161.51</b>	<b>518.69</b>	<b>678.68</b>	<b>15.75</b>

MOSL’s fixed assets have increased from Rs. 518.69 million as at March 31, 2006 to Rs. 678.68 million as at March 31, 2007, principally as a result of the expansion of MOSL’s broking business, including acquisitions of new premises, as well as acquisitions of hardware, software and technology in connection with MOSL’s programme of maintaining updated technology. MOSL also acquired customer rights and other assets pursuant to the Acquisitions during the year ended March 31, 2007. Capital work-in-progress decreased during the year ended March 31, 2007 as a result of the completion of MOSL’s new premises.

### ***Investments***

Investments principally comprise:

- Long-term investments, in fully paid ordinary or equity shares of various quoted and unquoted companies

- A current investment, in PNB Principal Mutual Fund related to investment of short-term surplus working capital.

Investments are classified as either current or long term based on management's intention at the time of purchase:

	As at March 31,				
	2004	2005	2006	2007	
	Rs. millions			Rs. millions	US\$ millions
Long-term investments	69.19	68.51	72.89	162.96	3.78
Current investments	0.00	0.00	0.00	300.16	6.96
<b>Total</b>	<b>69.19</b>	<b>68.51</b>	<b>72.89</b>	<b>463.12</b>	<b>10.74</b>

#### Current Assets, Loans and Advances

Current assets, loans and advances typically fluctuate on a day-to-day basis as a result of MOSL's ordinary course broking activities, depending on, amongst other things, its Trading Volumes. Current assets, loans and advances mainly comprised:

- Sundry debtors, which principally related to amounts receivable from customers on whose behalf we undertake the trade as well as amounts receivable from the exchanges
- Stock-in-trade, which principally related to shares held by MOSL in connection with its arbitrage business
- Cash and bank balances
- Loans and advances, which primarily related to deposits made with stock exchanges and advanced tax and tax deducted at source
- Other current assets.

The following table sets out details of MOSL's sundry debtors as at March 31, 2004, March 31, 2005 and March 31, 2006 and March 31, 2007:

	As at March 31				
	2004	2005	2006	2007	
	Rs. millions			Rs. millions	US\$ millions
Secured and Considered Good (Unless otherwise treated)	-	-	-	-	-
Debts outstanding for a period exceeding six months				-	-
Considered good	-	2.45	10.18	21.85	0.51
• Doubtful debts		-	-	-	-
• Less Provision for Doubtful Debts	-	-	-	-	-
Other debts	213.97	496.71	1334.23	2,639.72	61.25
<b>Total Debtors</b>	<b>213.97</b>	<b>499.15</b>	<b>1,344.41</b>	<b>2,661.57</b>	<b>61.76</b>

Debtors outstanding for a period exceeding six months have increased from Rs. 10.18 million as at March 31, 2006 to Rs. 21.85 million as at March 31, 2007, due to an increase in margin financing business volumes, our outstanding debtors have increased. Debtors for more than 6 months have consequently increased due to increase in business volume and certain delays in collections from the clients.

As at March 31, 2007, MOSL's cash and bank balances were Rs. 1,915.56 million, of which Rs. 1,437.20 million was in fixed deposits and a further Rs. 477.22 million in current accounts. The fixed deposits relate principally to deposits made with banks in connection with guarantees issued to exchanges.

The following table shows MOSL's loans and advances as at March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007:

	As at March 31,				
	2004	2005	2006	2007	
	Rs. millions			Rs. millions	US\$ millions
Unsecured, considered good					
Loans, advances and deposits recoverable in cash or in-kind or for value to be received	50.07	110.21	24.45	54.69	1.27
Loans to staff	-	0.41	5.64	12.54	0.29
Trade deposits	-	238.64	680.17	472.37	10.96
NSE membership deposit	5.00	5.00	5.00	5.00	0.12
Advance tax and tax deducted at source	74.93	238.48	447.03	756.42	17.55
Capital advances	-	10.00	47.00	-	-
<b>Total</b>	<b>130.00</b>	<b>602.74</b>	<b>1,209.29</b>	1301.01	30.18

#### ***Current Liabilities and Provisions***

Current liabilities and provisions principally consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf MOSL undertakes trades as well as amounts payable to exchanges. Provisions include provisions for ex gratia payments and certain taxation matters.

	As at March 31				
	2004	2005	2006	2007	
	Rs. millions			Rs. millions	US\$ millions
Current Liabilities	469.01	1,076.90	2,607.46	4,324.02	100.33
Provisions	91.40	238.96	676.57	1,047.56	24.31

#### ***Secured Loans***

Secured loans consist of loans and advances from banks including overdraft facilities and a car loan from ICICI Bank. As at March 31, 2007, the outstanding secured loans of MOSL were Rs. 0.50 million.

### **Contingent Obligations**

As at March 31, 2007, MOSL had contingent obligations not provided for in the following amounts:

	<b>As at March 31, 2007</b>	
	<b>Rs. millions</b>	<b>US\$ millions</b>
Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments for which MOSL has given counter-guarantees	2,486.00	57.68
Demand in respect of taxation under appeal	25.47	0.59
<b>Total</b>	<b>2,511.47</b>	<b>58.27</b>

MOSL's principal contingent obligations relate to guarantees given by banks to exchanges in the ordinary course of business in respect of MOSL's capital adequacy, daily margin and other contractual commitments for which MOSL has provided counter-guarantees. The level of guarantees fluctuates on a regular basis in connection with MOSL's trading and brokering activity and the related requirements in respect thereof.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **Off-Balance Sheet Transactions**

There have been no off-balance sheet transactions.

### **Unusual or Infrequent Events or Transactions**

Except as described elsewhere in this Red Herring Prospectus, there have been no events or transactions to MOSL's knowledge which may be described as "unusual" or "infrequent".

### **Significant economic/regulatory changes**

MOSL's business is highly dependent on the regulatory environment and on general economic conditions. For more details, please refer to the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

### **Known Trends or Uncertainties**

Except as described elsewhere in this Red Herring Prospectus, to MOSL's knowledge there are no known trends or uncertainties which are expected to have a material adverse impact on the operations or finances of MOSL.

### **Future Relationship Between Costs and Income**

Except as described elsewhere in this Red Herring Prospectus, to MOSL's knowledge there are no known factors affecting the future relationship between costs and income which could have a material adverse impact on the operation or finances of MOSL.

### **New Product or Business Segment**

Except as described elsewhere in this Red Herring Prospectus, MOSL has no new product or business segments.

#### **Seasonality of Business**

The business of MOSL is not seasonal. MOSL's business is largely dependent on the state of capital markets, level of activity in the secondary market and overall economic conditions prevailing both locally and globally. The level of operations, income and profitability of MOSL may be affected due to the above factors.

#### **Significant Dependence on a Single or Few Suppliers or Customers**

The operations of MOSL are not significantly dependent on a single or a few suppliers or customers.

#### **Related Party Transactions**

For details of related party transactions, please refer to the section entitled "Related Party Transactions" beginning on page xi of this Red Herring Prospectus.

#### **Competitive Conditions**

MOSL expects competition to intensify for existing and potential new customers. For further details, see the paragraph titled "Factors Affecting Results of Operations" beginning on page 257 and the sections titled "Risk Factors" beginning on page xi and "Business" beginning on page 55 of this Red Herring Prospectus.

#### **SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2007 THAT MAY AFFECT FUTURE OPERATIONS**

Since March 31, 2007, MOSL has continued to expand its business geographically. The directors of MOSL are not aware of any developments after March 31, 2007 that may materially and adversely affect, or are likely to affect, the trading and profitability of MOSL, or the value of its assets, or its ability to pay its liabilities within the next twelve months.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ISSUER (CONSOLIDATED)**

*You should read the following discussion of the financial condition and results of operations together with unconsolidated audited financial statements and the reports thereon and annexures thereto, which have been restated in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and with the SEBI Guidelines, and which are all included in this Red Herring Prospectus. The unconsolidated financial statements of Motilal Oswal Securities Limited are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations of Motilal Oswal Securities Limited (Unconsolidated)", beginning at page 236 of this Red Herring Prospectus.*

*The financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degree to which the financial statements included in this Red Herring Prospectus will provide meaningful information is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance on the financial disclosures presented in this Red Herring Prospectus by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein.*

*Where figures have been provided in US dollars, they have been converted using a rate of US\$1.00 to Rs. 43.10.*

### **OVERVIEW**

We are a financial services firm offering a range of products and services such as retail wealth management (including securities and commodities broking), portfolio management services, institutional broking, venture capital management and advisory and investment banking services. As a leading Indian domestic brokerage house, we have a substantial and diversified client base of retail customers (including high-net worth individuals), financial institutions and corporate clients. As at March 31, 2007, our products and services were distributed through 1,200 Business Locations spread across 377 cities and towns.

Motilal Oswal Financial Services Limited (MOFSL) is the holding company and also provides financing to our customers. Our businesses operate through four subsidiaries: Motilal Oswal Securities Limited (MOSL), Motilal Oswal Commodities Broker Private Limited (MOCB), Motilal Oswal Venture Capital Advisors Private Limited (MOVC) and Motilal Oswal Investment Advisors Private Limited (MOIA). Retail wealth management services are offered through MOFSL, MOSL and MOCB and they provide broking and financing services to our retail customers as well as investment advisory, financial planning and portfolio management services. Our institutional broking business is carried out by MOSL which offers equity broking services in the cash and derivative segments to clients in India and overseas. We established our investment banking business in May 2006 through MOIA (a newly incorporated company). Our investment banking business offers financial advisory, capital raising and other investment banking services to corporate clients, financial sponsors and other institutions. MOFSL incorporated MOVC in April 2006 as an investment manager and advisor. In 2006, MOVC was appointed as the Investment Manager and Advisor of a private equity fund, the India Business Excellence Fund, which was launched with a target to raise US\$100 million. In its first closing in December 2006, the fund obtained commitments of Rs. 1,601.17 million (US\$37.15 million) from investors in India and overseas. Subsequently, in January 2007, further commitments were obtained of Rs. 215.50 million (US\$5.00 million), taking total commitments to Rs. 1,816.67 million (US\$ 42.15 million). The funds raised to date have yet to be invested. As the sponsor, MOFSL will commit 10% of the total fund, subject to a cap of US\$10 million. MOVC will earn a fixed management fee and a variable fee (carry) linked to the performance of the fund, in line with the standard model for the private equity industry.

For the year ended March 31, 2007, our consolidated revenues and net profit were Rs. 3,791.24 million and Rs. 695.84 million, respectively. As at March 31, 2007, we had consolidated total assets of Rs. 9,004.32 million and a consolidated total net worth of Rs. 3,331.63 million.

Our retail wealth management and institutional broking businesses comprised 89.92% of our revenues for the year ended March 31, 2007. The remainder (Rs. 382.12 million) was principally contributed to by interest income from our margin funding business and otherwise from advisory fees in respect of our venture capital management business and our investment banking business.

## **FACTORS AFFECTING RESULTS OF OPERATIONS**

Our financial condition and results of operations are affected by numerous factors. We believe the following are of particular importance:

### ***Dependence on the equity brokerage business of MOSL***

Our equity brokerage business is primarily conducted through MOSL, and MOSL contributed 99.99% and 88.50% of our total consolidated revenues for the year ended March 31, 2006 and year ended March 31, 2007, respectively. MOSL and the Group are substantially dependent on MOSL and any increase or decrease in MOSL's revenues and profit margins may cause our consolidated results to increase or decrease.

In addition, we are dependent on our equity brokerage business, which contributed 87.42% and 79.91% of our total consolidated revenues for the year ended March 31, 2006 and year ended March 31, 2007, respectively. Although our strategy is to actively grow our other lines of business, our equity brokerage business will continue to constitute a significant portion of our revenues and operating profits and any decline in our brokerage business may have an adverse affect on our financial condition and operating results.

### ***Competition***

We face significant competition from other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we operate. In recent years, international banks have also entered these markets. Some of these firms have greater resources, a longer operating history (than in certain of our businesses) and/or a more widely recognised brand than us, which may give them a competitive advantage. Our ability to grow our revenues will depend on demand for our products and services in preference to those of our competitors.

### ***Stock market trends***

A significant portion of our consolidated revenues are derived from equity broking for both retail and institutional clients. Revenues, level of operations and, consequently, profitability are dependent on favorable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, although the Indian and world securities markets have fluctuated considerably, the trend has overall been upwards. Revenues have benefited from the increased trading volumes and we expects the current positive market sentiment to continue, however, there are many factors outside our control which may offset future increases or result in a decline in trading volumes.

### ***Growth in the Indian economy***

General economic conditions in India have a significant impact on our consolidated results of operations. The Indian economy has grown rapidly over the past decade and is expected to continue to grow in the future. We believe growth in the overall economy has driven, and will drive, the underlying demand for investment products and services both in terms of the availability of capital for investment and the availability of such products and services.

### ***Geographical expansion and new branch openings***

We deliver our products and services through Business Locations operated by us and by our Business Associates. As at March 31, 2007, we had 1,200 Business Locations spread across 377 cities and towns. Our increased geographical spread has contributed to increased revenues and has also increased our expenses.

### ***Brokerage sharing with intermediaries***

As at March 31, 2007, we had 815 Business Associates. Business Associates conduct broking activities through Business Locations. We and our Business Associates have a revenue-sharing system in place, established pursuant to agreements required by the relevant regulations. Under the terms of these agreements, which are separately negotiated with each Business Associate, MOSL generally receives between 25% and 75% of the brokerage and net revenue earned through clients introduced by its Business Associates.

### ***Regulatory developments***

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, FMC, RBI, CDSL, NSDL, OTCEI and stock and commodity exchanges. For more information see the section titled “Regulations and Policies” beginning on page 71 of this Red Herring Prospectus. We are therefore subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles.

### ***Recruitment and retention of employees***

We are dependent on our senior management, directors and other key personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must reward employees in line with the market to remain competitive and to retain and attract well-qualified individuals. In addition, our employee base has increased as our network has grown and as we have entered into new business areas, including our investment banking and venture capital management businesses, which required hiring of a number of qualified personnel.

### ***New business products***

We have expanded our business offerings to include investment banking, venture capital management and distribution of third party products. Investment banking revenues contributed 6.99% to our total income for the year ended March 31, 2007 and we expect it to contribute a higher proportion in the future. Our newly established venture capital management business started contributing to the revenue stream from January 2007. Although we expect these businesses to have a positive impact on our revenues going forward, such revenues have not formed a material portion of our revenues to date.

### ***Technology***

We recognise the need to have state-of-the-art technology in place across our network to allow customers to avail of advanced trading systems, real time information and access to research reports online. We expect that advances in technology will enable us to provide a more efficient trade execution and ancillary services to our customers, which is expected to have a positive impact on revenues although this may be partially offset by initial capital investment costs.

For further details, see the sections entitled “Risk Factors”, “Business” and “Industry Overview” beginning on pages xi, 55 and 47 respectively, of this Red Herring Prospectus.

## **RESULTS OF OPERATIONS**

MOFSL commenced operations in June 2005. The following table sets forth, for the year ended March 31,

2006 and for the year to March 31, 2007, our restated profit and loss account, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Income from Operations	2,576.50	94.49%	3,587.49	83.24	94.63
Other Income	148.68	5.46%	203.75	4.73	5.37
<b>Total Income</b>	<b>2,725.18</b>	-	3,791.24	87.96	-
Operating Expenses	788.37	28.93%	947.95	21.99	25.00
Staff Costs	635.26	23.31%	1,012.97	23.50	26.72
Administration Expenses	307.07	11.27%	462.87	10.74	12.21
Interest	31.76	1.17%	39.38	0.91	1.04
Depreciation	55.48	2.04%	109.98	2.55	2.90
<b>Total Expenditure</b>	<b>1,817.94</b>	<b>66.71%</b>	2,573.15	59.70	67.87
Net Profit before tax, extraordinary items and minority interest	907.24	33.29%	1,218.09	28.26	32.13
<b>Provision for Taxation</b>					
Current Tax	(282.04)	10.35%	(398.94)	(9.26)	(10.52)
Deferred Tax Adjustments	(8.34)	0.31%	(1.96)	(0.05)	(0.05)
Fringe Benefit Tax	(4.76)	0.17%	(8.72)	(0.20)	0.23
Wealth Tax	(0.22)	0.01%	(0.19)	(0.00)	0.01
For previous year	(2.85)	0.10%	(0.63)	(0.01)	0.02
<b>Net Profit after Tax but before Extraordinary Items and Minority items</b>	<b>609.03</b>	<b>22.35%</b>	807.65	18.35	20.86
Exceptional items	-5.13	-0.19	42.64	0.6	0.68
<b>Net Profit after Tax and before Minority</b>	<b>603.90</b>	<b>22.16%</b>	765.01	17.75	20.18

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
<b>Interest</b>					
Extraordinary Items (net of Tax)	0	0	41.97	0.97	1.11%
<b>Net profit after Tax and before Minority Interest</b>	<b>603.90</b>	<b>22.16%</b>	<b>723.04</b>	<b>16.78</b>	<b>0.19</b>
Less Minority interest in Profits	(0.50)	(0.02%)	(27.20)	0.63	0.71
<b>Net Profit after Tax and Minority Interest</b>	<b>603.40</b>	<b>22.14%</b>	<b>695.84</b>	<b>16.15</b>	<b>18.36</b>

Net profit before extraordinary items, tax and minority interest as a percentage of total income for the year ended March 31, 2006 was 33.29% and 32.13% for the year ended March 31, 2007. Margins have marginally decreased in the period ended March 31, 2007, principally because staff costs and administrative expenses have increased relative to the increases in revenue. These increases in expenses are mainly due to our geographic and product-line expansion. The staff costs as a percentage of revenue have increased mainly because we started our investment banking and venture fund management businesses for which we have hired professionals at high salaries. These businesses have gradually started contributing to the total income. In addition, as our operations have expanded, we have incurred administrative expenses, including communications costs, marketing costs and rental costs for the Business Locations. Our margins have also declined in the year ended March 31, 2007 due to extraordinary payments of Rs. 41.97 million (net of tax) made during the period as non-compete fees for the acquisition of customer rights and other assets of Peninsular Capital Markets Limited and Mani Stock Brokers Limited. We also incurred some administrative expenses for setting up MOVIC.

## Revenues

Our revenues consist of income from operations and other income.

### *Income from Operations*

Our income from operations consists principally of brokerage income, advisory fees, research fees, management fees, interest income and depository income. The following table illustrates the breakdown of our income from operations for the year ended March 31, 2006, both in absolute terms and with each line item represented as a percentage of the total income.

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Income from Operational Activities					
Interest Income	-	-	107.49	2.49	2.84
Brokerage income	2,382.38	87.42%	3,078.90	71.44	81.21

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Research fees	21.92	0.80%	33.97	0.79	0.90
Management fees – PMS	149.82	5.50%	83.01	1.93	2.19
Depository income	36.52	1.34%	37.22	0.86	0.98
Advisory fees	-	-	266.51	6.18	7.03
Profit/(Loss) on sale of Stock-in-trade and Securities	0.31	0.01%	0.60	0.01	0.02
Profit/(Loss) on sale of Vanda	(14.45)	(0.53)	(20.21)	(0.47)	0.53
<b>Total Income from Operations</b>	<b>2,576.50</b>	<b>94.54</b>	<b>3,587.49</b>	<b>83.12</b>	<b>94.63</b>

#### *Interest income*

Interest income is interest earned by MOFSL from financing its customers, including broking customers, through our margin funding business.

#### *Brokerage income*

Income from our brokerage business is our principal source of income and comprises revenues earned from equities, derivatives and commodities traded on the exchanges. Income from brokerage services constituted 87.42% of total income for the year ended March 31, 2006 and 81.21% for the year ended March 31, 2007.

The income from brokerage services is driven principally by the number of active clients. Client growth has been a significant driver of revenue growth in our broking business. Growth in total client numbers has been driven primarily by increased geographical presence, and enhanced trade and execution teams. The number of registered retail equity broking clients has increased from 159,091 as at March 31, 2006 to 238,421 as at March 31, 2007, and registered commodity broking clients has increased from 1,536 as at March 31, 2006 to 4,718 as at March 31, 2007.

#### *Research fees*

We provide our institutional clients with research and investment advice for which we normally do not charge any fees. However, in certain cases, when institutional clients execute transactions through a broker other than us based on our advice and research, we receive research fees for such advice and research.

#### *Advisory fees*

Advisory fees are generated by our newly-established investment banking business, which provides financial advisory services with respect to mergers and acquisitions, divestitures, restructurings and equity capital raising. During the year ended March 31, 2007 advisory fees amounted to Rs. 266.51 million.

#### *Management fees*

Management fees consist of management fees and performance fees paid by our PMS clients. The income from PMS is driven by the amount of assets under management. As at March 31, 2006 we had approximately Rs. 5,200 million assets under management and approximately Rs. 5,088.60 million for the year ended March 31, 2007.

#### *Depository income*

We are a depository participant with CDSL and NSDL and offer depository services to our retail broking clients as a value-added service. Depository income consists of annual maintenance fees in addition to transaction-based charges for transactions undertaken by depository clients. As at March 31, 2007, we had 188,989 depository clients.

#### *Other Income*

Other income consists primarily of interest income and profit on sale of investments. Interest income is derived principally from interest earned on bank deposits. We make short-term investments as part of our working capital management by deploying surplus funds in mutual funds or other current investments. Further, we have investments in equity shares. We derive income from dividends and profit on sale of investments in these equity shares and mutual funds. During the year ended March 31, 2007, the company entered into agreements for the purchase of customer rights from Peninsular Capital Markets Limited (PCML) and Mani Stock Brokers Limited (MSB). By virtue of these agreements, the Company has obtained rights over the relevant net profits pertaining to customers not yet transferred or in the process of being transferred. Accordingly, the Company has included in Other Income, an amount of Rs. 13.57 million and Rs. 0.78 million net towards income entitlement in respect of PCML and MSB respectively.

The following table sets out our other income for the year ended March 31, 2006 and for the year ended March 31, 2007, both in absolute terms and with each line item represented as a percentage of total income for the same periods:

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Interest Income	79.51	2.92%	155.40	3.61	4.10
Income from Arbitrage Transactions	7.40	0.27%	9.96	0.23	0.26
Profit/(Loss) on sale of Investments	43.20	1.58%	(4.64)	(0.11)	0.12
Dividend Income	7.95	0.29%	24.18	0.56	0.64
Profit/(Loss) on sale of fixed assets	0.87	0.03%	(2.58)	(0.06)	0.07
Miscellaneous Income	9.75	0.36	7.08	0.16	0.19
Profit from Peninsular Capital Markets Limited	-	-	13.57	0.31	0.36
Profit from Mani Stock Brokers Limited	-	-	0.78	0.02	0.02

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
<b>Total</b>	<b>148.68</b>	<b>5.46%</b>	<b>203.75</b>	<b>4.73</b>	<b>5.37</b>

## Expenditure

Our expenditure consists of operating expenses, staff costs and administrative expenses.

## Operating expenses

The principal components of our operating expenses are brokerage sharing with intermediaries, transaction charges, stamp duty and miscellaneous and depository charges. These expenses pertain to the number and size of transactions carried out by us on behalf of our broking customers.

The following table sets out our operating expenses for the year ended March 31, 2006 and for the year ended March 31, 2007, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Operating Expenses					
Transaction charges, stamp duty and misc. (net of recovery)	96.32	3.53%	111.09	2.58	2.93
Brokerage sharing with intermediaries	671.41	24.64%	795.52	18.46	20.98
Depository charges	20.64	0.76%	25.87	0.60	0.68
<b>TOTAL</b>	<b>788.37</b>	<b>28.93%</b>	<b>947.95</b>	<b>21.99</b>	<b>24.60</b>

### *Transaction charges, stamp duty and miscellaneous*

We incur various statutory, regulatory and other charges payable to different authorities in the nature of stamp duty, charges towards investor protection and other charges which are principally in connection with the transactions that we undertake.

### *Brokerage sharing with intermediaries*

We operate extensively through a sub-broker model whereby gross revenue from the client is shared between us and our Business Associates in a pre-agreed ratio in the range of approximately 25% to 75%. Therefore, significant payments have to be made to our Business Associates, such payments are principally linked to the trading volumes of our Business Associates.

### *Depository charges*

As a depository participant of CDSL and NSDL, the depositories, we pay transaction charges in connection with transactions undertaken by our depository clients.

### ***Staff Costs***

Staff costs include salaries, bonuses, ex-gratia payments, directors' remuneration, contributions to provident and other funds, data processing charges and training. Our staff costs have grown, and are expected to continue to grow, substantially since the year ended March 31, 2006, resulting principally from increases in both the number of employees and salaries. Staff costs have also increased due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period.

### ***Administration expenses***

The principal components of administration expenses relate to costs associated with marketing and branding, legal and professional charges and leasing our Business Locations.

The following table sets out our administration expenses for the year ended March 31, 2006, and for the year ended March 31, 2007, both in absolute terms and with each line item represented as a percentage of total income:

	Year ended March 31, 2006		Year ended March 31, 2007		
	Rs. millions	% of Total Income	Rs. millions	US\$ millions	% of Total Income
Administration Expenses					
Rent, Rates & Taxes	30.49	1.12%	49.24	1.14	1.30
Legal & Professional Charges	43.61	1.60%	41.16	0.95	1.09
Marketing & Brand Promotion Expenses	55.92	2.05%	68.54	1.59	1.81
Other Administration Expenses	177.05	6.50%	303.93	7.05	8.02
<b>TOTAL</b>	<b>307.07</b>	<b>11.27%</b>	<b>462.87</b>	<b>10.74</b>	<b>12.21</b>

We have sought to increase the awareness of our brand, products and services and to increase our market presence and share. We have incurred marketing and brand promotion expenses, including in respect of our commodities business. The expansion of our Business Locations network has led to an increase in the amount of space we lease, which in turn has increased rent and ancillary charges. Legal and professional fees relate to fees paid to accountants, financial experts, IT consultants and lawyers, as well as in respect of the establishment and operations of our investment banking business.

### ***Other administrative expenses***

The principal components of other administrative expenses are printing and stationery, communications expenses, electricity expenses and travelling expenses. These expenses have increased as our business and geographical network have grown.

### ***Interest***

Interest principally includes interest and other fees charged by banks. Interest is charged on our overdraft facilities. Bank charges consists of fees charged pertaining to bank guarantees obtained to meet our margin requirements. Interest was Rs. 31.76 million for the year ended March 31, 2006. Interest for the year ended March 31, 2007 was Rs. 39.38 million.

### ***Taxation***

Current tax: Current tax is the provision made for income tax liability on the profits for the applicable financial period in accordance with applicable tax laws.

Deferred tax: Deferred tax arises from timing differences between book profits (accounting) and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted as of the date of our balance sheet.

Fringe benefit tax and wealth tax: The Company, in accordance with applicable laws, has to pay fringe benefit tax and wealth tax.

### **Comparison of Consolidated Results for the Year Ended March 31, 2007 and for the Year Ended March 31, 2006**

#### ***Income***

Total income increased from Rs. 2,725.18 million for the year ended March 31, 2006 to Rs. 3,791.24 million for the year ended March 31, 2007, an increase of 39.12%.

#### ***Income from operations***

Income from operational activities increased from Rs. 2,576.50 million for the year ended March 31, 2006 to Rs. 3,587.49 million for the year ended March 31, 2007, an increase of 39.24%. This increase was principally due to an increase in brokerage income from Rs. 2,382.37 million in the year ended March 31, 2006 to Rs. 3,078.90 million for the year ended March 31, 2007. This increase was principally driven by the geographic expansion of our brokerage business. In addition, our investment banking and financing activities each contributed to revenues for the first time generating Rs. 266.51 million in advisory fees.

#### ***Other income***

Other income increased from Rs. 148.68 million for the year ended March 31, 2006 to Rs. 203.75 million for the year ended March 31, 2007, an increase of 37.04%. This was principally due to an increase in our volume of business that resulted in an increase in interest income from Rs. 79.51 million in the year ended March 31, 2006 to Rs. 155.40 million in the year ended March 31, 2007.

#### ***Expenditure***

Total expenses increased from Rs. 1,817.94 million for the year ended March 31, 2006 to Rs. 2,573.15 million for the year ended March 31, 2007, an increase of 41.54%. The principal increases in expenses are discussed below.

#### ***Operating expenses***

Operating expenses increased from Rs. 788.37 million for the year ended March 31, 2006 to Rs. 947.95 million for the year ended March 31, 2007, an increase of 20.24%. This was principally due to an increase in the amount payable for brokerage sharing with intermediaries, which increased from Rs. 671.41 million in the year ended March 31, 2006 to Rs. 810.99 million in the year ended March 31, 2007.

#### ***Staff Costs***

Staff costs increased from Rs. 635.26 million for the year ended March 31, 2006 to Rs 1,012.97 million for the year ended March 31, 2007, an increase of 59.46%. This increase was due to costs associated with compensating existing staff, as well as the recruitment and retention of staff during the period. In particular, in connection with the development of our new businesses, we have paid certain “sign-on” bonuses to new employees that have given a commitment to stay with us for a certain number of years. These costs are being amortised over the period of their commitments. Further we have also amortised employee compensation cost in respect of employee stock options.

#### *Administrative expenses*

Administrative expenses increased from Rs. 307.07 million for the year ended March 31, 2006 to Rs. 462.87 million for the year ended March 31, 2007, an increase of 50.74%. This increase was principally due to an increase in administrative expenses particularly rent, rate and taxes. Marketing and brand promotion expenses increased marginally on account of an increase in business operations.

#### *Interest*

MOSL’s financial expenses increased from Rs. 31.76 million for the year ended March 31, 2006 to Rs. 39.38 million for the year ended March 31, 2007, an increase of 23.99%. This increase was principally due to interest on overdraft facilities and bank charges relating to bank guarantees.

#### *Depreciation*

Depreciation increased from Rs. 55.48 million for the year ended March 31, 2006 to Rs. 109.98 million for the year ended March 31, 2007, an increase of 98.23%, predominantly due to an increase in fixed assets including the acquisition of new premises (in particular MOSL’s corporate office) and the acquisition of customer rights during this period.

#### *Profit before taxation, extraordinary items and minority interest*

Profit before tax increased from Rs. 907.24 million for the year ended March 31, 2006 to Rs. 1,218.09 million for the year ended March 31, 2007, an increase of 34.26%. During the period we incurred an extraordinary cost (net of tax) of Rs. 41.97 million in respect of non-competition agreements entered into in connection with the Acquisitions. In addition, we have also deducted an amount of Rs. 27.02 million towards minority interest.

#### *Provision for taxation (including deferred tax)*

Provision for taxation including deferred taxation increased from Rs. 298.21 million for the year ended March 31, 2006 to Rs. 410.44 million for the year ended March 31, 2007, an increase of 37.63%.

#### *Profit after taxation, extraordinary items and minority interest*

Net profit increased from Rs. 603.40 million for the year ended March 31, 2006 to Rs. 695.84 million for the year ended March 31, 2007, an increase of 15.32%.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Our primary liquidity requirements have been to finance our working capital needs and capital expenditure. We require working capital to meet our requirement for funds in connection with our ordinary course business payments. The principal portion of our working capital requirement is deployed by depositing

funds with banks to obtain guarantees so that we can obtain appropriate levels of trading exposure on the exchanges. These requirements fluctuate on a regular basis depending on trading needs.

To fund these costs we currently rely principally on cash flows from operations. During the year ended March 31, 2007, MOFSL raised equity capital amounting to approximately Rs. 1,492 million, most of which was deployed in margin funding business. In the past, we have also relied on short-term credit or overdraft facilities to meet margin requirements to fund such needs.

## **Cash Flows**

The following table summarises our consolidated restated cash flows for the year ended March 31, 2007.

	<b>Year ended March 31, 2006</b>	<b>Year ended March 31, 2007</b>	
	<b>Rs. millions</b>	<b>Rs. millions</b>	<b>US\$ millions</b>
Net cash from / (used) in operating activities	1,128.77	477.92	11.09
Net cash from / (used) in investing activities	(384.72)	(1,033.77)	23.99
Net cash from / (used) in financing activities	(82.00)	1,465.20	34.00
Net increase / (decrease) in cash and cash equivalents	662.05	909.33	21.10

Our net cash from operating activities for the year ended March 31, 2007 was Rs. 477.92 million. For the year ended March 31, 2006 it was Rs. 1,128.77 million. Cash from operating activities reflects both our operating profit (net of tax) as well as our working capital position, which principally consists of changes in debtors, loans and advances and current liabilities. For more information, please refer to “Current Assets, Loans and Advances” and “Current Liabilities and Provisions” below. In addition, approximately Rs. 104.20 million was advanced to customers as part of MOFSL’s margin funding operations, as at the year ended March 31, 2007.

Our net cash used in investing activities for the year ended March 31, 2007 was Rs. 1,033.77 million. Net cash from investing activities was Rs. 384.72 million in the year ended March 31, 2006. The changes in cash from or used in investing activities vary from period to period based on capital expenditure and sale or purchase of investment in equity shares and mutual funds. For more information, please refer to “Fixed Assets” and “Investments” below.

Our net cash used in financing activities was Rs. 82.00 million for the year ended March 31, 2006 and net cash from financing activities was Rs. 1,465.20 million for the year ended March 31, 2007. The variations in net cash used in financing activities principally reflect changes in secured loans, including our overdraft facility. For more information please refer to “Loans” below. In addition, MOFSL raised approximately Rs. 1,450 million through an issue of equity shares during the year ended March 31, 2007.

## **Review of Assets and Liabilities**

### ***Fixed Assets***

Fixed assets comprise:

- Gross block, which mainly comprised office premises, equipment and related assets
- Capital work in progress, including advances for capital expenditures.

The following table illustrates the Group’s fixed assets as at March 31, 2006 and March 31, 2007.

	As at March 31, 2006	As at March 31, 2007	
	Rs. millions	Rs. millions	US\$ millions
Gross Block	670.11	966.32	22.42
Less Depreciation	(191.62)	(297.45)	6.90
Net Block	478.49	668.87	15.52
Capital Work in Progress	40.20	16.05	0.37
<b>Total</b>	<b>518.69</b>	<b>684.92</b>	<b>15.89</b>

Our fixed assets have increased from Rs. 518.69 million as at March 31, 2006 to Rs. 684.92 million as at March 31, 2007, principally as a result of the expansion of our businesses, including acquisitions of new premises, as well as acquisitions of hardware, software and technology in connection with our programme of maintaining updated technology. During the year ended March 31, 2007, we also acquired customer rights and other assets pursuant to the Acquisitions. Capital work in progress decreased during the year ended March 31, 2007 as a result of completion of our new premises.

### ***Investments***

As at March 31, 2007, investments principally consisted of:

- Long-term investments, totalling Rs. 169.28 million, in fully paid ordinary or equity shares of various quoted and unquoted companies
- A current investment, totaling Rs. 686.96 million.

Investments are classified as either current or long term based on management's intention at the time of purchase.

### ***Current Assets, Loans and Advances***

Current assets, loans and advances typically fluctuate on a day-to-day basis as a result of our broking and margin advancing activities, depending on, amongst other things, our trading volumes. Current assets, loans and advances mainly comprised:

- Sundry debtors, which principally related to amounts receivable from customers on whose behalf we undertake trades as well as amounts receivable from the exchanges.
- Stock-in-trade, which principally relates to shares held by us in connection with our arbitrage transactions
- Cash and bank balances
- Loans and advances, which principally relates to deposits made with the Stock Exchanges and advance tax and tax deducted at source
- Other current assets.

The following table sets out details of our sundry debtors as at March 31, 2006 and March 31, 2007:

	As at March 31, 2006	As at March 31, 2007	
	Rs. millions	Rs. millions	US\$ millions
Secured and Considered Good (Unless Otherwise			

	As at March 31, 2006	As at March 31, 2007	
	Rs. millions	Rs. millions	US\$ millions
treated)			
Debts outstanding for a period exceeding six months			
- Considered good	2.45	23.74	0.55
- Doubtful debts	-		
Less Provision for Doubtful Debts	-		
Other debts	1,341.96	2,783.93	64.59
<b>TOTAL DEBTORS</b>	<b>1,344.41</b>	<b>2,807.67</b>	<b>65.14</b>

Debtors outstanding for a period exceeding six months have increased primarily due to increase in businesses, and consequently there has been increase in business volume.

As at March 31, 2007, our cash and bank balances were Rs. 2,164.79 million, of which Rs. 1,588.20 million was in fixed deposits and a further Rs. 575.45 million was in current accounts. The fixed deposits relate principally to deposits made with banks in connection with guarantees issued.

The following table sets out our loans and advances as at March 31, 2006 and March 31, 2007:

	As at March 31, 2006	As at March 31, 2007	
	Rs. millions	Rs. millions	US\$ millions
(Unsecured, considered good)			
Loans, advances and deposits recoverable in cash or in-kind or for value to be received	24.45	1,042.04	24.18
Prepaid Expenses & Accrued Interest	-	1.36	0.03
Loan to staff	5.64	13.52	0.31
Trade deposits	680.17	512.57	11.89
NSE membership deposit	5.00	5.00	0.12
Advance tax and tax deducted at source	447.08	835.41	19.38
Capital advances	47.00	-	
<b>Total</b>	<b>1,209.34</b>	<b>2,409.90</b>	<b>55.91</b>

The loans and advances of the Issuer have increased primarily due to margin financing activities which commenced during the year ended March 31, 2007. The increase in investments is primarily due to investments in liquid funds of the surplus funds that the Company had at the end of the year. These surplus

funds are maintained by the Company in order to maintain margin requirements of the Stock Exchanges which have grown in line with the growth in business volume.

### ***Current Liabilities and Provisions***

Current liabilities and provisions principally consist of current liabilities in connection with margin monies deposited by customers to facilitate trading on their behalf and amounts payable to customers on whose behalf we undertake trades as well as amounts payable to exchanges. Provisions include provisions for ex gratia payments and certain taxation matters.

	<b>As at March 31, 2006</b>	<b>As at March 31, 2007</b>	
	<b>Rs. millions</b>	<b>Rs. millions</b>	<b>US\$ millions</b>
Current liabilities	2,608.01	4,497.51	104.35
Provisions	677.31	1,129.61	26.21

### ***Loans***

Secured loans as at March 31, 2007 amounted to Rs. 0.50 million and consisted of a car loan from ICICI Bank of Rs. 0.50 million of which Rs. 0.50 was repayable within one year, secured by hypothecation of the motor car.

### **Contingent Obligations**

As at March 31, 2007, we had contingent obligations not provided for in the following amounts:

	<b>As at March 31, 2007</b>	
	<b>Rs. millions</b>	<b>US\$ millions</b>
Guarantees given by banks in respect of capital adequacy, daily margin and other contractual commitments in the normal course of business for which we have given counter-guarantees	2,563.00	59.47
Demand in respect of taxation under appeal	25.47	0.58
<b>TOTAL</b>	<b>2,258.47</b>	<b>51.20</b>

Our principal contingent obligations relate to guarantees given to the Exchanges by banks in the ordinary course of business in respect of our capital adequacy, daily margin and other contractual commitments for which we have provided counter-guarantees. The level of guarantees fluctuates on a regular basis in connection with our trading and broking activity and the related requirements in respect thereof.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **Off-Balance Sheet Transactions**

Our business is highly dependent on the regulatory environment. Except as described elsewhere in this Red Herring Prospectus, there have been no significant economic or regulatory changes which are expected to have a material impact on our operations or finances.

### **Known Trends or Uncertainties**

Except as described elsewhere in this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties which are expected to have a material adverse impact on our operations or finances.

#### **Future Relationship between Costs and Income**

Except as described elsewhere in this Red Herring Prospectus, to our knowledge there are no known factors affecting the future relationship between costs and income which could have a material adverse impact on our operation or finances.

#### **New Product or Business Segment**

Except as described elsewhere in this Red Herring Prospectus, we have no new products or business segments.

#### **Seasonality of Business**

Our business is largely dependent on the state of capital markets, level of activity in the secondary market and overall economic conditions prevailing both locally and globally. The level of our operations, income and profitability may be affected by such factors.

#### **Significant Dependence on a Single or Few Suppliers or Customers**

Our operations are not significantly dependent on a single or a few suppliers or customers.

#### **Related Party Transactions**

For details of related party transactions, please refer to the section title “Related Party Transactions” beginning on page 110 of this Red Herring Prospectus.

#### **Competitive Conditions**

We expect competition to intensify for existing and potential new customers. For further details, see the sections titled “Factors Affecting Results of Operations” beginning on pages 257 and 236, “Risk Factors” beginning on page xi of this Red Herring Prospectus and “Business” beginning on page 55 of this Red Herring Prospectus.

#### **SIGNIFICANT DEVELOPMENTS AFTER MARCH 31, 2007 THAT MAY AFFECT FUTURE OPERATIONS**

Our directors are not aware of any developments after March 31, 2007 that may adversely and materially affect, or are likely to affect, our trading and profitability or the value of our assets or our ability to pay our liabilities within the next twelve months.

## FINANCIAL INDEBTEDNESS

The Issuer has obtained a Revolving Loan Facility from Citicorp Finance India Limited for Rs. 475 Million for the purposes of carrying on the business of financing.

### **Borrowings by the Subsidiaries:**

The Stock Exchanges require MOSL and NCDEX and MCX require MOCB, to maintain margin deposits in the form of either cash deposits, bank guarantees, FDRs or shares or any combination thereof as prescribed which are suitable for the company as well as the exchanges for exposure purposes. For the said purpose and also for the purpose of meeting its working capital requirements, we have availed of certain facilities:

Set forth below is a brief summary of our aggregate borrowings, besides the facilities referred to above:

<b>Category of Borrowing</b>	<b>Outstanding Amount (Rs. in Millions) availed of as on March 31, 2007</b>
Bank Guarantees	2,563.00
Overdraft Facilities	Nil

### **Restrictive Covenants under the lenders' agreements:**

As per the terms of our credit facilities, on the occurrence of any of the situations below we have to notify the respective lenders:

- Undertake any expansion or diversification or modernizations and not to make any investment in associate or allied or group companies.
- Transfer of the controlling interest or make any drastic changes in the management set up, divert or utilise the funds to other sister/ associate/ group concerns or for purposes other than those for which the credit facilities have been sanctioned.
- Declare dividends for any year, if our accounts are irregular or if any of the terms and conditions of the sanction have not been complied with by us or issue bonus shares or dispose of the share holding of the Promoters, wherever specifically stipulated.
- Formulate any scheme of amalgamation or reconstruction or expansion.
- Undertake a new project, implement any scheme of expansion or acquire fixed assets.
- Effect any change in the capital structure of MOSL, in the case of facilities availed by MOSL.
- Enter into any borrowing arrangement with any bank or financial institution, undertake guarantee obligations, invest by way of share capital, declare dividend in any year out of the profits of the previous year or create any charge or encumbrance over its undertaking.

## SECTION VI: LEGAL AND REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS AND OTHER MATERIAL DEVELOPMENTS

1. Except as described hereinafter:
  - a) neither the Issuer, nor any Director, Promoter or Group company of the Issuer is party to any ongoing proceedings before any statutory or regulatory authority, nor are any show cause notices pending against any of them whose outcome could have a material adverse effect on our financial position;
  - b) there are no outstanding litigations, suits or civil proceedings, or criminal prosecutions or tax liabilities by or against us, our Subsidiaries, Directors, Promoters and there are no defaults etc pertaining to matters likely to affect the operations and finances of the Issuer, including, prosecution under any enactment in respect of schedule XIII to the Companies Act.
  - c) neither was the Issuer, nor any Director, Promoter or Group company of the Issuer, was party to any past proceedings where any penalty was imposed;
  - d) there have been no defaults to financial institutions/banks for non-payment of statutory dues or dues towards instrument holders like debenture holders, bonds, fixed deposits, or arrears on preference shares held by the Promoters and the companies/firms promoted by the Promoters, other than unclaimed liabilities of the Company, the Promoter, the Directors and other Group companies;
  - e) neither the Issuer, nor any Director, Promoter or Group company of the Issuer has not failed to pay any statutory dues; no disciplinary action has been taken against the Promoters by SEBI
  - f) none of the names of the directors of the Issuer has appeared on the RBI's defaulters list and there are no litigations against the directors and Promoters involving violations of statutory regulations; and
  - g) there are no proceedings initiated for economic offences against the Issuer or its Directors, Promoters or companies and firms promoted by Promoters
2. There are no small scale creditors to whom the Issuer owes a sum exceeding Rs. 100,000 which is outstanding for more than thirty days.
3. Details of the relevant proceedings have been classified as follows:
  - A. Proceedings filed by/ against our Directors;
  - B. Proceedings filed by our corporate Promoter, Passionate Investment Management Private Limited, (“PIMPL”);
  - C. Proceedings and notices filed against / served on Motilal Oswal Securities Limited, (a Subsidiary of the Issuer, (“MOSL”);
  - D. Proceedings filed by and notices served by Motilal Oswal Securities Limited, (a Subsidiary of the Issuer, (“MOSL”); and
  - E. Proceedings filed against Motilal Oswal Commodities Broker Private Limited, a Subsidiary of the Issuer, (“MOCB”).
  - F. Proceedings filed by and Notices served by Rishabh Securities Private Limited, (a Group Company of the Issuer, (“RSPL”);

G. Proceedings and Notices Filed Against/Served on Textile Export Private Limited, (a Group Company of the Issuer, (“**TEPL**”);

H. Proceedings and Notices Filed Against/Served on Windwell Securities Private Limited, (a Group Company of the Issuer, (“**WSPL**”);

**A) 1. Proceedings filed by our Director, Mr. Motilal Oswal**

<b>Sr No.</b>	<b>Forum and appeal No.</b>	<b>Filed against</b>	<b>Particulars</b>	<b>Balance demand payable (Rs. in millions – approx.)</b>	<b>Current status</b>
<b>INCOME TAX PROCEEDINGS</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 333/ 2006 – 2007	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“ <b>Assessing Officer</b> ”)	Mr. Motilal Oswal had filed return of income under section 139 of the Income Tax Act, 1961 (“ <b>the Act</b> ”) on July 27, 2001 for the assessment year 2001 – 2002 and subsequently had filed return of income under section 153A of the Act on May 31, 2004.  In connection with the return of income filed by Mr Motilal Oswal on May 31, 2004 for the assessment year 2001 – 2002, the Assessing Officer disallowed Mr. Oswal’s claim for exemption under section 54 and section 54F of the Act for investment in a residential house. The Assessing Officer held that purchasing additional co-ownership rights in a residential house in which Mr. Oswal already held co-ownership rights and also resides does not amount to “purchase” as envisaged under sections 54 and 54F of the Act (“ <b>Findings</b> ”).  Mr Motilal Oswal has filed the present appeal against the Assessing Officers Findings.	Mr Motilal Oswal has paid the demand of 2.67. In the event the order is passed in favor of Mr Oswal, 2.67 shall be refunded.	Hearing completed pending for disposal
2	Commissioner of Income Tax (Appeals) Central IV –	The Deputy Commissioner of Income Tax, Central Circle	In connection with the return of income filed by Mr Motilal Oswal, on October 29, 2004 for the assessment year 2004 –	Mr Motilal Oswal has paid the demand of	Hearing completed pending for

Sr No.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
	Mumbai  Appeal No. I.T. 334/ 2006 – 2007	22, Mumbai, (“Assessing Officer”)	2005, the Assessing Officer treated jewellery in the possession of Mr Motilal Oswal as unexplained investment. (“Findings”).  Mr Motilal Oswal has filed the present appeal against the Findings.	0.02. In the event the order is passed in favor of Mr Oswal, 0.02 shall be refunded.	disposal

**2. Proceedings filed by our Director, Mr. Raamdeo Agrawal**

Sr No.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
<b>INCOME TAX PROCEEDINGS</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 94/ 2006 – 2007	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	Mr Raamdeo Agrawal had filed a return of income under section 139 of the Income Tax Act, 1961 (“the Act”) on June 30, 2000 for the assessment year 2000 – 2001 and return of income under section 153A of the Act on May 31, 2004.  In connection with return of income filed by Mr Raamdeo Agrawal on May 31, 2004 for the assessment year 2000 – 2001, the Assessing Officer considered the amount advanced by MOSL to M/s. Agrawal Portfolio, (Prop. Mr Sukhdeo Agrawal, his brother & sub-broker of MOSL) as deemed dividend under section. 2(22)(e) of the Act in the hands of Raamdeo Agrawal (“Findings”).  Mr Raamdeo Agrawal has filed the present appeal against the Findings.	Mr Raamdeo Agrawal has paid the demand of 6.11. In the event the order is passed in favor of Mr Agrawal, 6.11 shall be refunded.	Hearing completed pending for disposal

Sr No.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
2	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 332/ 2006 – 2007	The Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“ <b>Assessing Officer</b> ”)	In connection with return of income filed by Mr Raamdeo Agrawal, on October 29, 2004 for the assessment year 2004 – 2005, the Assessing Officer treated jewellery in the possession of Mr Raamdeo Agrawal as unexplained investment. (“ <b>Findings</b> ”).  Mr Raamdeo Agrawal has filed the present appeal against the Findings	Mr Raamdeo Agrawal has paid the demand of 0.10. In the event the order is passed in favor of Mr Agrawal, 0.10 shall be refunded.	Hearing completed pending for disposal

### 3. Proceedings Filed by our Director, Mr. Madhav Bhatkuly

Sr. no.	Forum and complaint No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
<b>INCOME TAX PROCEEDINGS</b>					
1	Income Tax Appellate Tribunal Appeal No. 6161 & 6162 Mum/2006	Commissioner of Income Tax (Appeals)	This Appeal has been filed in connection with expenses claimed by the Assessee for accounting years 2001-02 and 2002-03, which expenses were disallowed.	7.5	Pending hearing and final disposal
2	Commissioner of Income Tax (Appeals)	Income Tax Officer	This Appeal has been filed in connection with expenses claimed by the Assessee for accounting years 2003-04 and 2004-05, which expenses were disallowed.	0.2	Pending hearing and final disposal

### 4. Notices filed against our Directors:

- a) The Income Tax Department has issued a notice to Mr. Motilal Oswal dated March 28, 2006 under section 274 of the Income Tax Act, 1961 (“**the Act**”) read with section 271 of the Act for the Assessment Year 2001 – 2002 to show cause why an order imposing penalty should not be made under section 271 of the Act.
- b) The Income Tax Department has issued a notice to Mr. Motilal Oswal dated March 28, 2006 under section 274 of the Income Tax Act, 1961 (“**the Act**”) read with section 271 of the Act for the Assessment Year 2004 – 2005 for to show cause why an order imposing penalty should not be made under section 271 of the Act.

- c) The Income Tax Department has issued a notice to Mr. Raamdeo Agrawal dated March 17, 2006, under section 274 of the Income Tax Act, 1961 (“**the Act**”) read with section 271 of the Act for the Assessment Year 2000 – 2001 to show cause why an order imposing penalty should not be made under section 271 of the Act.

**B) Proceedings filed by our Promoter, Passionate Investment Management Private Limited, (“PIMPL”);**

Sr. no.	Forum and complaint no	Filed against	Particulars	Quantum (Rs. in millions – approx.)	Current status
<b>CRIMINAL PROCEEDINGS</b>					
1	Esplanade Court No. 858/ M/ of 2001	M/s Elbee Services Limited, (“ <b>ESL</b> ”)	<p>PIMPL earlier known as, Motilal Oswal Investments Limited, (“<b>MOIL</b>”), had deposited a sum of Rs 2,700,000/- with ESL, as an unsecured inter corporate deposits repayable in three equal installments along with interest at the rate of 18% per annum. The cheque issued to PIMPL towards repayment of one of the installment dated October 15, 2001, for Rs. 936, 036/- was not honoured due to insufficient funds.</p> <p>Hence, MOIL has filed this complaint under section 190 of the Code of Criminal Procedure, 1973, for taking cognizance of the offence committed under Sections 138 and 142 of the Negotiable Instruments Act, 1881.</p>	0.94	Pending hearing and final disposal.

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
<b>INCOME TAX PROCEEDINGS</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai Appeal No. I.T.	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai,	PIMPL had filed return of income under section 139 of the Income Tax Act, 1961 (“ <b>the Act</b> ”) for the assessment year 1999-2000 on March 10, 2000 and subsequently return	0.93	Hearing completed pending for disposal

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
	326/ 2006 – 2007	(“Assessing Officer”)	<p>of income under section 153A of the Act on May 31, 2004. During the assessment proceedings under section 153A of the Act, the Assessing Officer disallowed PIMPL’s claim for, (i) depreciation on, BSE Cards, (as an intangible asset), (ii) part depreciation on computer software, and, (iii) carpet expenses as business expenditure, (iv) treated loss on trading in stock in trade as speculation (v) claim of interest paid under section 14A of the Act (“<b>Findings</b>”).</p> <p>PIMPL has filed the present appeal against the Findings except point number (iv) above.</p>		
2	<p>Commissioner of Income Tax (Appeals) Central IV – Mumbai</p> <p>Appeal No. I.T. 325/ 2006 – 2007</p>	The Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	<p>PIMPL had filed return of income under section 139 of the Income Tax Act, 1961 (“<b>the Act</b>”) for the assessment year 2000-2001 on October 25, 2000 and subsequently return of income under section 153A of the Act on May 31, 2004. During the assessment proceedings under section 153A of the Act, the Assessing Officer disallowed PIMPL’s claim for, (i) depreciation on, BSE Cards, (as an intangible asset), (ii) part depreciation on computer software, and, (iii) carpet expenses as business expenditure, (iv) treated loss on trading in stock in trade as speculation (v) claim of interest paid under section 14A of the Act (“<b>Findings</b>”).</p> <p>PIMPL has filed the present appeal against the except point number (iv) above.</p>	5.93	Hearing completed pending for disposal
3	Commissioner of	Deputy	PIMPL had filed a return of	1.14	Hearing

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
	Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 324/ 2006 – 2007	Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	income for the assessment year 2004-2005 on November 1, 2004.  During the assessment proceedings under section 143(2) of Income Tax Act, 1961 (“the Act”), the Assessing Officer disallowed PIMPL’s Claim of interest paid under section 14A of the Act (“Finding”).  PIMPL has filed the present appeal against the Findings.		completed pending for disposal
4	Income Tax Appellate Tribunal (ITAT)  Appeal No. I.T. ITA/2372/M03	Commissioner of Income Tax (appeal) II (“Assessing Officer”)	PIMPL had filed return of income under section 139 of the Income Tax Act, 1961 (“the Act”) for the assessment year 1998-99 on November 23, 1998 and subsequently return of income under section 153A of the Act on May 31, 2004. During the assessment proceedings under section 153A of the Act, the Assessing Officer and Commissioner of Income Tax (Appeal) disallowed PIMPL’s claim for, (i) bad debts written off in the books of accounts (ii) expenses incurred for earning dividend and (iii) carpet expenses as business expenditure (“Findings”).  PIMPL has filed the present appeal against the Findings.	The amount of addition made to the total income by the Assessing Officer was 0.29. PIMPL has paid tax on the above-mentioned addition. In the event the order is passed in favour of PIMPL, the tax paid on the addition of Rs 0.29 million shall be refunded	Pending hearing & final disposal

**C) Proceedings and notices filed against/served on Motilal Oswal Securities Limited, (“MOSL”), a Subsidiary of the Issuer:**

**I. SEBI Proceedings**

1. In 2002 SEBI has investigated MOSL in the case of Amar Raja Batteries Limited and the enquiry officer had warned the company to be cautious in future. Subsequently, SEBI’s Chairman, in his final order, has agreed to the observations of enquiry officer.

2. During the period from 1999 to 2001, SEBI has investigated MOSL for dealing in shares of M/s Cyberspace Limited. MOSL has purchased shares and sold shares on behalf of their clients during the investigation period. Scrutiny of the ledger accounts revealed that MOSL had not taken any upfront payment from the clients before the clients had started to deal with MOSL. Hence because of MOSL's failure to exercise due diligence, skill and care while dealing on behalf of their clients, it has been warned by SEBI to be careful in future.
3. SEBI passed a general ad interim ex parte order dated April 27, 2006 in connection with 21 IPOs and had directed some depository participants, including MOSL, not to open fresh demat accounts pending investigations. The said ad interim ex parte order was treated as a show cause notice by SEBI. Upon MOSL showing cause and making representations, SEBI after hearing all relevant facts, passed another interim order dated August 31, 2006 removing the restriction on MOSL in relation to opening of fresh demat accounts. An enquiry officer appointed by SEBI has served a notice dated February 9, 2007, on MOSL under Regulation 6 of the SEBI (Procedure for Holding Enquiry and Imposing Penalties), Regulations, 2002, ("DP Enquiry Notice"), in connection with the MOSL's depository participant operations in relation to some of the 21 IPOs referred to in the ad interim ex parte order dated April 27, 2006. The DP Enquiry Notice requires MOSL to show cause as to why action ought not to be taken for (i) allegedly aiding and abetting various allottees who opened fictitious demat accounts, and, (ii) alleged breach of "Know Your Client" norms, and a consequent breach of securities laws including the SEBI DIP Guidelines. MOSL responded to the DP Enquiry notice vide their letter dated April 3, 2007, wherein it, (i) demonstrated in detail as to how it has complied with applicable SEBI Guidelines, instructions and directions, both in letter and in spirit; and, (ii) presented detailed findings of an independent auditor empanelled with SEBI.
4. MOSL had filed an appeal in Securities Appellate Tribunal (SAT) in respect of entitlement for turnover fees continuity benefit in terms of provisions of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992. SAT passed an order dated May 9, 2006 setting aside the demand notices and circular dated March 28, 2002 issued by the Board.
5. SEBI has served a Show Cause Notice dated January 19, 2005, on MOSL, under Section 6 (1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, ("**Enquiry Notice**"), to enquire into dealings by clients of MOSL during May 2004. The Notice alleges that the sale of shares by MOSL on behalf of its clients depressed share prices, and consequently, the Enquiry Notice required MOSL to show cause as to why action should not be taken for alleged violation of various SEBI regulations governing stock brokers and regulations prohibiting price manipulation, 'Know Your Client' norms and certain SEBI circulars. SEBI has also served a notice dated November 17, 2006, on MOSL, under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer), Rules, 1995, ("**Adjudication Notice**"), with allegations primarily relating to the same facts covered in the Enquiry Notice and alleged violation of SEBI circulars in relation to trading by MOSL, requiring MOSL to show cause as to why proceedings to impose monetary penalties should not be initiated. MOSL has tendered a detailed factual response dated February 28, 2005 and believes that it has shown adequate cause for the Enquiry Notice to stand discharged upon a review of the response. MOSL has also responded to the Adjudication Notice placing reliance on the response to the Enquiry Notice. These proceedings are pending.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
<b>II CIVIL PROCEEDINGS</b>					
1.	City Civil Court,	Mr Rajib	The Plaintiff acted as a sub	N.A	Pending

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
	Calcutta Suit No. 685/ A	Ranjan Ray (“ <b>Plaintiff</b> ”)  Against  MOSL, Mr. Motilal Oswal and Mr. Raamdeo Agrawal.	broker for MOSL. The Plaintiff alleged that certain shares were sold by MOSL without the Plaintiff’s instructions, and, that MOSL forced the Plaintiff to sign a declaration stating that the losses incurred on account of the sale would be compensated by the Plaintiff.  The Plaintiff has prayed for a declaration of permanent and mandatory injunction, that the sub broker should not be made liable for the loss on the basis of the declaration.		hearing and final disposal.
2.	High Court, Mumbai  Suit No. 2978 of 2006	Mr. Premji Chapshi Savla and Jayanti Premji Savla (“ <b>Plaintiffs</b> ”)	The suit has been filed against one Mr. B.M. Shah and Mr. J.M. Shah, (“ <b>Primary Defendants</b> ”), MOSL as Defendant Number 5, and others.  The Plaintiffs have alleged that the Primary Defendants have sold certain shares to the Plaintiffs, for which the Primary Defendants have received the attendant consideration.  The Plaintiffs have alleged that the Primary Defendants did not transfer or facilitate the transfer of the said shares to the Plaintiffs as required.  The Plaintiff prayed for the entire cost of this suit.	N.A.	Pending written statement hearing and final disposal.
3.	High Court, Calcutta  A.P. No. 422 of 2006	M/s S & D Financials Private Limited (“ <b>Claimant</b> ”)	The Claimant was a client of MOSL. On May 16, 2006, the Claimants account showed a debit balance and since the payment for the same was not made, MOSL had squared up portions in order to mitigate further risk. However, thereafter there still existed a debit balance in the Claimant’s	0.76	Pending hearing and final disposal.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			<p>account and the matter was referred to arbitration.</p> <p>The Arbitration Department, of the NSE had, vide their award dated September 22, 2006, (“Award”), directed that the Claimant pay MOSL Rs. 763,667/- alongwith simple interest thereon at the rate of 18% per annum from October 16, 2006 till the actual date of repayment.</p> <p>The Claimant has challenged the Award in this suit.</p>		
4.	District Court, Jabalpur.  Application No. 10/2005	Mr. Kushiram Koshta, (“Applicant”)	<p>The Applicant, a client of MOSL, had in arbitral proceedings before the BSE, claimed that Rs. 400,000/- was due from MOSL towards the sale and purchase of shares, which was rejected by the Arbitration Department, of the BSE, vide their award dated November 29, 2003, (“Award”), and the Applicant was directed to pay MOSL Rs. 112,261/-.</p> <p>Being aggrieved by the Award, the Applicant has preferred this Application, praying for a direction against MOSL for payment of Rs. 400,000/- with appropriate rate of interest including the cost of litigation.</p>	0.4	Pending hearing and final disposal.
5.	District Court, Jabalpur.  Application, vide M. J. C. No. 9/2005	Ms. Somwati Koshta, (“Applicant”)	<p>The Applicant, a client of MOSL, had in arbitral proceedings before the BSE, claimed that Rs. 150,000/- was due from MOSL towards the sale and purchase of shares.</p> <p>The Arbitration Department, of the BSE had, vide their award dated November 29, 2003, (“Award”), directed that the</p>	0.15	Pending hearing and final disposal.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			<p>Applicant pay MOSL Rs. 8,909/- alongwith interest thereon at the rate of 12% per annum from the date of the Award till the actual date of repayment.</p> <p>The Applicant has challenged the Award in these proceedings, and has prayed that MOSL be directed to make a payment of Rs. 150,000/- with appropriate rate of interest including the cost of litigation.</p>		
6.	<p>Company Law Board, Western Region, Mumbai</p> <p>Petition No. 39/ 11A/ CLB/ WR/ 2005/ 4029/ 2006</p>	Mr. Ajay Agarwal (“ <b>Petitioner</b> ”)	<p>The suit has been filed against one G. E. Shipping Company Limited, (“<b>Primary Respondent</b>”), MOSL as Respondent Number 6, and others.</p> <p>The Petitioner had purchased the shares of the Primary Respondent and had lodged the transfer deed two years after the said purchase, which was post the Primary Respondent’s merger with Mahindra Gesco, and as a result the shares could not be allotted to him.</p> <p>The shares of the Primary Respondent were purchased by the Petitioner through Respondent Number 7, who was the sub – broker of MOSL.</p> <p>The Petitioner has prayed that the cost of the petition be paid by the Respondents.</p>	The petitioner has claimed that the cost of the petition be paid by the respondents.	Pending hearing and final disposal.
7.	<p>City Civil Court, Chennai</p> <p>OS No 6859 of 2006</p>	Mrs Meenakshi Jain (“ <b>Plaintiff</b> ”)	<p>The suit has been filed against M/s Raj Portfolios Private Limited, (“<b>Primary Defendant</b>”), MOSL as Defendant Number 2, and others.</p> <p>The Primary Defendant is a sub-broker of MOSL. The</p>	N.A.	Pending hearing and final disposal.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			<p>Plaintiff has alleged that she had purchased shares (“Shares”) through the Primary Defendant and the said shares were not credited to her account.</p> <p>The Plaintiff had approached the Manager, Department of Investor Services, BSE (“Defendant no. 4”), who has passed an order in favor of MOSL.</p> <p>The Plaintiff has instituted this instant suit for the grant of interim injunction to prevent the Primary Defendants from selling the Shares to a third party.</p>		
8.	Court of Civil Judge, Junior Division, Varanasi	Mr Santosh Kumar Agarwal (“Complainant”)	MOSL has received the summons dated November 29, 2006. (Only summons received and it is pending for hearing - the copy of the pleadings are yet to be served on MOSL.)	N.A.	Pending hearing and final disposal
9.	Small Causes Court, Ahmedabad  Summary Suit No: 1952 of 2006	Mr Vipul Cholia (“Plaintiff”)	<p>The Plaintiff has alleged that MOSL had, without giving reasons, deactivated the code of the Plaintiff and terminated the member-client agreement between them.</p> <p>The Plaintiff has further alleged that MOSL has deducted Rs 0.05 million from the margin deposit amount of the Plaintiff lying with the defendant as a penalty on the ground that the Plaintiff has used the exchange mechanism for the Plaintiff’s personal benefit.</p>	0.05	Pending hearing and final disposal
10.	Small Causes Court, Ahmedabad  Summary Suit No: 1910 of	Mr Jagdeep Cholia (“Plaintiff”)	The Plaintiff has alleged that MOSL had, without giving reasons, deactivated the code of the Plaintiff and terminated the member-client agreement between them.	0.05	Pending hearing and final disposal

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
	2006		The Plaintiff has further alleged that MOSL has deducted Rs 0.05 Million from the margin deposit amount of the Plaintiff lying with the defendant as a penalty on the ground that the Plaintiff has used the exchange mechanism for the Plaintiff's personal benefit.		
11.	Arbitration Department, NSE	Ms. Kirti Mohandas (“ <b>Complainant</b> ”)	The Complainant has alleged that there has been a misuse of the power of attorney issued by her towards MOSL and the sale of shares held by her, without her knowledge and information.	0.02	Pending hearing and final disposal
12.	Court of District Judge, Jabalpur MJC 44 of 2006	Mr Jitendra K Jain (“ <b>Applicant</b> ”)	The Applicant has alleged that an amount of Rs 0.37 million was due from M R Portfolio Services, which is a sub broker of MOSL, due in the usual course of business. The Applicant had approached the Arbitral Tribunal, BSE, who had dismissed the Applicant's claim. Being aggrieved by the Arbitral Tribunal's order, the Applicant has approached the Court of District Judge, Jabalpur.	0.37	Pending hearing and final disposal
13.	In the Court of the District and Sessions Judge, Jabalpur	Mr R D Das	The Applicant has alleged that an amount of Rs 0.065 million was due from M R Portfolio Services, which is a sub broker of MOSL, due in the usual course of business. The Applicant had approached the Arbitral Tribunal, BSE, who had dismissed the Applicant's claim. Being aggrieved by the Arbitral Tribunal's order, the Applicant has approached the Court of District and Sessions Judge, Jabalpur.	0.067	Pending hearing and final disposal
14.	High Court, Bombay	Mr Anil Agarwal	The Appellant, who was a client of MOSL, has alleged	84.31	Pending hearing

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
	Arbitration Petition No. 194 of 2007	(“Appellant”) )	that MOSL had, without any instructions, sold the Appellant’s stocks. The Appellant has claimed monetary relief in connection with this alleged impropriety.  The Arbitral Tribunal had passed an order against the Appellants dated February 14, 2007 and has dismissed the claim.  Being aggrieved by the order, the Appellants have appeal against the same before the High Court, Bombay		and final disposal
15.	High Court, Bombay Arbitration Petition No. (L) 207 of 2007	Idea International Private Limited (“Appellant”) )	The Appellant, who was a client of MOSL, has alleged that MOSL had, without any instructions, sold the Appellant’s stocks. The Appellant has claimed monetary relief in connection with this alleged impropriety.  The Arbitral Tribunal had passed an order against the Appellants dated February 14, 2007 and has dismissed the claim.  Being aggrieved by the order, the Appellants have appeal against the same before the High Court, Bombay	84.31	Pending hearing and final disposal
16.	Arbitration Department. NSE, Chennai  (AM No CM/C-0068/2007)	Ms Parvati Chukka (“Client”)	The Client has alleged that MOSL has defaulted in providing her e-broking facility and she has incurred losses as a result of the same.	2.5	Pending hearing and final disposal.
17.	Arbitration Department, BSE  Appeal No 1A of 2007	Idea International Private Limited (“Appellant”) )	The Appellant has alleged that they were clients of MOSL and that MOSL had, at an inappropriate point in time, and without any instructions sold the Appellant’s stocks. The	84.31	MOSL intends to file an appeal against the award

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			<p>Appellant has claimed monetary reliefs in connection with this alleged impropriety.</p> <p>The Arbitral Tribunal had passed an order against the Appellants dated January 12, 2007, and has dismissed the claim.</p> <p>Being aggrieved by the order, the Appellants have appealed against the same before the Arbitration Department, BSE wherein the Arbitral Tribunal has passed an award against MOSL. MOSL preferred an application for rectification of the award, which has been dismissed. MOSL intends to file an appeal against the award</p>		
18.	Arbitration Department, NSE	Ms. D. Renuka (“ <b>Complainant</b> ”)	The Complainant has alleged MOSL had traded on her behalf without her consent and instructions, despite of objections raised by her. The Award has been granted in favour of the Complainant and MOSL has been directed to pay an amount of Rs.0.04 million to the Complainant. MOSL intends to file an appeal against the award.	0.04	MOSL intends to file an appeal against the award.
<b>III COMPLAINTS FILED BEFORE THE CONSUMER FORUM</b>					
1.	District Consumer Forum at Visakhapatnam.  C.C. No. 562/ 2006,	Mr. Balireddy Sudhakar, (“ <b>Complainant</b> ”)	<p>The Complainant has initiated this complaint against MOSL, (as second Respondent), and Mr. D Rama Raju, (“<b>Primary Respondent</b>”), This Primary Respondent has transferred his business to MOSL.</p> <p>The Complainant has claimed that he entered into an agreement with Mr. D Rama Raju, who is a business associate of MOSL and that both MOSL and the Primary</p>	0.18 (plus interest at the rate of twenty four percent per annum)	Pending hearing and final disposal.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			Respondent should be held liable for deficiency in services provided by the Primary Respondent, that he should be compensated accordingly, and that certain shares should be returned to him. MOSL has denied liability for any deficiency in service prior to August 1, 2006.		
2.	The District Consumer Forum at Nandurbar No. 45 of 2006	Mr. Hemant J Chaliyawala, (“ <b>Complainant</b> ”) against MOSL	The Complainant has alleged that MOSL traded on his behalf without his express consent or approval, and has prayed for compensation for losses alleged to have been suffered by him.	0.05	Pending hearing and final disposal.
3.	The District Consumer Forum at Patna No 59/ 2007	Mr Nityanand Prasad Verma (“ <b>Complainant</b> ”)	The Complainant has alleged that MOSL has withdrawn money (“ <b>Amount</b> ”) from his ledger without purchasing shares. The Complainant has claimed that the Amount be remitted back to him.	0.57 alongwith interest at the rate of eighteen (18) % per annum.	Pending hearing and final disposal.
4.	The District Consumer Forum at Jabalpur No 15 of 2005	Ms Vijaya Choudhury (“ <b>Complainant</b> ”)	The Complainant is a client of M/s M R Portfolio Services Limited, who is a sub-broker (“ <b>Sub-broker</b> ”) of MOSL. The Complainant has alleged that the Sub-broker had purchased shares on her behalf but had failed to deliver the shares to her	0.37	Pending hearing and final disposal.
5.	District Consumer Dispute Redressal Forum, Kanpur Nos. 81 and 2002 and 122 of 2002	Mr Devendra Kumar Gupta and Ms Vidhya Gupta (“ <b>Complainants</b> ”)	The Complainants has filed a complaint against MLK Securities Private Limited (Primary Defendant), MOSL as (Defendant No. 5) and others.  The Primary Defendant is the sub-broker of MOSL. Plaintiff has alleged that he had sold certain shares (“ <b>Shares</b> ”) through the Primary Defendant and for which the Primary Defendant has not made the payment.	0.36	Pending hearing and final disposal.

Sr. no.	Forum and arbitration/ suit No.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
			Pursuant to an Interim Order dated August 1, 2006, passed by the Forum, the BSE has set aside an amount of Rs. 1.80 lakhs from the security deposit with the BSE.		
6.	District Consumer Redressal Forum, Bangalore  No 307 of 2007	Mr. K. Mohan Kumar (“ <b>Complainants</b> ”)	The Complainant has alleged that MOSL traded on his behalf without his express consent or approval, and has prayed for compensation for losses alleged to have been suffered by him.	1.9	Pending hearing and final disposal.
7.	District Consumer Redressal Forum, Bangalore  No. 1158/ 2007	Mr. C.R. Mohan Raj (“ <b>Complainants</b> ”)	The Complainant is a client of MOSL. The Complainant has alleged that he has placed securities amounting to Rs 5.0 million with us with MOSL as a margin. The Complainant has claimed that MOSL has not fulfilled their duties diligently and has invested negligently on his behalf and such investments have caused the Complainant a loss of Rs 5.00 million.	2.0	Pending hearing and final disposal

There is one (1) other consumer case pending against MOSL, filed by Ms Sunita Golacha. For further details, please refer to “Criminal Proceedings by MOSL” and “Civil Proceedings against MOSL” respectively.

M/s Camac Leathers Private Limited (“**Complainant**”) was a client of MOSL. The Complainant has filed a First Information Report (FIR) at the Park Street Police Station at Kolkata, dated July 5, 2007 and a complaint before the BSE and NSE dated July 7, 2007, involving the directors and employees of MOSL (Mr Motilal Oswal and Mr Raamdeo Agrawal, Directors and five other employees of MOSL), alleging the wrongful sale of shares belonging to the Complainant and misappropriation of funds amounting to Rs 18 million.

#### IV Notices issued against Motilal Oswal Securities Limited (“MOSL”)

1. Mr. Gurudas Bandyopadhyay is a sub-broker associated with MOSL, (“**Sub-broker**”). One Mr. Partha Bhaduri, a client of MOSL, (“**Client**”), has alleged that the Sub-broker transferred to himself, certain shares as held by the Client, without any prior intimation. The Sub-broker has in turn alleged vide a notice dated November 14, 2006, and marked to MOSL, that he was compelled by MOSL to transfer the said shares.
2. The Assistant Commissioner, Labour, Hyderabad, has served a notice dated August 31, 2006, on MOSL in connection with a claim of Rs.0.0026 million pursuant to a complaint by a Labour Officer

and the powers granted to him under the Minimum Wages Act, 1948,. The matter is pending further hearing/s and final orders.

3. Mr. Jabirbhai Amin and Mr. Murtuza Amin, , clients of MOSL (“**Clients**”), have alleged, vide a letter dated January 24, 2007 to SEBI that MOSL has transferred shares held by them illegally and without appropriate authority..
4. Mr Jivraj S Shah and Mrs Kantaben J Shah are clients of MOSL (“**Clients**”), who have alleged vide a letter dated May 1, 2006 non receipt of shares purchased by the Client through MOSL in the Client’s demat account.
5. Mr Sivan P. Pillai, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated November 17, 2006 for the non dematerialization of the shares purchased by the Client through MOSL.
6. Mr Yogesh Sood, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated October 31, 2006, demanding the refund of the balance amount of Rs.0.072 Million in his account. The Client has alleged that MOSL has traded in the F & O Segment on his behalf without his consent.
7. Mr Ram Gopal Nayak, a client of MOSL (“**Client**”), has served an undated notice upon MOSL, demanding the refund of Rs.0.065 million, being the value of shares transferred by MOSL without the consent of the Client.
8. Mr Kamlesh Pagunmal, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated December 30, 2006, demanding explanation for amounts charged towards processing charges in his account. The Client has demanded that MOSL clarify the BG Transaction Processing Charges amounting to approximately Rs. 0.0025 million.
9. Mrs. Shivaleela Nelivigi, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated December 18, 2006, demanding Rs.0.021 million (“**Relief**”). The Client has alleged irregularity in the operations of her demat account by MOSL and has claimed the Relief towards mental agony and inconvenience.
10. Mr Puneet Bhargav, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated December 22, 2006, to create his position back in the F & O Segment, at the rate of Rs.0.0016 million per lot, which has been alleged to have been squared off by MOSL, without the Client’s consent.
11. Mr G. S. Gunasekaran, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated May 10, 2006, demanding the credit note for Rs.0.05 million for the contracts alleged not to have been ordered by the Client and for the alleged trading done by MOSL on the Clients behalf without his consent and approval.
12. Ms Manju Kedia, a client of MOSL (“**Client**”), has served a notice upon MOSL vide letter dated November 28, 2006 alleging that MOSL has traded on her behalf without her consent and has claimed that the amount received on such transaction be credited to her, inspite of the fact that there exists a debit balance in her account.
13. Ms Shaurya Priya, a client of MOSL (“**Client**”), has alleged that due to a technical error at the NSE, 2400 shares were shorted to her instead of 200 shares, through the online broking service of MOSL. The Client has alleged that MOSL has clarified that under similar circumstances, MOSL covers its customer’s losses. The Client has approached the Consumer Online Research and Empowerment Centre (“**Core Center**”) alleging that MOSL has not fulfilled its obligation to cover her losses. The Core Centre has served a notice upon MOSL dated February 2, 2007 requesting MOSL response.
14. VSNL has issued a notice dated February 27, 2007 to MOSL alleging that MOSL has failed to make the monthly payments for the broadband services provided to them, aggregating to Rs 0.064 million.

15. The Income Tax Department has issued a notice to MOSL dated March 28, 2006 under section 274 of the Income Tax Act for the Assessment Year 2001 – 2002 & 2003 – 2004.
16. The Income Tax Department has issued a notice to MOSL dated March 28, 2006 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2001 – 2002 to show cause why an order imposing penalty should not be made under section 271 of the Act.
17. The Income Tax Department has issued a notice to MOSL dated March 28, 2006 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2003-2004 to show cause why an order imposing penalty should not be made under section 271 of the Act.
18. Mr. Muralidharan, a client of MOSL (“**Client**”) has served a notice on MOSL through his legal advisors, vide letter dated June 21, 2007, claiming an amount of Rs 3.00 million due to mental agony caused due to mismanagement of the client’s portfolio.
19. Reliance Communications Limited (“**RCL**”) has served a notice on MOSL through their legal advisors, vide letter dated June 25, 2007, claiming an amount of Rs 0.13 million, relating to non-payment of bills raised for the usage of RCL’s broadband services.
20. Wing Commander (Retired) C R Mohan Raj, a client of MOSL (“**Client**”), has served a notice on MOSL, through his legal advisor, vide letter dated April 21, 2007, claiming an amount of Rs 5.00 million, which was the value of the securities placed with MOSL as a margin. The client has claimed that MOSL has not fulfilled their duties diligently and has invested negligently on the client’s behalf and such investments have caused the client a loss of Rs 5.00 million.
21. Mr. Harmeet Singh has served a notice upon MOSL, claiming that his father, the late Mr Manjit Singh, who was a sub-broker for MOSL, had deposited a sum of Rs 0.1 million with MOSL as security deposit. Mr Harmeet Singh has claimed that MOSL has not provided any business to Mr Manjit Singh or Mr Manjeet Singh and he was entitled to the refund of the said Rs 0.1 million as the legal heir of Mr Manjit Singh.

## **V NSE and BSE Status Reports:**

### ***NSE Status Reports:***

<b>Sr. no.</b>	<b>Date of the status report</b>	<b>Disciplinary action taken by the exchange in the last one year (other than reprimand) in the nature of penalty / fine / other action</b>
1.	July 30, 2007	Rs 1,092,900
2.	March 30, 2007	Rs 1,287,900
3.	February 22, 2007	Rs.1,287,900
4.	May 15, 2006	Rs. 40,000
5.	June 30, 2005	Rs 50,000
6.	July 8, 2004	Rs 22,100
7.	October 23, 2003	Nil

As per the Status Report dated July 30, 2007, of the NSE as on July 23, 2007:

- 6 cases of the Investors Grievance Cases are pending; value Rs. 5.93 million

- 2 arbitration cases are pending against MOSL of value Rs. 2.72 million

***BSE Status Reports***

<b>Sr. no.</b>	<b>Date of the status report</b>	<b>Disciplinary action taken by the exchange in the last one year (other than reprimand)</b>
1.	July 27, 2007	Rs 41,500 levied by the Inspection Department in May 2007 and Rs 5,300 levied by the Department of Investor Services.
2.	March 22, 2007	Rs. 5,300 levied by Department of Investor Services
3.	February 23, 2007	Nil
4.	February 20, 2006	Rs. 10,000, Rs. 5,000, Rs. 5,000, Rs. 5,000, Rs. 5,000 and Rs. 5,000 levied by the Surveillance Department in the months of February, July, August, September and December 2005 and January, 2006 respectively.
5.	April 21, 2005	Penalty: Rs. 25,000/-.
6.	May 10, 2004	Nil
7.	July 21, 2003	Fine of Rs.5,000/- imposed for not issuing contract notes in Form "B" for principal to principal transactions and fine of Rs. 5,000/- imposed for not taking written consent from the client for principal to principal transaction.

As per the Status Report dated July 27, 2007, of the BSE as of July 23, 2007:

- Pending investors grievance cases – Three (3) of value Rs 0.20 million

**vi) Penalties imposed by the NSE:**

**By Inspection Report dated December 22, 2006, for the Cash Segment (included in the Status Reports hereinabove):**

1. The Exchange had imposed a fine of Rs.10,000/- on MOSL, for violation of Regulation 7.3 of the Regulations of the exchange. MOSL had failed to submit the information of CTCL terminals to the exchange, in violation of circular no 282 Ref No NSE/MEM/3575 dated August 29, 2002 and Circular No 292 Ref No NSE/MEM/3625 dated September 25, 2002.
2. The Exchange had imposed a fine of Rs.7,900/- on MOSL for violation of Circular No NSCC/M&S/1811 dated August 24, 2001 and Regulation 3.9(a) of the NSE Capital Market Regulations. The NSE observed that MOSL had not collected daily margins from clients at such rates prescribed by the NSCCL and the margin shortfall was Rs 7,883,291/- and the penalty imposed of 0.1% of the said amount.
3. The Exchange had imposed a fine of Rs.5,000/- on MOSL, for executing Internet Trading Agreements otherwise than in the prescribed format, in violation of Circular No NSE/CMT/1532 dated March 16, 2000 and Regulation 4.3.1 of Part A of the Capital Market Regulations of the Exchange.
4. The Exchange had imposed a fine of Rs.15,000/- on MOSL for an administrative error resulting in the non-reconciliation of the dividend account, in violation of Regulation 4.4.15 part A of the Capital Market Regulations of the Exchange.

5. The Exchange had imposed a fine of Rs.10,000/- on MOSL for use of multiple client codes for the constituents and erroneous allotment of codes in violation of Circular No NSE/CMO/22/2001 dated July 24, 2001.
6. The Exchange had imposed a fine of Rs.5,000/- on MOSL for non issue of statement of accounts for securities to the constituents, in violation of Regulation 6.1.5(d) of Part A of the Capital Market Regulations of the Exchange.
7. The Exchange had imposed a fine of Rs.5,000/- on MOSL for sharing of brokerage with entities other than the Authorised Persons/ registered sub-brokers, in violation of regulation 2.2.1 of Part A of the Capital Market Regulations of the Exchange, Bye Law 33 of Chapter IX of the Exchange and NSE/MEM/6161 dated May 19, 2005.
8. The Exchange had imposed a fine of Rs.5,000/- on MOSL for issuance of Contract Notes otherwise than in the prescribed format, in violation of Regulation 3.5.1 of Part A of the Capital Market Regulations of the Exchange.
9. The Exchange had imposed a fine of Rs.5,000/- on MOSL for operation of trading terminals by persons without valid NCFM certification, in violation of NSE/MEM/1802 dated July 26, 2000 and NSE/MEM/1398 dated January 13, 2000.

**By Inspection Report dated October 16, 2006, for the Futures and Option Segment (included in the Status Reports hereinabove):**

1. The Exchange had imposed a fine of Rs.10,000/- on MOSL for Non submission of information in respect of CTCL terminals to the Exchange, in violation of Circular No 282 Ref No NSE/MEM/3574 dated August 28, 2002 and Circular No 292 Ref No NSE/MEM/3635 dated September 29, 2002.
2. The Exchange had imposed a fine of Rs.10,000/- on MOSL for using its client's account for purposes other than those specified, in violation of Regulation 6.1.6.2 of the regulations (F&O Segment) of the Exchange.
3. The Exchange had imposed a fine of Rs.5,000/- on MOSL for issuance of Contract Notes otherwise than in the prescribed format, in violation of Regulation 3.6.1 of the regulations (F&O Segment) of the Exchange.
4. The Exchange had imposed a fine of Rs.5,000/- on MOSL for operation of trading terminals by persons without valid NCFM certification, in violation of NSE/MEM/3740 dated November 13, 2002.
5. The Exchange had imposed a fine of Rs.5,000/ on MOSL for execution of the Member Constituent Agreement otherwise than in the prescribed format, in violation of Regulation 4.3.1 of the Regulations (F&O Segment) of the Exchange.

MOSL has paid off all penalties imposed on it by the Stock Exchanges.

**D. Proceedings filed by and notices served by Motilal Oswal Securities Limited, a Subsidiary of the Issuer:**

**I. Criminal Proceedings as initiated by Motilal Oswal Securities Limited ("MOSL")**

Sr. No.	Forum and complaint no.:	Filed against	Particulars	Quantum (Rs. in millions approx)	Current status

				x.)	
<b>A. Criminal Proceedings under Section 138 of the Negotiable Instruments Act, 1881, (Pertaining to Dishonour of Cheques)</b>					
1.	Metropolitan Magistrate 23 <sup>rd</sup> Court at Esplanade Mumbai, (“ <b>Metropolitan Magistrate</b> ”).  CC No.: 420/ SS of 2006	Ms. Sunita Golacha, (“ <b>Accused</b> ”)	The Accused was a client of MOSL, who had tendered two cheques to MOSL that were not honoured.  MOSL had, in light of the said dishonoured cheques, filed proceedings against the Accused under Section 138 of the Negotiable Instruments Act, 1881, (“ <b>Complaint</b> ”), pursuant to which the Metropolitan Magistrate took cognizance of the Complaint.	0.14	Aggrieved by the order which took cognizance of the Complaint, the Accused filed an application praying that:  i. these proceedings be stopped; ii. the Accused be discharged due to the Complaints alleged technical infirmities; and Rs. 0.2/- million be awarded to the Accused as compensation. The Accused has also filed a complaint on the same cause of action before the District Consumer Forum at Jodhpur (No. 789/2006)

- B. MOSL has filed a complaint before the Metropolitan Magistrate, 8<sup>th</sup> Court, Esplanade, Mumbai, bearing number 33/2006 against Mr Mahesh Himmatlal Shah, a client of MOSL (“**Client**”). Due to an inadvertent error on the part of MOSL, a sum of Rs 0.18 million was wrongly credited to the account of the Client. However, the Client has not remitted the said amount of Rs 0.18 million back to MOSL despite repeated intimations. MOSL has filed this instant suit under sections 403, 405, 406 and 420 of the Indian Penal Code, 1860, demanding the remittance of the said amount of Rs 0.18 million.
- C. In addition to the above, there are currently twenty four (24) criminal complaints pending before the Additional Chief Metropolitan Magistrate, Mumbai, which have been filed by MOSL in connection with the recovery of an aggregate sum of approximately Rs. 5.05 Million.
- D. MOSL has on June 27, 2007 lodged a FIR at Bhopal Police station for the misappropriation of securities in the accounts of some of its clients at its back office connected DP Branch at SB - 32/33 Mansarovar Complex, NH-12. Near Habibganj Railway Station, Bhopal – 462011. Securities have been replenished to the clients between July 4, 2007 to July 27, 2007 and an Insurance Claim of Rs. 3.59 million has been lodged with New India Assurance Company Ltd. through CDSL for the same.

## **II Civil Proceedings initiated by Motilal Oswal Securities Limited (MOSL)**

### **1. Before the Arbitration Department, NSE:**

There are currently eight (8) arbitration proceedings pending before the Arbitration Department, NSE, as initiated by MOSL against the following individuals/entities, all of whom are clients of MOSL: Mr. K. Mohan Kumar (A.M.No.F &O/C-0021/2007-NSE-Chennai), Mr Anil Gupta (A.M. no. M-049/2006-NSE-Mumbai), Mr Chandra S. Gummadavally (A.M. No. CM/C-0064/2007-NSE-Chennai), Mr Shakeel Ariz (A.M. No. CM/C-0065/2007-NSE-Chennai), Mr Sukhbir Singh Yadav (AM No D039/2007), Mr Ram Prakash Arora (AM No D 040/2007), Mr Abhishek Roy (A.M.No.CM/K-0016/2007 NSE-Kolkata) and Mr Raghuchandra M.S (NSE-Chennai JNM053). The claims in these proceedings are of an aggregate of approximately Rs. 2.76 million together with interest as may be decided by the Arbitral Tribunal. The facts pertaining to all these proceedings are similar in nature, in as much as, all the claims stem from the fact that there exists a debit balance in the client's trading account as maintained with MOSL.

## **2. Before the Arbitration Department, BSE:**

There are currently four (4) arbitration proceedings pending before the Arbitration Department, BSE, as initiated by MOSL against the following individuals, who are clients of MOSL: Mr Chandrakant Navinchandra Zaveri, (Arbitration Ref No 49 of 2006), Ms Aruna Singh (Arbitration Ref No MLK897), Mr.R.D.Kumar (Arbitration Ref No JNM060) and Ms Manisha C Bhavishi (Arbitration Ref No A.M.NO.49/2006-BSE). The claim in these proceeding is approximately Rs. 0.30 million together with interest, as may be decided by the Arbitral Tribunal. The claim stems from the fact that there exists a debit balance in the client's trading account maintained with MOSL.

## **3. Civil Proceeding:**

MOSL has filed a suit, bearing No (the suit number has not yet been allotted as the matter is at the application stage) for recovery of Rs 0.025 million before the Civil Judge, Senior Division, Kolhapur, against Sharad Sabale ("**Defendant**"). The Defendant is a client of MOSL's and the claim is in connection with the Defendant's failure to pay certain amounts which are allegedly due to MOSL in the normal course of their business.

## **4. Consumer Cases:**

MOSL has filed an appeal before the Karnataka State Consumer Commission (appeal no. 1161/ 2007) against the order of the District Consumer Redressal Forum, Gadag, directing MOSL to pay Rs 0.01 million alongwith interest at the rate of 18% per annum to Mr Mohammad Sharif Hirehal, who was a client of MOSL. Mr Mohammad Sharif Hirehal had alleged that MOSL had stopped him from trading as he failed to maintain the requisite margins.

## **III. Notices Served by Motilal Oswal Securities Limited (MOSL)**

1. MOSL served a notice bearing no. MOSL/ LN/ 12/ 06 dated December 21, 2006, on Mr. Mahesh Himmatlal Shah, a client of MOSL, ("**Client**"), for the repayment of Rs.0.18 million (along with interest at the rate of twelve percent per annum from January 5, 2004, till the date of realisation), which amount, due to an inadvertent error, was transferred to the Client's account.
2. MOSL has lodged a complaint before the Officer in Charge of the Borivali Police Station against Ms Manisha Bhavishi for non payment of Rs.0.04 million, being a liability in the usual course of business which Ms. Bhavishi failed to pay.
3. MOSL has issued legal notices to fifty six (56) clients, for the recovery of an aggregate amount of Rs 7.00 million, being the liability incurred by the clients in the usual course of business.

## **IV Tax Proceedings Filed by Motilal Oswal Securities Limited (MOSL)**

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
<b>INCOME TAX PROCEEDINGS</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 330/ 2006 – 2007	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“ <b>Assessing Officer</b> ”)	MOSL had filed return of income under section 139 Income Tax Act, 1961 (“ <b>the Act</b> ”) on August 29, 2001 for the assessment year 2001 – 2002 and subsequently return of income under section 153A of the Act on May 31, 2004. In connection with the return of income filed by MOSL on May 31, 2004, the Assessing Officer disallowed MOSL’s claim for depreciation on (i) BSE Cards, (as an intangible asset), (ii) part depreciation on computer software and VSAT systems, and (iii) ROC filing fees as a business expenditure, (“ <b>Findings</b> ”).	8.30	Hearing completed pending for disposal
2	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal No. I.T. 329/ 2006 – 2007	The Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“ <b>Assessing Officer</b> ”)	MOSL had filed return of income under section 139 Income Tax Act, 1961 (“ <b>the Act</b> ”) on October 29, 2002 and subsequently return of income under section 153A of the Act on May 31, 2004 for the assessment year 2002 – 2003.  In connection with the return of income filed by MOSL on May 31, 2004, the Assessing Officer disallowed MOSL’s claim for depreciation on (i) BSE Cards, (as an intangible asset) and (ii) part depreciation on computer software and VSAT systems, (“ <b>Findings</b> ”).  MOSL has filed the present appeal against the Findings.	The amount of addition made is 14.41. However, no demand is raised/ payable since the assessed income (after addition) is Loss.	Hearing completed pending for disposal
3	Commissioner of Income Tax (Appeals) Central IV – Mumbai	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai	MOSL had filed return of income under section 139 Income Tax Act, 1961 (“ <b>the Act</b> ”) on December 1, 2003, for the assessment year 2003 – 2004 and subsequently return	The amount of addition made is 10.31. However, no demand is	Hearing completed pending for disposal

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
	Appeal No. I.T. 328/ 2006 – 2007	(“Assessing Officer”)	<p>of income under section 153A of the Act on May 31, 2004.</p> <p>In connection with the return of income filed by MOSL on May 31, 2004, the Assessing Officer disallowed MOSL’s claim for depreciation on (i) BSE Cards, (as an intangible asset), (ii) part depreciation on VSAT systems, and, (iii) bad debts written off in the books of accounts (“Findings”).</p> <p>MOSL has filed the present appeal against the Findings.</p>	raised/ payable since the assessed income (after addition) is Loss.	
4	<p>Commissioner of Income Tax (Appeals) Central IV – Mumbai</p> <p>Appeal No. I.T. 327/ 2006 – 2007</p>	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	<p>MOSL had filed return of income under section 139 of the Income Tax Act, 1961 (“the Act”) on November 1, 2005 for the assessment year 2004 – 2005.</p> <p>During the assessment proceedings under section 143(2) of the Act the Assessing Officer disallowed (i) MOSL’s claim for, depreciation on, BSE Cards, (as an intangible asset), (ii) carpet expenses as business expenses, and (iii) part depreciation on VSAT systems (“Findings”).</p> <p>MOSL has filed the present appeal against the findings.</p>	9.09	Hearing completed pending for disposal
5	<p>Commissioner of Income Tax (Appeals) Central IV – Mumbai</p> <p>Appeal No. I.T. 327/ 2006 – 2007</p>	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	<p>MOSL had filed return of income under section 139 of the Income Tax Act, 1961 (“the Act”) on October 31, 2005 for the assessment year 2005 – 2006.</p> <p>During the assessment proceedings under section 143(2) of the Act the Assessing Officer disallowed (i) MOSL’s claim for, depreciation on, BSE</p>	The amt. of addition made is 4.53 million However no demand is payable since excess tax (amt. was refundable) has been paid at the time of	Pending hearing & final disposal

Sr no.	Forum and appeal No.	Filed against	Particulars	Balance demand payable (Rs. in millions – approx.)	Current status
			<p>Cards, (as an intangible asset), (ii) carpet expenses written off in the books of accounts (iii) part depreciation on VSAT systems(iv) certain revenue expenses (v) Disallownce of short term capital lossu/s94(7)s (“Findings”).</p> <p>MOSL has filed the present appeal against the findings.except for paras (iv) &amp; (v) above</p>	filing of return	
<b>SERVICE TAX PROCEEDINGS</b>					
5	<p>Commissioner of Central Excise (Appeals)</p> <p>Appeal filed on 14.08.2006</p>	<p>Assistant Commissioner, Division - I, Service Tax, Commissionerate, Mumbai</p>	<p>MOSL had filed a refund claim on December 27, 2004 claiming refund of service tax of Rs 12.43 million for the period December 2003 to October 2004.</p> <p>The Assistant Commissioner (AC) rejected the refund claim on the grounds that in respect of business with FIIs, MOSL is receiving payment of taxable services in Indian rupees. (“Findings”).</p> <p>MOSL has filed the present appeal against the Assistant Commissioner’s findings.</p>	<p>MOSL has already paid service tax of 12.43 &amp; claimed the refund amount</p>	Pending hearing & final disposal

**E. Proceedings Filed Against Motilal Oswal Commodities Broker Private Limited (MOCB), a Subsidiary of the Issuer:**

Sr. no.	Forum and suit no.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
<b>I CIVIL PROCEEDINGS</b>					

Sr. no.	Forum and suit no.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
1.	City Civil Court, Calcutta  Suit no. 684 of 2006	Mr. Rajiv Ranjan Ray, (“ <b>Claimant</b> ”)	The Claimant, a client of MOCB, has alleged that MOCB was trading on his behalf without his permission, and has raised monetary claims for reversal and repayment of debit balance in his account and prayed for a declaration along with a restraining injunction.	0.15 (along with interest at the rate of eighteen percent per annum)	Pending hearing and final disposal.
2	High Court, Bombay  Arbitration Petition No. 35 of 2007	Mr Kota Garunadha Rao (“ <b>Petitioner</b> ”)	<p>The Petitioner, a client of MOCB, has alleged that MOCB traded on his behalf without his permission, and has accordingly raised monetary claims before the NCDEX Arbitration Mechanism (“<b>Tribunal</b>”).</p> <p>The Tribunal had passed an order dated November 1, 2006, dismissing the claim of the Petitioner and directing him to pay an amount of Rs.0.17 million, alongwith interest at the rate of 12 per cent per annum to MOCB.</p> <p>The Tribunal had passed an order dated November 1, 2006 dismissing the claim of the Petitioner and directed him to pay an amount of Rs. 0.17 million along with interest at the rate of twelve percent per annum to MOCB. The Petitioner has challenged the order of the Tribunal vide this petition.</p>	0.17	Pending hearing and final disposal.
3	Multi Commodity Exchange of India Limited  (Arbitration No. MCX/Legal/063 A/06)	Mr. Sukhdev Sonaji Waghmare (“ <b>Complainant</b> ”)	The Complainant has alleged that MOSL traded on his behalf without his specific instructions, and has accordingly prayed that damages be awarded.	0.47	Pending hearing and final disposal.
4.	National	Mr. Sukhdev	The Complainant has alleged	0.47	Pending

Sr. no.	Forum and suit no.	Filed by	Particulars	Quantum (Rs. in millions – approx.)	Current status
	Commodity & Derivative Exchange Ltd. Arb. Case No. NCDEX/71/2007	Sonaji Waghmare (“ <b>Complainant</b> ”)	that MOSL traded on his behalf without his specific instructions, and has accordingly prayed that damages be awarded.		hearing and final disposal

## II. Notices served upon Motilal Oswal Commodities Broker Private Limited (MOCB)

NCDEX has served a notice dated January 11, 2007 upon MOCB stating that one Mr Sukhadeo S Waghmare, who is a client of MOCB (“**Client**”), has complained that MOCB has traded on the clients behalf without his consent. The client had filed a complaint to NCDEX claiming refund from MOCB of margin amount of Rs 0.009 million alongwith the guaranteed income amount of Rs 0.095 million. The matter has now been referred by the client to the Arbitration desk of NCDEX.

In addition to the above, MCX had also imposed a penalty of Rs 0.012 million of increase in open interest.

## F. Proceedings and Notices Filed Against/Served on Proceedings and Notices Filed Against/ Served on Group companies of the Issuer:

Sr no.	Forum and appeal no.	Filed against	Particulars	Balance demand payable (Rs. in million – approx.)	Current status
<b>TAX PROCEEDINGS FILED BY RISHABH SECURITIES PRIVATE LIMITED (RSPL)</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal filed on December 20, 2006.	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“ <b>Assessing Officer</b> ”)	RSPL had filed a return of income under section 139 of the Income Tax Act, 1961 (“ <b>the Act</b> ”) on October 29, 2004 for the assessment year 2004 – 2005.  During the enquiry under section 143(2) of the Act, the Assessing Officer taxed rental income from sub-letting of property as income from house property (“ <b>Findings</b> ”).  RSPL has filed the present appeal against the Assessing Officer’s Findings.	0.33	Pending hearing & final disposal

Sr no.	Forum and appeal no.	Filed against	Particulars	Balance demand payable (Rs. in million – approx.)	Current status
2	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal filed on June 22, 2007	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	Rishabh Securities Private Limited (RSPL) had filed a return of income under section 139 of the Income Tax Act, 1961 (“the Act”) for the assessment year 2005 – 2006.  During the assessment proceedings, the Assessing Officer has taxed Rental Income from subletting of properties as income from House property (“Findings”).  RSPL has filed the present appeal against the Assessing Officer’s Findings. The Assessing Officer has, however, asked RSPL to pay 50% of the taxed amount before RSPL went for the appeal. RSPL has complied with the same.	0.33	Pending hearing & final disposal
<b>TAX PROCEEDINGS FILED BY TEXTILE EXPORT PRIVATE LIMITED</b>					
1	Commissioner of Income Tax (Appeals) Central IV – Mumbai  Appeal filed on December 20, 2006	Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)	Textile Export Private Limited (TEPL) had filed a return of income under section 139 of the Income Tax Act, 1961 (“the Act”) on October 29, 2004 for the assessment year 2004 – 2005.  During the assessment proceedings, the Assessing Officer has taxed Rental Income from subletting of properties as income from House property (“Findings”).  TEPL has filed the present appeal against the Assessing Officer’s Findings.	0.67	Pending hearing & final disposal
2.	Commissioner of Income Tax (Appeals) Central IV – Mumbai	Deputy Commissioner of Income Tax, Central Circle 22,	Textile Export Private Limited (TEPL) had filed a return of income under section 139 of the Income Tax Act, 1961 (“the Act”) for the assessment	0.65	Pending hearing & final disposal

Sr no.	Forum and appeal no.	Filed against	Particulars	Balance demand payable (Rs. in million – approx.)	Current status
	Appeal filed on June 22, 2007	Mumbai, (“Assessing Officer”)	<p>year 2005 – 2006.</p> <p>During the assessment proceedings, the Assessing Officer has taxed Rental Income from subletting of properties as income from House property (“Findings”).</p> <p>TEPL has filed the present appeal against the Assessing Officer’s Findings. The Assessing Officer has, however, asked TEPL to pay 50% of the taxed amount before TEPL went for the appeal. TEPL has complied with the same.</p>		
<b>INCOME TAX PROCEEDINGS INITIATED BY WINDWELL SECURITIES PRIVATE LIMITED</b>					
1	<p>Commissioner of Income Tax (Appeals) Central IV – Mumbai</p> <p>Appeal filed on December 20, 2006.</p>	<p>Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)</p>	<p>Windwell Securities Private Limited (WSPL) had filed a return of income on October 29, 2004 for the assessment year 2004 – 2005.</p> <p>In connection with the said return of income, the Assessing Officer has taxed rental income from subletting of property as “Income from House property” (“Findings”).</p> <p>WSPL has filed the present appeal against the Findings.</p>	0.33	Pending hearing & final disposal
2.	<p>Commissioner of Income Tax (Appeals) Central IV – Mumbai</p> <p>Appeal filed on June 22, 2007</p>	<p>Deputy Commissioner of Income Tax, Central Circle 22, Mumbai, (“Assessing Officer”)</p>	<p>Windwell Securities Private Limited (WSPL) had filed a return of income under section 139 of the Income Tax Act, 1961 (“the Act”) for the assessment year 2005 – 2006.</p> <p>During the assessment proceedings, the Assessing Officer has taxed Rental Income from subletting of properties as income from</p>	0.33	Pending hearing & final disposal

Sr no.	Forum and appeal no.	Filed against	Particulars	Balance demand payable (Rs. in million – approx.)	Current status
			House property (“ <b>Findings</b> ”).  WSPL has filed the present appeal against the Assessing Officer’s Findings. The Assessing Officer has, however, asked WSPL to pay 50% of the taxed amount before WSPL went for the appeal. WSPL has complied with the same.		

**Notices served on the Group companies:**

**Notices issued against Rishabh Securities Private Limited (“RSPL”)**

1. The Income Tax Department has issued a notice to RSPL dated 30/10/2006 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2004 – 2005 to show cause why an order imposing penalty should not be made under section 271 of the Act.
2. The Income Tax Department has issued a notice to RSPL dated May 28, 2007 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2005 – 2006 to show cause why an order imposing penalty should not be made under section 271 of the Act.

**Notices issued against Textile Export Private Limited (“TXPL”)**

1. The Income Tax Department has issued a notice to TXPL dated 30/10/2006 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2004 – 2005 to show cause why an order imposing penalty should not be made under section 271 of the Act.
2. The Income Tax Department has issued a notice to TXPL dated May 28, 2007 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2005 – 2006 to show cause why an order imposing penalty should not be made under section 271 of the Act.

**Notices issued against Windwell Securities Private Limited (“WSPL”)**

1. The Income Tax Department has issued a notice to WSPL dated 30/10/2006 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2004 – 2005 to show cause why an order imposing penalty should not be made under section 271 of the Act.
2. The Income Tax Department has issued a notice to WSPL dated May 28, 2007 under section 274 read with section 271 of the Income Tax Act, 1961 (“**the Act**”) for the Assessment Year 2005 – 2006 to show cause why an order imposing penalty should not be made under section 271 of the Act.

## **LICENSES AND APPROVALS**

We have received all the necessary consents, licenses, permissions and approvals from the government and various government agencies/ private certification bodies for its present businesses and further approvals are required for carrying on the present businesses except as stated in this Red Herring Prospectus.

### **Registrations / Approvals obtained by Motilal Oswal Financial Services Limited (MOFSL) for carrying out its business.**

1. Incorporation: MOFSL was incorporated on May 18, 2005 under the Companies Act, 1956 and holds Incorporation Certificate number 11 – 153397. The Certificate for Commencement of Business was issued on June 3, 2005.
2. MOFSL was granted Certificate of Registration, bearing Registration No: N – 13.01830, dated April 5, 2006 by the RBI under Section 451A of RBI Act, 1934 to commence/ carry on the business of a NBFC without accepting public deposits.
3. Tax Related Approvals:
  - A. Permanent Account Number (PAN) of MOFSL as issued by the Income Tax Department is AAECM2876P
  - B. Tax Deduction Number (TAN) of MOFSL as issued by the Income Tax Department is MUMM27261D
  - C. Registration [No: PTR112133944] under sub section (1) of Section 5 of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, for registration as an employer.

### **Registrations / Approvals obtained by our subsidiaries for carrying out their businesses.**

#### **1. Motilal Oswal Securities Limited (MOSL)**

- A. Registration [No: INP000000670] with SEBI under SEBI (Portfolio Managers) Regulations, 1993, dated September 2, 2005. The validity of the registration is till September 15, 2008 and it will have to be renewed thereafter.
- B. Registration [No: INB231041238] with SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 as a stock broker with the NSE for carrying out the activities of buying, selling and dealing in securities, dated March 16, 1999.
- C. Registration [No: IN – DP – NSDL – 152 - 2000] with SEBI under SEBI (Depositories and Participants) Regulations, 1996 as a participant with NSDL, dated June 16, 2005.
- D. Registration [No: IN – DP – CDSL – 09 - 99] with SEBI under SEBI (Depositories and Participants) Regulations, 1996 as a participant with CDSL, dated March 18, 2004.
- E. Registration [No: INF231041238] with SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 as a trading and clearing member with the NSE for carrying out the activities of buying, selling and dealing in derivatives, dated June 6, 2000.
- F. Registration [No: INF011041257] with SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 as a trading and clearing member with BSE for carrying out the activities of buying, selling and dealing in derivatives, dated May 23, 2000.

- G. Registration [No: INB011041257] with SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 as a stock broker with the BSE for carrying out the activities of buying, selling and dealing in securities, dated September 20, 2000.
- H. Registration [No: INB201041234] with SEBI under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 as a stock broker with the OTC Exchange of India for carrying out the activities of buying, selling and dealing in securities, dated March 1, 2001.
- I. Tax Deduction Number (TAN) of MOSL as issued by the Income Tax Department is MUMM10776D
- J. Permanent Account Number (PAN) of MOSL as issued by the Income Tax Department is AAACD3654Q
- K. Registration [No: ST/Mumbai/DN – I/165-Motilal Oswal] under Section 69 the Finance Act, 1994, for payment of Service Tax on commission or brokerage on sale or purchase of securities.
- L. Registration [No: BFS/ MI/ 94/BAS / MI/ 2470] under Section 69 of the Finance Act, 1994, for payment of Service Tax on Banking and Financial Services and Business Auxiliary Services.
- M. Registration [No: A – II/ 020392] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 8th Floor, Bajaj Bhavan, Nariman Point, Mumbai – 21, as a commercial establishment, dated September 22, 1998.
- N. Registration [No: A – II/ 025422] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 3rd and 4th Floor, Hoechst House, Nariman Point, Mumbai – 21, as a commercial establishment, dated November 7, 2005.
- O. Registration [No: A – II/ 025622] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 2nd and 3rd Floor, Queens Mansion, Niak Marg, Fort, Mumbai – 1, as a commercial establishment, dated March 8, 2006.
- P. Registration [No: RC – II/ 006778] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 1<sup>st</sup> Floor, Chandavarkar Road, Borivali (West), as a commercial establishment, dated April 29, 2006.
- Q. Registration [No: D – II/ 015312] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at Ground Floor, Dreamland Building, Opera House, Mumbai, as a commercial establishment, dated September 20, 2004.
- R. Registration [No: D – II/ 016128] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 5<sup>th</sup> and 2<sup>nd</sup> Floor, Kala Bhavan, Opera House, Mumbai, as a commercial establishment, dated May 6, 2006.
- S. Registration [No: HW – II/ 005877] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 501 and 502, Makhija House, Turner Road, Bandra (West), Mumbai, as a commercial establishment, dated April 29, 2006.
- T. Registration [No: T – II/ 004948] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 204 and 205, Shankardhan Plaza, J N Road, Mulund, Mumbai, as a commercial establishment, dated July 18, 2006.
- U. Registration [No: D – II/ 016127] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at Ground Floor, M P Marg, Opera House, Mumbai, as a commercial establishment, dated May 5, 2006.

- V. Registration [No: PN – II/ 010769] under the Bombay Shops and Establishments Act, 1948, for registration of MOSL's offices at 2<sup>nd</sup> Floor, Plam Spring Centre, next to D-Mart, New Link Road, Malad (W), Mumbai – 400 0 64, as a commercial establishment, dated March 14, 2007.
- W. MAPIN issued by NSDL on behalf of SEBI, bearing Unique Identity Number 100008961.
- X. Registration [No NS – 43807 – 31 - 43001 - 102] under the Employees' State Insurance Act, 1948, dated September 28, 1998.
- Y. Registration [No MH/ 40167] under the Employees' Provident Funds and Miscellaneous Provisions Act 1952, dated July 1, 1994.
- Z. Registration [No PTR 112130974] under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.

## **2. Motilal Oswal Commodities Broker Private Limited (MOCB):**

- A. Certificate of Membership [No: NCDEX-CO-04-00114] as Trading and Clearing Member from the NCDEX dated October 10, 2006.
- B. Certificate of Membership [Membership Code: 29500] as Trading and Clearing Member from the Multi Commodity Exchange of India dated February 24, 2006.
- C. Registration [No: FCS/ Mum I/ 04] under Section 69 of the Finance Act, 1994, for payment of Service Tax for Forward Contract Services.
- D. Tax Deduction Number (TAN) of MOCB as issued by the Income Tax Department is MUMM27260C.
- E. Permanent Account Number (PAN) of MOCB as issued by the Income Tax Department is AAACP3147N.
- F. Registration [No MH/ BAN/ 48209/ ENF – I/ OID/ 286] under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952, for registration of MOCB as a "Trading and Commercial" establishment.
- G. MAPIN issued by NSDL on behalf of SEBI, bearing Unique Identity Number 100053355.
- H. Registration [No: PTR 112134390] under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.

## **3. Motilal Oswal Investment Advisors Private Limited (MOIA):**

- A. Registration [No: ST/ Mumbai/ BFS/ DN-I/ 1229/ 2006] under Section 69 of the Finance Act, 1994, for payment of Service Tax for Banking and Financial Service.
- B. Tax Deduction Number (TAN) of MOIA as issued by the Income Tax Department is MUMM29755F.
- C. Permanent Account Number (PAN) of MOIA as issued by the Income Tax Department is AAECM6353P.
- D. Registration [No: INM000011005] with SEBI under SEBI (Merchant Bankers) Regulations, 1992, dated November 17, 2006. The validity of the registration is till October 15, 2009.

- E. Registration [No: PTR112133943] under sub section (1) of Section 5 of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, for registration as an employer.

**4. Motilal Oswal Venture Capital Advisors Private Limited (MOVC):**

- A. Tax Deduction Number (TAN) of MOVC as issued by the Income Tax Department is MUMM29756G.
- B. Permanent Account Number (PAN) of MOVC as issued by the Income Tax Department is AAECM6354L.
- C. Registration [No: ST/ Mumbai/ DN-I/ BFS/ 1294/ 2006] under Section 69 of the Finance Act, 1994, for payment of Service Tax for Banking and Financial Service.
- D. Registration [No: PTR112133945] under sub section (1) of Section 5 of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, for registration as an employer.

**PENDING LICENSES / CONSENTS:**

**1. Trade Marks**

- A. We have filed application [no. 1384041], under the Trade Marks Act, 1999 for registration of its trade mark “MOSSt Wealth Creation Award” in Class 36, in the name of MOSL.
- B. We have filed application [no. 1384042], under the Trade Marks Act, 1999 for registration of its trade mark “Mr. Market” in Class 16, in the name of MOSL.
- C. We have filed application [no. 1384043], under the Trade Marks Act, 1999 for registration of its trade mark “My Broker” in class 36, in the name of MOSL.
- D. We have filed application [no. 1384044], under the Trade Marks Act, 1999 for registration of its trade mark “Motilal Oswal Solid Research Solid Advice” in class 35, in the name of MOSL.
- E. We have filed application [no. 1384045], under the Trade Marks Act, 1999 for registration of its trade mark “Motilal Oswal Solid Research Solid Advice” in class 36, in the name of MOSL.
- F. We have filed application [no. 1384046], under the Trade Marks Act, 1999 for registration of its trade mark “My Broker” in class 35, in the name of MOSL.
- G. We have filed application [no. 1384047], under the Trade Marks Act, 1999 for registration of its trade mark Key (Logo) in class 35, in the name of MOSL.
- H. We have filed application [no. 1384048], under the Trade Marks Act, 1999 for registration of its trade mark Key (Logo) in class 36, in the name of MOSL.
- I. We have filed application [no. 1384049], under the Trade Marks Act, 1999 for registration of its trade mark “Motilal Oswal World Class Research Broker” in class 36, in the name of MOSL.
- J. We have filed an application [no. 1384050], under the Trade Marks Act, 1999 for registration of its trade mark “Motilal Oswal World Class Research Broker” in class 35, in the name of MOSL.
- K. We have a filed an [application no. 1568626] application under the Trade Marks Act, 1999 for registration of its trademark “MOST Wealth” in class 16, in the name of MOSL.
- L. We have filed an application [application no. 1568627], under the Trade Marks Act, 1999 for registration of its trademark “MOST Wealth” in class 41, in the name of MOSL.

## **2. Service Tax**

We have filed an application for registration under Section 69 of Finance Act, 1994 for rendering services of Management Consultancy, Banking and Financial Services and Underwriting Service dated December 28, 2006, in the name of the Issuer.

## **3. Venture Capital Fund**

The Issuer is the settlor of the “Business Excellence Trust”. The Trust has filed an application dated May 18, 2006 with SEBI for registration as a venture capital fund under the SEBI (Venture Capital Funds) Regulations, 1996. The application for the SEBI registration is still pending approval and is examined, alongwith other similar applications, by SEBI’s Expert Committees in relevant areas to help them take appropriate decision in the matter.

## **REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue**

The Board has, pursuant to a resolution passed at its meeting held on January 15, 2007 authorized the Issue subject to the approval by the shareholders of the Issuer under Section 81(1A) of the Companies Act. The shareholders of the Issuer have authorized the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the EGM of the Issuer held on February 14, 2007 at its Corporate Office.

### **Prohibition by SEBI**

The Issuer, its Directors, Promoters, their directors or person(s) in control of the Promoters, our Subsidiaries and affiliates and companies with which the Directors are associated with, as directors or promoters have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Further, our Promoters and their relatives have confirmed that they have not been detained as willful defaulters by RBI or any other government authority and there are no violations of securities laws committed by them in the past or pending against them. Entities of our Promoter Group do not appear on the RBI defaulter list, nor are there any violations of securities laws committed by them in the past or pending against them.

### **Eligibility for the Issue**

As per Clause 2.2.1 of SEBI DIP Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- a) The company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;  
Provided that, if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;
- b) The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three out of immediately preceding five years;  
Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of section 205 of Companies Act, 1956;
- c) The company has a net worth of at least Rs. 10 million in each of the preceding three full years (of 12 months each);
- d) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding one full year is earned by the company from the activity suggested by the new name; and
- e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document and firm allotment and promoters' contribution through the offer document), does not exceed five times its pre-issue networth as per the audited balance sheet of the last financial year.)

The Issuer was incorporated on May 18, 2005 and hence, does not satisfy the eligibility criteria as specified in clause 2.2.1 of the SEBI DIP Guidelines.

However, in terms of Clause 2.2.2 of SEBI DIP Guidelines, it may make an initial public offering of Equity Shares, only if the following conditions are fulfilled:

- a) The issue is made through the book-building process, with at least 50% of net offer to public being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.
- b) The minimum post-issue face value capital of the Issuer shall be Rs. 100 million.

In accordance with Rule 19(2) (b) of the SCRR, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

In accordance with Clause 2.2.2A of the SEBI DIP Guidelines, the number of prospective allottees to whom the Equity Shares would be allotted, will not be less than 1,000.

Furthermore, the size of the offer to the public shall be at least Rs. 1,000 million and a minimum of 2 million Equity Shares are issued to the public, excluding reservations and promoter contribution.

#### **DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 30, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- “(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE**

- OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
- A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
  - (III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
  - (IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
  - (V) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.”**

All legal requirements pertaining to the Issue have been complied with at the time of filing of the Red Herring Prospectus with the ROC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the ROC in terms of section 56, section 60 and section 60B of the Companies Act.

The filing of the Red Herring Prospectus does not, however, absolve us from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the BRLM, any irregularities or lapses in the Red Herring Prospectus.

#### **Disclaimer from the Issuer and the BRLM**

The Issuer, its Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, [www.motilaloswal.com](http://www.motilaloswal.com), would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated March 30, 2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to us, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. We, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither we or the BRLM is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

#### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India) and authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non-Residents including Eligible NRIs, FIIs and eligible foreign investors. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public issue in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws in the United States. Accordingly, the Equity Shares are only being offered and sold outside the United States in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers occur.

#### **Disclaimer clause of the BSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter, Ref. No. DCS/IPO/SC/IPO-IP/0134/2006-2007 dated April 25, 2007, permission to the Issuer to use BSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- Warrant that our securities will be listed or will continue to be listed on BSE; or
- Take any responsibility for the financial or other soundness of the Issuer, its promoters, its management or any scheme or project of the Issuer;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Disclaimer clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter Ref. No. NSE/LIST/48439-2 dated June 11, 2007 permission to the Issuer to use the NSE's name in the Red Herring Prospectus as one of the stock exchanges on which the Issuer's securities are proposed to be listed. The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus, nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Issuer, its Promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquires any of the Issuer's securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Filing**

A copy of the Draft Red Herring Prospectus has been filed with the Corporate Finance Department of SEBI, SEBI Bhavan, Block G, Plot No. C-4A, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under section 60B of the Companies Act, are delivered for registration to the ROC and a copy of the Prospectus required to be filed under section 60 of the Companies Act are delivered for registration with ROC situated at Mumbai.

### **Listing**

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. In-principle approvals for listing of our Equity Shares from BSE and NSE have been received *vide* their letters dated April 25, 2007 and June 11, 2007, respectively

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, the Issuer shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Issuer becomes liable to repay it (i.e. from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then the Issuer, along with every Director of the Issuer who is default shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Issuer shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, which is reproduced below:

**“Any person who:**

- (a) **Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) **Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

#### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Issue; and (b) the BRLM, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the ROC as required under sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the ROC.

In accordance with the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, M/s Haribhakti and Co., Chartered Accountants, the Issuer's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the ROC.

#### **Expert Opinion**

Except as stated in “Statement of Tax Benefits” as it appears in this Red Herring Prospectus, the Issuer has not obtained any expert opinion.

#### **Issue Related Expenses**

The expenses of this Issue payable by the Issuer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

<b>Activity</b>	<b>Expense (Rs. million)*</b>	<b>Percentage of Issue Expenses</b>	<b>Percentage of Issue Size</b>
Lead management, underwriting and selling commissions	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Other (Registrar's fees, legal fees, etc.)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

\* Will be completed after finalisation of the Issue Price.

Other than the listing fee, which will be paid by us, all expenses with respect to the Issue will be borne by us.

#### **Fees Payable to the Book Running Lead Manager**

The total fees payable to the BRLM (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLM, a copy of which is available for inspection at the Issuer's Registered Office located at Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064.

#### **Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as

per the Memorandum of Understanding signed with us, a copy of which is available for inspection at the Issuer's registered office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

#### **Particulars regarding Public or Rights Issues since incorporation**

The Issuer has not made any public or rights issues since incorporation.

#### **Issues otherwise than for Cash**

Except as stated in the sections titled "Capital Structure" beginning on page 14 of this Red Herring Prospectus, the Issuer has not issued any Equity Shares for consideration otherwise than for cash.

#### **Commission and Brokerage paid on Previous Issues of our Equity Shares**

Since this is the initial public issue of our Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since inception.

#### **Companies under the Same Management**

There is no other company under the same management within the meaning of erstwhile section 370 (1B) of the Companies Act, other than the Subsidiaries, joint ventures, associates, Passionate Investment Management Private Limited (PIMPL) and Promoter group companies, details of which companies are provided in the sections titled "Our Promoters and Promoter Group" beginning on page 92 of this Red Herring Prospectus.

#### **Promise vs. Performance – Issuer Company**

This is the Issuers first public issue.

#### **Promise vs. Performance – Last Issue of Group/Associate Companies**

There has been no public issue by any of the Group/Associate Companies in the past.

#### **Outstanding Debentures or Bonds**

The Issuer does not have any outstanding debentures or bonds.

#### **Outstanding Preference Shares**

There are no outstanding preference shares issued by the Issuer.

#### **Stock Market Data of the Equity Shares**

This being our initial public issue, the Equity Shares are not listed on any stock exchange.

#### **Mechanism for Redressal of Investor Grievances**

The Memorandum of Understanding between the Registrar to the Issue and the Issuer provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of

letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

#### **Disposal of Investor Grievances**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be ten working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Issuer has appointed a Shareholders/ Investor Grievance Committee on February 17, 2007, comprising Mr. Balkumar Agarwal, Mr. Raamdeo Agrawal and Mr. Motilal Oswal as members.

The Issuer has appointed Mr. Tarun Khurana, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

#### **Mr Tarun Khurana**

Company Secretary and Compliance Officer  
Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex,  
New Link Road, Malad (West),  
Mumbai - 400 064.  
Tel: +91 22 3080 1000  
Fax: +91 22 2844 9044  
E-mail: initialoffer@motilaloswal.com

#### **Changes in the Auditors During last three years and reasons thereof**

There have been no changes in the auditors of the Issuer since inception.

#### **Capitalisation of reserves of profits since incorporation**

There has been no capitalisation of reserves or profits of the Issuer since its incorporation.

#### **Revaluation of assets since incorporation**

There has been no revaluation of assets of the Issuer since its incorporation.

## **SECTION VII: ISSUE RELATED INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association, the terms of this Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Ranking of Equity Shares**

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares of the Issuer, including rights in respect of dividends and other corporate benefits, if any, declared by the Issuer after the date of allotment.

#### **Mode of payment of dividend**

Dividend shall be paid only in cash or as permitted under applicable laws. The declaration and payment of dividend will be recommended by the Board of Directors and the shareholders of the Issuer at their discretion and will depend on a number of factors, including but not limited to, the earnings, capital requirements and overall financial condition.

#### **Compliance with SEBI Guidelines**

The Issuer shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 5 each are being offered in terms of this Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The Issue Price is 145 times the face value at lower end of the price band and 165 times of the face value at the higher end of the price band.

#### **Rights of the equity shareholder**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of the Articles of Association relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” beginning on page 352 of this Red Herring Prospectus.

#### **Market Lot and Trading Lot**

In accordance with the terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 8 Equity Shares. For details of allocation and Allotment, please refer to the section titled “Issue Procedure” beginning on page 324 of this Red Herring Prospectus.

### **Nomination Facility to the Investor**

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of the Issuer or at the Registrar and Transfer Agents. In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors, may at any time, give a notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Issuer. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require a change in their nomination, they are requested to inform their respective Depository Participant.**

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/ authorities in Mumbai, India.

### **Minimum Subscription**

If the Issuer does not receive the minimum subscription of 90% of the Net Issue to the Public to the extent of the amount payable on application including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, the Issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Issuer becomes liable to pay the amount (i.e., 60 days from the Bid Closing Date), the Issuer shall pay interest prescribed under Section 73 of the Companies Act.

### **Withdrawal of the Issue**

The Issuer, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date but prior to Allotment, without assigning any reason thereof. In case

the Issuer decides to do so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of issue in the newspapers in which the Bid advertisement appeared earlier. The Issuer shall also inform the Stock Exchanges, on which the Equity Shares are proposed to be listed, of its intention of withdrawing the Issue.

**Arrangement for disposal of odd lots**

The Equity Shares will be traded in dematerialized form only and therefore the marketable lot is 1 Equity Share. Therefore there is no possibility of odd lots.

**Restriction on Transfer and Transmission of Equity Shares and their Consolidation/ Splitting**

There are no restrictions on the transfer and/ or the transmission of the Equity Shares and their consolidation/ splitting, other than those mentioned in the Articles of Association of the Issuer.

**In consonance with RBI regulations, OCBs cannot participate in the Issue.**

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be issued or sold within the United States. The Equity Shares are only being issued and sold outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

## ISSUE STRUCTURE

The present Issue of 2,982,710 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process. The Issue comprises a Net Issue of up to 2,840,400 Equity Shares of Rs. 5 each. The Issue would constitute 10.50% of the fully diluted post Issue paid up equity capital of the Issuer. The Net Issue would constitute 10 % of the fully diluted post Issue paid up equity capital of the Issuer.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
Number of Equity Shares available for allocation.	At least 1,704,240 Equity Shares.	Up to 284,040 Equity Shares or Issue less allocation to QIB Bidder and Retail Individual Bidders.	Up to 852,120 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 142,310 Equity Shares
Percentage of Issue Size available for Allotment/ Allocation	At least 60% of Net Issue Size shall be allocated to QIBs. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 30% of the Net Issue or Net Issue less allocation to QIB Bidders and Non Institutional Bidders.	
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) 85,212 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) 1,619,028 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares so that the Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000	8 Equity Shares and in multiples of 8 Equity Shares thereafter.	8 Equity Shares and in multiples of 8 Equity Share thereafter.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
	Amount exceeds Rs. 100,000 and which is a multiple of 8 Equity Shares.	and which is a multiple of 8 Equity Shares.		
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares not exceeding the Employee Reservation Portion subject to applicable limits.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialized form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares
Allotment Lot	8 Equity Shares and in multiples of one Equity Share thereafter	8 Equity Shares and in multiples of one Equity Share thereafter	8 Equity Shares and in multiples of one Equity Share thereafter	8 Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, multilateral and bilateral	Non-residents, resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, non-residents) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	Eligible Employees of the Company.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
	development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.			
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the BRLM.	100% of the Bid amount shall be payable at the time of submission of Bid-cum-Application Form to the BRLM.	100% of the Bid amount at the time of submission of Bid-cum-Application Form to the BRLM.	100% of the Bid amount at the time of submission of Bid-cum-Application Form to the BRLM.
Margin Amount	10% of the Bid Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

The above is subject to valid Bids being received at or above the Issue Price and subject to a minimum of 60% of the Issue being allocated to QIBs.

In terms of Rule 19(2)(b) of SCRR, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs including the Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, up to 10% of the Net Issue would be available for allocation to Non-Institutional Bidders and up to 30% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional Bidder category and the Retail Individual Bidder category would be met with spill over from any other category at the sole discretion of the Issuer in consultation with the BRLM. If the aggregate demand by Mutual Funds for Equity Shares is less than 85,212 Equity Shares, the balance Equity Shares available for allocation to

Mutual Funds will be available for allocation to QIBs in proportion to their Bids. If the minimum allotment of 60% of the Net Issue is not made to QIBs the entire subscription monies shall be refunded.

In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid-cum-Application Form.

Under-subscription, if any, in the Employee Reservation Portion will be added back to Retail Individual Bidder portion. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

#### **Bidding Period / Issue Period**

BID / ISSUE OPENS ON	August 20, 2007
BID / ISSUE CLOSES ON	August 23, 2007

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded until (i) 5 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Eligible Employees Bidding under the Eligible Employees Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) such time as permitted by the BSE and the NSE, in case of Bids by Retail Bidders and Eligible Employees Bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid /Issue Closing Date, the Bidders are advised to submit their Bid one day prior to the Bid/Issue Closing Date and, in any case, no later than 1 p.m. (Indian Standard time) on the Bid / Issue Closing Date. Bidders are cautioned that in the event a larger number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

The Issuer reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date an English national newspaper, a Hindi national newspaper, and a regional language newspaper. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the website and terminals of the BRLM.

## ISSUE PROCEDURE

### Book Building Procedure:

In terms of Rule 19 (2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time, with respect to the issue being less than 25% of the post issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids received at or above the Issue Price. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 142,310 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, the entire application money shall be refunded.

Bidders are required to submit their Bids through the BRLM. Further, QIB Bids can be submitted only through the BRLM. In the case of QIB Bidders, the Issuer, in consultation with the BRLM, may reject any Bid at the time of acceptance of the Bid cum Application form only on giving reasons in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and Eligible Employees, the Issuer would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares would be transferred to all successful Bidders only in the dematerialized form. Bidders will not have the option of Allotment of Equity Shares in physical form, however they may get the Equity Shares rematerialized subsequent to Allotment. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.**

**Illustration of Book Building and Price Discovery Process** (Investors should note that the following is solely for the purpose of illustration and is not specific to the Offer).

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 Equity Shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the Issuer at various prices and is collated from bids from various investors.

Number of Equity Shares Bid for	Bid Price(Rs.)	Cumulative Equity Shares bid for	Subscription
500	48	500	8.33%
700	47	1200	20.00%
1000	46	2200	36.67%
400	45	2600	43.33%
500	44	3100	51.67%
200	43	3300	55.00%
2800	42	6100	101.67%
800	41	6900	115.00%
1200	40	8100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 42 in the above example. The issuer, in consultation with the BRLM will finalise the Issue Price at or below such cut off price i.e. at or below Rs.42. All bids at or above this Issue Price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding (refer to the section titled “Issue Procedure – Who can Bid” beginning on page 327 of this Red Herring Prospectus);
- Ensure that the bidder has a demat account;
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the PAN or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address.

### **Bid cum Application Form**

Bidders shall only use the specified Bid cum Application Form bearing the stamp of the BRLM for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note (“CAN”), and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to the BRLM, the Bidder is deemed to have authorised the Issuer to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

<b>Category</b>	<b>Colour of Bid – cum – Application Form</b>
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
Non-residents or FIIs	Blue
Eligible Employees	Pink

### **Who can Bid?**

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorized under their constitution to hold and invest in Equity Shares;

- Eligible NRIs, Non-residents and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI, on a repatriation basis;
- Scientific and/or Industrial Research Organizations authorized to invest in Equity Shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As may be permitted by applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
- Multilateral and Bilateral Development Financial Institutions;
- Eligible Employees

**Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.**

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

**Participation by associates of the BRLM:**

The BRLM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients' account.

**Bids by mutual funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 85,212 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The application made by the Asset Management Companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. The Issuer reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion.

**Bids by Non – Resident Indians (“NRIs”):**

Bid-cum-Application Forms have been made available for NRIs at our registered office, the BRLM and the Registrar to the Issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

**As per the current regulations, the following restrictions are applicable for investments by FIIs:**

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital, i.e. 2,840,400 Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid up capital. The aggregate holding by FIIs in a company cannot exceed 24% of its issued share capital; however, this limit of 24% may be increased up to the applicable sectoral cap by passing a board resolution and a special resolution of the shareholders authorizing such an increase.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account, including any affiliate or associate of the BRLM, may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

**As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:**

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI, respectively. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed the limits prescribed under these regulations.

As provided under the SEBI DIP Guidelines, the shareholding of a SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering, would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing of the draft prospectus with SEBI.

**The above information is given for the benefit of Bidders. The Issuer and the BRLM are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Red Herring Prospectus, whether prospectively or retrospectively. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws and regulations.**

**Maximum and Minimum Bid Size**

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 8 Equity Shares and in multiples of 8 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case the Bid Amount is over Rs.100, 000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of Rs. 100,001 and in multiples of 8 Equity Shares thereafter. A Bid cannot be submitted for more than size of the Issue. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs 100, 000 for being considered for

allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs.100, 000 or less due to a revision in Bids or revision of the Price Band, Bids by Non institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

**Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date.**

- (c) **For Employees:** The Bid must be for a minimum of 8 Equity Shares and in multiples of 8 Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed 85,212 Equity Shares. Eligible Employees Bidding in the Employee Reservation Portion may Bid at Cut-off Price where the value of the Bid is less than Rs. 100,000 and Allotment would be on a proportionate basis.

### **Information for the Bidders**

1. The Issuer will file the Red Herring Prospectus with the ROC at least three days before the Bid Opening Date/ Issue Opening Date.
2. The BRLM will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in the Equity Shares according to the terms of this Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Corporate Office of the Issuer or from the BRLM.
4. Investors who are interested in subscribing for the Issuer's Equity Shares should approach the BRLM or their authorised agent(s) to register their Bid.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the BRLM. Bid cum Application Forms, which do not bear the stamp of the BRLM, will be rejected.

### **Bidding Process**

The Issuer and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with ROC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The BRLM shall accept Bids from the Bidders during the Issue Period.

Investors who are interested in subscribing for the Equity Shares should approach the BRLM or their authorized agent(s) to register their Bid.

The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.

Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the section titled "Issue Procedure - Bids at Different Price Levels" hereinbelow) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

The Bidder cannot Bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to the BRLM. Submission of a second Bid-cum-Application Form to the BRLM will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “Issue Procedure-Build up of the Book and Revision of Bids” on page 332 of this Red Herring Prospectus.

The BRLM will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS, for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

During the Bidding/Issue Period, Bidders may approach the BRLM to submit their Bid. The BRLM shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Red Herring Prospectus.

Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled “Issue Procedure - Terms of Payment and Payment into the Escrow Accounts” on page 330 of this Red Herring Prospectus.

### **Bids at Different Price Levels**

The Price Band has been fixed at Rs. 725 to Rs. 825 per Equity Share of Rs.5 each, Rs. 725 being the lower end of the Price Band and Rs. 825 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (Rupee One).

The Issuer, in consultation with the BRLM, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended in accordance with the SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper, and also by indicating the change on the web sites of the BRLM.

The Issuer, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

Retail Individual Bidders and Eligible Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees shall receive the refund of the excess amounts from the Escrow Account.

In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding at the Cut-Off Price could either (i) revise their Bid or (ii) make additional payment

based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders and Eligible Employees, if the Bidder wants to continue to bid at Cut-off Price), with the BRLM to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid and Eligible Employees will be considered for allocation under the Non-Institutional portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the refund account.

### **Option to Subscribe**

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only. Bidders will not have the option of getting Allotment of physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchange.

### **Escrow Mechanism**

The Issuer shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and this Red Herring Prospectus. The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Issuer, the BRLM, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

In case of Non-Institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page 338 of this Red Herring Prospectus) and submit the same to the BRLM. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder. The BRLM shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders. In case of QIBs, the BRLM may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Forms waived at the discretion of the BRLM, the Issue Price shall be payable for the allocated Equity

Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from the date of communication of the allocation list to the BRLM by the BRLM. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the BRLM, do not waive such payment, the full amount of payment has to be made at the time of submission of the bid form. Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date as disclosed under “Disposal of Applications and Application Moneys and Interest In Case Of Delay” on page 343 of this Red Herring Prospectus, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic Registration of Bids**

1. The BRLM will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connection in each city, where a stock exchange is located in India and where Bids are being accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the BRLM and its authorised agents during the Bidding Period/Issue Period. The BRLM can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on regular basis. On the Bid Closing Date/ Issue Closing Date, the BRLM shall upload the Bids till such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.
4. At the time of registering each Bid, the BRLM shall enter the following details of the investor in the on-line system:
  - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.);
  - Investor Category –Individual, Corporate, FII, Non-residents, NRI or mutual fund, etc.;
  - Numbers of Equity Shares Bid for;
  - Bid price;
  - Bid cum Application Form number;
  - Whether payment is made upon submission of Bid cum Application Form; and
  - Depository Participant identification no. and client identification no. of the demat account of the Bidder.
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder’s responsibility to obtain the TRS from the BRLM. The registration of the Bid by the BRLM does not guarantee that the Equity Shares shall be allocated either by the BRLM or the Issuer.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. In case of QIB Bidders, the BRLM also have the right to accept the Bid or reject it without assigning any reason at the time of receipt of the Bid. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.
8. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness

- or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Issuer, the Promoter, the management or any scheme or project of the Issuer.
9. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

### **Build Up of the Book and Revision of Bids**

Bids registered by various Bidders through the BRLM shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The BRLM will not accept incomplete or inaccurate Revision Forms.

The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the BRLM. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the BRLM shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders..

When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the BRLM. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the BRLM, the decision of the Issuer in consultation with the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

### **Price Discovery and Allocation**

After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss the pricing strategy with the Issuer.

The Issuer, in consultation with the BRLM, shall finalise the Issue Price.

The allocation to QIBs of at least 60% of the Net Issue (including 5% specifically reserved for Mutual Funds) and allocation to Non-Institutional Bidders of up to 10% of the Net Issue and Retail Individual Bidders of up to 30% of the Net Issue, will be on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Issuer in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 85,212 Equity Shares (assuming QIB Portion is 60% of the Net Issue size, i.e. 1,704,240 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum Allotment of at least 60% of the Net Issue is not made to the QIBs, the entire subscription monies shall be refunded.

Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

The Issuer reserves the right not to proceed with the Issue any time including after the Bid/Issue Closing Date without assigning any reasons thereof. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

#### **Advertisement Regarding Issue Price**

A statutory advertisement will be issued by us after the filing of the prospectus with the ROC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between this Red Herring Prospectus and the date of the Prospectus will be included in the statutory advertisement.

#### **Issuance of CAN**

Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the BRLM a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Issuer shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

The BRLM would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

Please also refer to “Notice to QIBs - Allotment Reconciliation” hereinbelow.

#### **Notice to QIBs: Allotment Reconciliation**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the

number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

### **Signing of Underwriting Agreement and ROC Filing**

1. The Issuer and the BRLM shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
2. After signing the Underwriting Agreement, the Issuer would update and file the updated Red Herring Prospectus with the ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

### **Advertisement regarding Issue Price and Prospectus**

The Issuer shall after filing the Prospectus with the ROC publish in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper, a pre-issue advertisement which, in addition to the information, that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

### **Designated Date and allotment of Equity Shares**

1. The Issuer will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.
2. **As per SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.
3. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Issuer would allot the Equity Shares to the Allottees. The Issuer would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Issuer fails to make allotment within 15 days of the Bid / Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.**

### **GENERAL INSTRUCTIONS**

**DO's:**

1. Check if you are eligible to apply;
2. Read all the instructions carefully and complete the Bid cum Application Form
3. Ensure that you Bid only in the Price Band;
4. Ensure that DP account is activated;
5. Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
6. Ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
7. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of the BRLM;
8. Ensure that you have been given a TRS for all your Bid options;
9. Submit revised Bids to the BRLM and obtain a revised TRS;
10. Ensure that you mention your Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.; and
11. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

**Don'ts:**

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
3. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the BRLM;
4. Do not pay the Bid Amount in cash;
5. Do not send Bid cum Application Forms by post; instead submit the same to the BRLM only;
6. Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs. 100,000);
7. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
8. Do not submit Bid accompanied with Stockinvest.
9. Do not submit a GIR number instead of a PAN as Bid is liable to be rejected on this ground.
10. Do not Bid for an amount exceeding Rs 100,000 for Retail Individual Bidders.

**Instructions for completing the bid cum application form**

Bids and revisions of Bids must be:

Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (White colour, pink colour or blue colour).

Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

For Retail Individual Bidders, the Bid must be for a minimum of 8 Equity Shares and in multiples of 8 thereafter subject to a maximum Bid Amount of Rs. 100,000.

For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 8 Equity Shares thereafter. Bids

cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

In single name or in joint names (not more than three, and in the same order as their Depository Participant details)

Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Issuer shall have any responsibility and undertake any liability for the same.

### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form. These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Issuer nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that matches three parameters, namely,

names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, The Issuer reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, the Issuer reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, the Issuer reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, the Issuer reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Issuer reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Issuer in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that the Issuer and the BRLM.

### **Bids by NRIs FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis:**

NRIs, FIIs and Foreign Venture Capital Funds bidders to comply with the following:

1. Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or the BRLM whose address is printed on the cover page of this prospectus.
2. NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category.
3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

### **Bids and revision to Bids must be made:**

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs and NRIs for a minimum of such number of Equity Shares and in multiples of 8 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure- Maximum and Minimum Bid Size" on page 327 of this Red Herring Prospectus.

4. In the names of individuals, or in the names of FIIs, or in the names of foreign venture capital funds, multilateral and bilateral development financial institutions, but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.
5. Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Issuer will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency. It is to be distinctly understood that there is no reservation for NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation

### **Payment Instructions**

The Issuer shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### **Payment into Escrow Account of the Issuer**

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the BRLM.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list by the BRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - i. In case of Resident Bidders: **“Escrow Account – Motilal Oswal Financial Services Public Issue”**
  - ii. In case of Non Resident Bidders: **“Escrow Account – Motilal Oswal Financial Services Public Issue- NR”**.
  - iii. In case of Employees: **“Escrow Account – Motilal Oswal Financial Services Public Issue – Employee”**.
4. In case of bids by NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
9. On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

**Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash /stockinvest/ money orders/postal orders will not be accepted.**

#### **Payment by Stockinvest**

In terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

#### **Submission of Bid cum Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLM at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

#### **Other Instructions**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. The Issuer reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion. Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not be treated as multiple Bids.

##### **PAN Number**

Each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** IN case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable" the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to provide a declaration in Form 60 (Form of declaration to be filed by a person who does not have a PAN and who enters into any transaction specified in rule 114b) or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B) as may be applicable, duly filled along with a copy of any one of the following documents in support of the address : (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

#### **Issuer's Right to Reject Bids**

In case of QIB Bidders, the Issuer in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Issuer has a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

#### **Grounds for Technical Rejections:**

Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;

- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders;
- Bids for number of Equity Shares which are not in multiples of 8;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid-cum-Application Forms does not have the stamp of the BRLM;
- Bid-cum-Application Forms does not have Bidder's depository account details;
- Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids by US persons other than in reliance on Regulation S under the U.S. Securities Act of 1933;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same in the section titled "Issue Procedure – Grounds for Technical Rejection" on page 340 of this Red Herring Prospectus;
- Bids not duly signed by the sole/joint Bidders;
- Bids accompanied with Stockinvests;
- Bids by OCBs;
- Bids in the Employee Reservation Portion by persons who are not Eligible Employees;
- Non-provision of details of bank account for the refund;
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws; and
- Bids or revisions thereof by QIB Bidders, Non-Institutional Bidders and Eligible Employees Bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000, uploaded after 5 p.m. on the Bid / Issue Closing Date.

### **Interest on Refund of Excess Bid Amount**

The Issuer shall pay interest at the rate of 15% per annum on the excess Bid Amount received by the Issuer if the refunds are not electronically transferred or refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

### **Equity Shares In Dematerialized Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Issuer, the respective Depositories and the Registrar to the Issue:

- Agreement dated June 6, 2007 with NSDL, the Issuer and the Registrar to the Issue;
- Agreement dated June 11, 2007 with CDSL, the Issuer and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

The trading of the Equity Shares of the Issuer would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders

Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the BRLM where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of allotted Equity Shares in the respective beneficiary accounts, refund orders etc.

### **Disposal of Applications and Application Moneys and Interest In Case Of Delay**

The Issuer shall ensure dispatch of Allotment advice, refunds and give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section titled “Issue Procedure” beginning on page 324 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories’ database. The Registrar will send the electronic files with the refund data to the Bankers to the Issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Issuer shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder’s sole risk ;and
- We shall pay interest at the rate of 15% per annum if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Impersonation**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

**Basis of Allotment:**

**A. For Retail Individual Bidders:**

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to 852,120 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.

If the aggregate demand in this category is greater than 852,120 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of 8 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of Allotment, refer below.

**B. For Non-Institutional Bidders:**

Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Issue size less allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to 284,040 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than 284,040 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 8 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of Allotment refer below

**C. For QIB Bidders:**

Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

Allotment shall be undertaken in the following manner:

In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below.

In the second instance allocation to all QIBs shall be determined as follows:

In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate Allotment to QIB Bidders shall not be less than 1,704,240 Equity Shares.

#### **D. For Eligible Employees**

Bids under the Employee Reservation Portion by Eligible Employees shall be made only on the prescribed Bid-cum-Application Form or Revision Form.

Only Eligible Employees are eligible to apply in this Issue under the Employee Reservation Portion; the sole/ first Bidder should be an Eligible Employee as defined in this Red Herring Prospectus and should mention their employee number at the relevant places in the Bid-cum-Application Form.

Eligible Employees will have to Bid like any other Bidder and only other Bids which are received at or above the Issue Price will be considered for allocation under the Employee Reservation category. Eligible Employees who apply or Bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price, but this facility is not available for other Eligible Employees whose minimum Bid amount exceeds Rs. 100,000. The maximum Bid in this category by an Eligible Employee cannot exceed 85,212 Equity Shares. Bids by Eligible Employees can also be made in the Net Issue and such Bids shall not be treated as multiple Bids.

#### **Method of proportionate basis of allocation in the Issue**

In the event of the Issue being over-subscribed, we shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

Bidders will be categorized according to the number of Equity Shares applied for.

The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate Allotment is less than 8 Equity Shares per Bidder, the Allotment shall be made as follows:

Each successful Bidder shall be allotted a minimum of 8 Equity Shares; and

The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate Allotment to a Bidder is a number that is more than 8 but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### **Illustration of Allotment to QIBs and Mutual Funds (MF):**

<b>S. No.</b>	<b>Particulars</b>	<b>Issue details</b>
1	Issue size	100 million Equity Shares
2	Allocation to QIB (at least 60% of the Net Issue)	60 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	3 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	57 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 million Equity Shares

#### **Details of QIB Bids**

<b>S. No</b>	<b>Type of QIB bidders</b>	<b>No. of Equity Shares bid for (in million)</b>
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	<b>TOTAL</b>	<b>250</b>

#### **C. Details of Allotment to QIB Bidders/Applicants**

*(Number of Equity Shares in million)*

Type of QIB bidders	Equity Shares bid for	Allocation of 3 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 57 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	-	5.77	-
A2	10	-	2.31	-
A3	65	-	15.00	-
A4	25	-	5.77	-
A5	25	-	5.77	-
MF1	20	0.60	4.48	5.08
MF2	20	0.60	4.48	5.08
MF3	40	1.20	8.95	10.15
MF4	10	0.30	2.24	2.54
MF5	10	0.30	2.24	2.54
	<b>250</b>	<b>3.00</b>	<b>57.00</b>	<b>25.38</b>

**Please note:**

The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 320 of this Red Herring Prospectus.

Out of 60 million Equity Shares allocated to QIBs, 3 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million Equity Shares in the QIB Portion.

The balance 57 million Equity Shares (i.e. 60 – 3 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 million Equity Shares (including 5 Mutual Fund applicants who applied for 100 million Equity Shares).

The figures in the fourth column titled “Allocation of balance 57 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 57 / 247

For Mutual Funds (MF1 to MF5) = [(No. of Equity Shares bid for (i.e. in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)] X 57/247

The denominator for arriving at allocation of the balance 57 million Equity Shares to the 10 QIBs are reduced by 2.5 million Equity Shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

The numerator for arriving at allocation of balance 57 million Equity Shares to the Mutual Fund applicants is reduced by the respective number of Equity Shares already allotted to each Mutual Fund in the manner specified in column III of the table above.

**Letters of Allotment or Refund Orders**

The Issuer shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Issuer further undertakes that:

Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

#### **Dispatch of refund orders**

Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue; and

#### **Interest in case of delay in dispatch of Allotment letters/refund orders**

The Issuer shall pay interest at the rate of 15% per annum if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **Modes of Refund**

The payment of refund, if any, shall be undertaken in the following order of preference:

##### **NEFT**

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

##### **ECS**

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive the refund through direct credit or RTGS

##### **Direct Credit**

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

## RTGS

Applicants having a bank account at any of the abovementioned fifteen centres centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

*Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.*

## Refund Order

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM.

## Undertakings by the Issuer

The Issuer undertakes as follows:

That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;

That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;

That the funds required for dispatch of refund orders /Allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;

That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and

That the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public

That the certificates of the Equity Shares/ refund orders to the non-resident Indians shall be dispatched within the specified time.

That no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

**Utilisation of Issue proceeds**

Our Board of Directors certify that:

All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

Details of all un-utilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such un-utilised monies have been invested;

The Issuer shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

The utilization of all monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the Issuer indicating the purpose for which such monies have been utilized

The details of all unutilized monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the Issuer, indicating the form in which such unutilized monies have been invested.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such Investment. The Comprehensive Manual for Foreign Direct Investment- Policy & Procedures dated November, 2005 issued by the Department of Industry Policy and Promotion, Ministry of Commerce and Industry does not prescribe any cap on the foreign investments in the sector in which the Issuer operates. Therefore, foreign investment up to 100% is permitted in the Issuer under the automatic route. Please refer to the section titled “Regulation and Policies” beginning on page 71 of this Red Herring Prospectus for details.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public issue without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a nonresident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the nonresident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

### **Representation from the Bidders**

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of the Issuer in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Issuer, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Issuer and will not offer, sell, pledge or transfer the Equity Shares of the Issuer to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Issuer. The Issuer, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Issuer.

### **Subscription by Eligible Non-Residents**

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation. As per RBI regulations, OCBs cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be issued or sold within the United States. The Equity Shares are only being issued and sold outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

## SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

**The main provisions of the Articles of Association of the Issuer are as follows:**

**1. Article 3 –Capital:**

The authorised Share Capital of the Company is Rs. 1,37,00,00,000 (Rupees One Hundred Thirty-seven Crores) consisting of 17, 40, 00,000 (Seventeen Crore Forty Lakhs) Equity Shares of Rs. 5 (Rupees Five) each and 50, 00,000 (Fifty Lakhs) Preference Shares of Rs. 100 (Rupees Hundred) each.

**2. Article 6 – Increase in capital:**

The Company in general meeting may from time-to-time increase its share capital by the creation of further shares, such increases to be of such aggregate amount and to be divided into shares of such respective amounts, as the resolution shall prescribe. Subject to the provisions of the Act, the further shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof shall direct, and if no direction be given as Board shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company, and with a right of voting at general meetings of the Company.

**3. Article 7 – Further issue of Capital**

1. Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares then:

- (a) such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date;
  - (b) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of offer within which the offer, if not accepted, will be deemed to have been declined;
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him/or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right;
  - (d) After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.
- (2) Notwithstanding anything contained in sub-clause (1), the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever:-
- (i) If a special resolution to that effect is passed by the Company in General Meeting; or
  - (ii) where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an

application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing contained in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:-
- (i) to convert such debentures or loans into shares in the Company; or
  - (ii) to subscribe for shares in the Company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:-

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules; if any, made by, that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

#### **4. Article 8 - Redeemable Preference Shares**

Subject to the provisions of the Act, the Company shall have the power to issue preference shares which are or, at the option of the Company, are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

#### **5. Article 10 - Cumulative Convertible Preference Shares**

Subject to the provisions of the Act, the Company shall have the power to issue Cumulative Convertible Preference Shares to which the following provisions shall apply:

- a) The dividend payable on the said shares shall be payable on a preferential basis and shall be at such rate as may be prescribed or permitted under the applicable rules and regulations prevailing at the relevant time.
- b) The dividend shall be cumulative and arrears shall be payable to the shareholders registered with the Company on the date fixed for determining to whom the dividend then declared is paid.
- c) All such shares shall be converted into equity shares any time between the expiry of three years and the expiry of five years from the date of allotment of the shares as may be decided by the Board subject to any applicable regulations or sanctions that may be in force at the time. Upon conversion into equity shares, the right to receive arrears of dividend, if any, on the preference shares upto the date of conversion shall devolve on the

holder of the equity shares registered with the Company on the date prescribed in the declaration of the said dividend.

- d) Such conversion shall be deemed to be redemption of the preference shares out of the proceeds of a fresh issue of shares.

**6. Article 12 (1) - Restrictions on Purchase by Company of its own shares**

The Company shall not have the power to buy its own shares, unless the consequent reduction of capital is effected and sanctioned in accordance with Article 13 and in accordance with Section 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.

**7. Article 14 – Consolidation and division of Capital**

The Company may in general meeting alter the conditions of its Memorandum of Association as follows: -

- a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- b) Sub-divide its shares, or any of them into shares of smaller amount so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. The cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.

**8. Article 24 - Acceptance of shares**

Subject to the provisions of these Articles, any application signed by or on behalf of an applicant for shares in the Company followed by an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purposes of these Articles, be a member, provided that no share shall be applied for by or allotted to a minor, insolvent or person of unsound mind.

**9. Article 26 - Liability of Members**

Every member, or his heirs, executors or administrators, shall pay to the Company the proportion of the Capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts at such time or times and in such manner, as the Board of Directors shall, from time to time in accordance with the Company's regulations require or fix for the payment thereof.

**10. Article 28 – Share Certificates**

Every member or allottee of shares shall be entitled without payment, to receive one certificate or more certificates in marketable lots for all the shares of the same class registered in his name and specifying the name of the person in whose favour it is issued, the share certificate number and the distinctive number(s) of the shares to which it relates and the amount paid up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment of its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares PROVIDED THAT if the letter of allotment is lost or destroyed the Board may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out of

pocket expenses incurred by the Company in investigating the evidence. If any member shall require additional certificate, he shall pay for each additional certificate (not being in the marketable lot) such sum not exceeding one rupee, as the Board shall determine. The certificate of title to shares shall be issued under the Seal of the Company in conformity with the provisions of the Companies (Issue of Share Certificates) Rules 1960 or any statutory modification or re-enactment thereof for the time being in force.

**11. Article 32 - The first Named of Joint Holders deemed Sole Holder**

If any share stands in the name of two or more persons, the person first named in the Register of Members, shall as regards receipt of dividends or bonus or service of notice and/or any other matter connected with the Company, except voting at meetings and the transfer of the shares, be deemed the sole holder thereof, but the joint holders of a share shall be, severally as well as jointly liable for the payment of all installments and calls due in respect of such share, and for all incidents thereof according to these Articles.

**12. Article 34 - Company not bound to recognize any interest in share other than that of registered holder**

1. The Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share, or (except only as is by these presents otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these presents in the person from time to time registered as the holder thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of two or more persons or the survivors of them.
2. Save as herein otherwise provided the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognize any benami trust or other claim or claims or right to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof.

**13. Article 40 – Interest out of Capital**

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions contained in Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

**14. Article 41 - Directors may make calls**

The Board of Directors may, from time to time, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at every call so made on him to the persons and at the times and place appointed by the Board of Directors. A call may be made payable by installments.

**15. Article 43 - Notice of calls**

Fifteen days' notice at least of every call payable otherwise than on allotment shall be given by the Company specifying the time and place of payment, and to whom such call shall be paid. Provided that the Board may, at its discretion, revoke the call or postpone it.

**16 Article 46 – Calls to carry interest after due date**

If any member fails to pay a call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time the Article shall render it compulsory upon the Board of Directors to demand or recover any interest from any such member.

**17. Article 48 - Payments in advance of call may carry interest**

The Directors may, if they think fit, subject to the provisions of section 92 of the Act, agree to and receive from any member willing to advance whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rates, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of this Article shall *mutatis mutandis* apply to the calls on debentures of the Company.

**18. Article 49- If call or installment not paid Notice may be given**

If any member fails to pay any call or installment of a call in respect of any share on or before the day appointed for the payment of the same, the Board may, at any time thereafter, during such time as the call or installment remains unpaid serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

**19. Article 50 – Form of Notice**

The notice shall name a day (not being earlier than the expiry of fourteen days from the date of service of the notice) and a place(s) on and at which such money, including the call installment and such interest and expenses as aforesaid, is to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which the call was made or installment was payable, will be liable to be forfeited.

**20. Article 51 - In default of payment shares to be forfeited**

If the requisitions of any such notice as aforesaid are not complied with any share in respect of which the notice has been given, may at any time thereafter, before all the calls or installments and interests and expenses due in respect thereof are paid, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonus declared in respect of the forfeited shares and not actually paid before forfeiture.

**21. Article 52- Notice after Forfeiture**

When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the

date thereof, shall forthwith be made in the Register of Members provided however that the failure to give the notice of the share having been forfeited will not in any way invalidate the forfeiture.

**22. Article 53- Forfeited Shares to become property of the Company.**

Any shares so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.

**23. Article 54 - Power to Annul Forfeiture**

The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof as a matter of grace and favour, but not as of right, upon such terms and conditions, as it may think fit.

**24. Article 55- Arrears to be paid notwithstanding Forfeiture**

Any member whose shares shall have been forfeited shall notwithstanding the forfeiture, be liable to pay, and shall forthwith pay to the Company all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment at such rate not exceeding fifteen percent per annum as the Board may determine and the Board may endorse the payment of such moneys or any part thereof if it thinks fit, but shall not be under any obligation so to do.

**25. Article 56- Effect of Forfeiture**

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company, in respect of the share and all other rights incidental to the share except only such of those rights as are by these Articles expressly saved.

**26. Article 59- Title of Purchaser and Allottee**

The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share. Any such purchaser or allottee shall not (unless by express agreement to the contrary) be liable to pay any calls, amounts, installments, interest and expenses owing to the Company prior to such purchases or allotment, nor shall he be entitled (unless by express agreement to the contrary) to any of the dividends, interest or bonuses accrued or which might have accrued upon the share before the time of completing such purchase or before such allotment. Such purchaser or allottee shall not be bound to see to the publication of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings with reference to the forfeiture, sale, re-allotment or disposal of the share.

**27. Article 60 - Partial payment not to Preclude Forfeiture**

Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

**28. Article 63 - Company's Lien on Shares**

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with

others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that Article 34 hereof is to have full effect and such lien shall extend to all dividends/interests and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of transfer of shares / debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.

**29. Article 66 - Validity of Sales in exercise of Lien and after Forfeiture**

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the Register of Members in respect of such shares the validity of the sale shall not be impeached by any person, and the remedy of any persons aggrieved by the sale shall be in damages only and against the Company exclusively.

**30. Article 72 – Form of transfer**

The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and any statutory modification(s) thereof for the time being shall be duly complied with in respect of all transfers of shares and of the registration thereof. However, the provisions relating to instrument of transfer shall not apply to the shares of the Company which have been dematerialised.

**31. Article 82 – Transmission of Shares**

Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and approved by the Board, registered as such holder provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of the share.

**32. Article 88 – Board may refuse Transfer to more than four names**

Subject to the provisions of the Act, the Board may refuse to transfer a share or shares in the joint names of more than four persons.

**33. Article 93 – Power to borrow**

Subject to the provisions of the Sections 292 and 293 of the Act, the Board may, from time to time at its discretion accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such money's without the consent of the Company in General Meeting.

**34. Article 98 – Power to Issue Share Warrants**

The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115, and accordingly, the Board may in its discretion, with respect to any share which is fully paid up on an application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the persons signing the application, and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

**35. Article 105 – Calling of Extraordinary General Meeting**

The Board may, whenever it thinks fit, call an extra ordinary general meeting of the Company and it shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary general meeting of the Company, and in the case of such requisition the provisions of Section 169 of the Act shall apply. No shareholder or shareholders shall call a meeting of the Company except by or upon a requisition as herein provided.

**36. Article 106 – Length of notice for calling meeting**

(1) A general meeting of the Company may be called by giving not less than twenty-one days notice in writing.

(2) A general meeting may be called after giving shorter notice than that specified in sub clause (1) hereof if consent is accorded thereto:

- (i) in the case of an annual general meeting, by all the members entitled to vote thereat, and
- (ii) in the case of any other meeting by members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right to vote at that meeting.

Provided that where any members of the Company are entitled to vote on some resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

**37. Article 107 - Contents and manner of service of notice and persons on whom it is to be served**

(1) Every notice of the meeting of the Company shall specify the place and the day and hour of the meeting, and shall contain a statement of the business to be transacted thereat.

(2) Notice of every meeting of the Company shall be given:

- (i) to every member of the Company, in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act;
- (ii) to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the insolvent, or by any like description, at the address, if any, in India supplied or the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and

- (iii) to the auditor or auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of any member or members of the Company.
- (iv) PROVIDED that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the registered office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that section, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

(3) The accidental omission to give notice to or non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

(4) Every notice convening a meeting of the Company shall state that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member of the Company.

**38. Article 108 – Special Business**

All business to be transacted at an annual general meeting with the exception of business relating to (i) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors, (ii) the declaration of the dividend, (iii) the appointment of directors in place of those retiring, and (iv) the appointment of and the fixing of the remuneration of auditors, and all, business to be transacted at any other meetings of the Company shall be deemed ‘Special’.

**39. Article 112 – Presence of Quorum**

No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business.

**40. Article 113 - If quorum not present, meeting when to be dissolved and when to be adjourned**

If within half an hour from the time appointed for holding the meeting a quorum is not present the meeting, if called upon the requisition of members shall stand dissolved, but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or if that day is a public holiday until the next succeeding day in the next week which is not a public holiday, or to such other day, time and place as the Board may determine.

**41. Article 117 – Chairman of General Meeting**

The Chairman of the Board shall, if willing, preside as Chairman at every general meeting, annual or extra-ordinary. If there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or being present declines to take the Chair, the Directors present may choose one of their number to be Chairman and in default of their taking the Chair in doing so the members present shall choose one of the Directors to be Chairman and if no Director present be willing to take the Chair shall, on a show of hands elect one of their number to be Chairman of the meeting. If a poll is demanded on the election of the Chairman it shall be taken forthwith in accordance with the provisions of the Act and these Articles, and the Chairman elected on a show of hands shall exercise all the powers of the Chairman under the said provisions. If some other person is elected Chairman as a result of the poll, he shall be the Chairman for the rest of the meeting.

**42. Article 143 – Minutes of General Meeting and inspection thereof by members**

(a) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered.

(b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or, in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.

(c) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(d) All appointments of officers made at any meeting aforesaid shall be included in the minutes of the meeting.

(e) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting (1) is or could reasonably be regarded as defamatory of any person or (2) is irrelevant or immaterial to the proceedings, or (3) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.

(f) Any such minutes shall be evidence of the proceedings recorded therein.

(g) The book containing the minutes of proceedings of General Meetings shall be kept at the office of the Company and shall be open during business hours for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.

**43. Article 149- Share Qualification**

A Director need not hold any qualification shares.

**44. Article 167 – Power of Board Meeting**

A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles are for the time being vested in or exercisable by the Board generally.

**45. Article 171 – Circular Resolution**

1. No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors or to all the members of the committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or committee as the case may be) and to all other directors, or members at their usual address in India, or by a majority of such of them as are, entitled to vote on the resolution.
2. A resolution passed by circular without a meeting of the Board or of a Committee of the Board shall subject to the provision of sub-clause (1) hereof be as valid and effectual as a resolution duly passed at a meeting of the Board or of the Committee duly called and held.

**46. Article 173 - The Board shall not, except with the consent of the Company in general meeting:**

- a) sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertakings;

b) remit, or give time for the repayment of, any debt due by a director [except in the case of renewal or continuance of an advance made by a banking company to its director in the ordinary course of business];

c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose provided further that the powers specified in Section 292 of the Act, shall subject to these articles be exercised only at meeting of the Board unless the same be delegated to the extent stated; or

e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

#### **47. Article 175 – Certain powers of the Board**

Without prejudice to the general powers conferred by Article 172 and the other powers conferred by these Articles and Section 291 of the Act, so as not in any way to limit or restrict those powers, but subject however to the provisions of the Act, it is hereby expressly declared that the Board shall have the following powers: -

1. To pay the costs, charges and expenses incurred, preliminary, incidental to the promotion, formation, establishment and registration of the Company.
2. Subject to the provisions of the Act, to purchase or otherwise acquire for the Company and any property, immovable, right or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as it may think fit, and in any such purchase or other acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory.
3. At its discretion and subject to the provisions of the Act, to pay for any property, right or privileges, acquired by or for services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, debenture stock or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as fully paid up thereon as may be agreed upon and any such bonds, debenture stock or other securities may be either specifically charged upon all or any part of the property of the Company including its uncalled capital or not so charged.
4. To secure the fulfillment of any contracts, agreements or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as it may think fit.
5. To appoint and at its discretion, remove or suspend, such manager, secretaries, Officers, Clerks, agents and employees, for permanent, temporary or special services as it may from time to time think fit, and to determine their powers and duties and fix their salaries, employment's or remuneration and to require security in such instances and of such amounts as it may think fit.

6. To accept from any member, subject to the provisions of the Act, a surrender of his share or any part thereof on such terms and conditions as shall be agreed.
7. To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company, or in which it is interested, or for any other purpose, and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
8. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due or any claims or demand by or against the Company, and to refer any difference to arbitration and observe the terms of any awards made therein either according to Indian law or according to foreign law and either in India or abroad and observe and perform or challenge an award made therein.
9. To refer any claims or demands by or against the Company or any differences to arbitration, and observe and perform the awards, except by an order of a court to the contrary.
10. To act on behalf of the Company in all matters relating to bankrupts and insolvents.
11. To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company.
12. To open and operate Bank Accounts to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, hundis, bills of exchange, negotiable instruments, leases and related documents, dividend warrants, releases, contracts and documents and to discount, endorse or co-accept bills and to give the necessary authority for such purpose.
13. Subject to the provision of the Act and these Articles, to provide for the management of the affairs of the Company in or outside India in such manner as it may think fit, and in particular to appoint any person to be the attorneys or agents of the Company with such person (including the power to sub-delegate) and upon such terms as may be thought fit.
14. Subject to the provisions of the Act and these Articles, to invest and deal with the moneys of the Company not immediately required for the purpose thereof in or upon such security (not being shares in this Company) or without security and in such manner as it may think fit, and from time to time to vary or realise such investments. Save as provided in the Act, all investments shall be made and held in the Company 's own name.
15. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur, any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as it thinks fit and any such mortgages may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.
16. To distribute by way of bonus amongst the staff of the Company, a share or shares in the profits of the Company, and to give to any director, officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as a part of working expenses of the Company.
17. To provide for the welfare of employees or ex-employees of the Company and the wives and families or the dependants or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pensions, gratuity, annuities, allowances, bonuses or other payments or by creating and from time to time subscribing or

contributing to provident fund and other associations, institutions, fund of trusts and by providing or subscribing or contributing towards places of instruction or recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit.

18. To subscribe, incur, expenditure or otherwise to assist or to guarantee money to charitable benevolent, religious, scientific, national, political or any other institutions or subjects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation or of public and general utility or otherwise.
19. Before recommending any dividend, to set aside out of the profits of the Company such sums as it may think proper for depreciation or to a depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies to repay debentures or for debenture-stock or for special dividends or for equalising dividends or for repairing, improving extending and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the last two preceding clauses) as the Board of Directors may in its absolute discretion think conducive to the interest of the Company, and subject to the Act to invest the several sums so set aside or so much thereof as is required to be invested upon such investments (other than shares of this Company) as it may think fit and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board of Directors, in its absolute discretion thinks conducive to the interests of the Company; notwithstanding that the matters to which the Board of Directors applies or upon which it expends the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended, and to divide the general reserve fund into such special funds as the Board may decide to transfer the whole or any portion of a reserve fund or division of a reserve fund to another reserve fund and with full power to employees for the assets constituting all or any of the above funds including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock and that without being bound to keep the same separate from the other assets and without being bound to pay interest on the same, with power, however, to the Board of Directors at its discretion to pay or allow to the credit of such funds interest at such rates as the Board of Directors may think proper.
20. To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act and of the provisions contained in these presents.
21. From time to time to make, vary and repeal bye-laws for regulation of the business of the Company, its officers and servants;
22. To issue and redeem the redeemable preference shares;
23. Subject to the provisions of the Act and these Articles for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds, and things in the name and on behalf of the Company as it may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company;
24. To undertake any branch or kind of business which the Company is expressly or by implication authorised to undertake at such time or times as it shall think fit; and to keep in abeyance any such branch or kind of business even though it may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

**48. Article 176 – Board may appoint Managing Directors**

Subject to the provisions of the Act, the Board of Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors or whole-time Director or whole-time Directors of the Company for a term not exceeding five years at a time for which he or they is or are to hold such office and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.

**49. Article 183 – Appointment of Secretary**

The Board may from time to time appoint and, at its discretion, remove any individual (hereinafter called “the Secretary”) to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties which may from time to time be assigned to the Secretary by the Board. The Board may also at any time appoint same persons (who need not be the Secretary) to keep the registers required to be kept by the Company. The appointment of Secretary shall conform to the provisions of the Act.

**50. Article 190 – Apportionment of Dividends**

All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such shall rank for dividend accordingly.

**51. Article 195 – Debts may be deducted**

The Board may retain any dividends payable on shares on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

**52. Article 197 – Dividend how paid**

Any general meeting declaring a dividend or bonus may resolve that such dividend be paid wholly or in part by the distribution of specific assets, partly or fully paid up shares, or debentures or debenture stock of the Company or in any one or more of such ways and Board shall give effect to the same and the Board may settle any difficulty in doing so in such manner as it may deem expedient.

**53. Article 203**

Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank as the unpaid dividend account of the Company and transfer to the said account, the total amount of dividend which remains unpaid or unclaimed.

Any money transferred to the said unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund established under section 205C (1) of the Act by the Central Government. No unclaimed or unpaid dividend shall be forfeited by the Board.

**54. Article 204 – Capitalisation of Reserves**

(a) Any general meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of the profit and loss account or of the Reserve Fund or any capital redemption reserve fund or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalized and

distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards:-

1. paying either at par or at such premium as the resolution may provide any un-issued shares or debentures or debenture stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or
2. paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or
3. paying up partly in the way specified in sub-clause (1) and partly in that specified in sub-clause (2) and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

(b)(1) Any moneys, investments or other assets representing premium received on the issue of shares standing to the credit of share premium account; and

(2) If the Company shall have redeemed any redeemable preference shares, all or part of any capital redemption fund arising from the redemption of such shares may by resolution of the Company be applied only in paying up in full for any shares remaining unissued to be issued to such members of the Company as the general meeting may resolve up to an amount equal to the nominal amount of the shares so issued.

(c) Any general meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

(d) For the purpose of giving effect to any such resolution the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, bond or other obligations in trustees upon such trust for the person entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment, and sale of such shares, debentures, debentures-stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.

(e) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act, and these Articles and to the directions of the Company in general meeting, if any, sell the shares which the members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Board may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or by invalidity in the proceedings with reference to the sale.

(f) Where required a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the person entitled to the dividend or capitalized fund and such appointment shall be effective.

## **55. Article 215 - Indemnification**

Subject to the provisions of the Act, every Director, Manager or an other officer or any person (whether officer of the Company or not) employed by the Company, or as an auditor, or servant of the Company shall be indemnified by the Company and it shall be the duty of the Board to pay out of the funds of the Company all costs, charges, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done by him as such officer or servant or in any way in the discharge of his duties including expenses, and in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such director, Manager, officer or servant in defending my proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted by the court.

## **SECTION IX: MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS**

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Issuer or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Issuer. Copies of these contracts have been attached to the copy of this Red Herring Prospectus which has been delivered to the Registrar of Companies, Mumbai for registration. Copies of these contracts have also been deposited with the documents for inspection referred to hereunder, at the Registered Office of the Issuer located at Palm Spring Centre, 2<sup>nd</sup> Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai 400 064 and can be inspected from 10.00 a.m. to 4.00 p.m. on working days, from the date of this Red Herring Prospectus until the date of closure of the Issue.

### **1. Material Contracts**

- a. Letter dated February 26, 2007 from Citigroup Global Markets India Private Limited, regarding their appointment as Book Running Lead Manager to the Issue and the Issuer's acceptance thereto.
- b. Memorandum of understanding between the Issuer and Citigroup Global Markets India Private Limited, dated March 30, 2007.
- c. Letter from Issuer dated March 30, 2007 appointing Intime Spectrum Registry Limited as the Registrar to the Issue.
- d. Memorandum of Understanding between Issuer and the Registrar, Intime Spectrum Registry Limited dated July 30, 2007.
- e. Escrow Agreement dated [●], 2007 between the Issuer, the BRLM, the Escrow Banks, and the Registrar to the Issue;
- f. Underwriting Agreement dated [●], 2007 between the Issuer, the BRLM, and the Registrar to the Issue;

### **2. Material Documents**

1. The Memorandum and Articles of Association of the Issuer, as amended from time to time.
2. Certificate of incorporation of the Issuer dated May 18, 2005.
3. Certificate of commencement of business dated June 3, 2005.
4. Agreement dated December 22, 2006 between the Issuer (Contributor) and Motilal Oswal Venture Capital Advisors Private Limited (Investment Managers) and IL&FS Trust Company Limited (trustee) whereby the Issuer would make contributions towards the "India Business Excellence Fund".
5. Agreement dated March 7, 2006 between the Issuer, New Vernon Private Equity Limited and Bessemer Venture Partners Trust, Mr. Motilal Oswal and Mr. Raamdeo Agrawal for the investment in Motilal Oswal Financial Services Limited.
6. Agreement dated April 18, 2006 (as amended by agreement dated January 30, 2007) between the Issuer, Motilal Oswal Investment Advisors Private Limited (MOIA) and Mr Ashutosh Maheshvari for investment in MOIA.
7. Agreement dated July 29, 2006 between MOSL and Mani Stock Brokers Limited, for the acquisition of customer rights and other assets of Mani Stock Brokers Limited by MOSL.

8. Agreement dated June 15, 2006 between MOSL and Capital Deal Stock and Share Brokers, for the acquisition of customer rights and other assets of Capital Deal Stock and Share Brokers by MOSL.
9. Agreement dated April 1, 2006 between MOSL and Peninsular Capital Markets Limited, for the acquisition of customer rights and other assets of Peninsular Capital Markets Limited by MOSL.
10. Resolution of the Board of Directors of the Issuer passed at its meeting held on January 15, 2007 authorising this issue of Equity Shares and resolution of the members of the Issuer passed at its extraordinary general meeting held on February 14, 2007 authorising the Board of Directors to decide the terms and conditions for this offering.
11. The report of the statutory auditors, M/s Haribhakti and Co. dated July 5, 2007 prepared in accordance with Indian GAAP and referred to in the Red Herring Prospectus and copies of balance sheet and profit and loss account of Motilal Oswal Securities Limited.
12. The report of the statutory auditors, Aneel Lasod and Associates dated July 5, 2007, prepared in accordance with Indian GAAP and referred to in the Red Herring Prospectus and copies of balance sheet and profit and loss account of Motilal Oswal Commodities Broker Private Limited.
13. The report of the statutory auditors, M/s Haribhakti and Co. dated July 9, 2007 on the consolidated accounts of the Issuer and its Subsidiaries, prepared in accordance with Indian GAAP as referred to in the Red Herring Prospectus.
14. A copy of the tax benefit report dated August 4, 2007 from our statutory auditors M/s Haribhakti and Co.
15. Consents of Directors, auditors, Domestic Legal Counsel of the Issuer, Domestic Legal Counsel of the Underwriters, the International Legal Counsel to the Underwriters, expert named in the Red Herring Prospectus, BRLM, Registrar to the Issue, Bankers to the Issue, bankers to the Issuer, company secretary and compliance officer as referred to in their respective capacities.
16. General power of attorney executed by Directors of the Issuer in favour of person(s) for making necessary changes to the Red Herring Prospectus.
17. Resolution of the members of the Issuer passed at the annual general meeting held on August 4, 2007 appointing M/s Haribhakti and Co as statutory auditors for the year 2007-08.
18. Due diligence certificate dated March 30, 2007 to SEBI from the BRLM.
19. Initial application for listing dated April 5, 2007 filed with the BSE and NSE.
20. "In-principle" listing approval for listing the Equity Shares at the Bombay Stock Exchange Limited dated April 25, 2007 and National Stock Exchange of India dated June 11, 2007.
21. Tripartite agreement between the Issuer, NSDL and Registrar dated July 6, 2007.
22. Tripartite agreement between the Issuer, CDSL and Registrar dated July 11, 2007.
23. Copies of the Annual Report of the Issuer and its Subsidiaries for the last five financial years, to the extent available.
24. SEBI observation letter no. CFD/DIL/NB/JAK/99115/2007 dated July 19, 2007 and the Issuer's reply to the same dated August 6, 2007.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Issuer or if required by the other parties, without reference to

the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## **SECTION X: DECLARATION**

All the relevant provisions of the Companies Act and the guidelines issued by the Government or by SEBI, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or the rules made there under or guidelines issued, as the case may be. The Issuer further certifies that all the statements in this Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTORS**

Mr. Motilal Oswal  
(The Chairman and Managing Director, Chief Executive Officer and Chief Financial Officer)

Mr. Raamdeo Agrawal\*

Mr. Navin Agarwal\*

Mr. Ramesh Agarwal\*

Mr. Balkumar Agarwal\*

Mr. Madhav Bhatkuly\*

*\*through their constituted attorney, Mr Motilal Oswal*

Date: August 8, 2007.

Place: Mumbai