

CENTRUM FINANCE LIMITED



24th Annual Report
2001 - 2002



Centrum Finance Limited

BOARD OF DIRECTORS

Mr. Khushrooh P. Byramjee	Chairman
Mr. Berjis M. Desai	
Mr. Gobind N. Gidwani	
Mr. Philip Thomas	
Mr. Rajesh V. Nanavaty	
Mr. P. G. Kakodkar	
Mr. Ibrahim S. Belselah	
Mrs. Mahakhurshid K. Byramjee	
Mr. Chandir G. Gidwani	Managing Director

COMPANY SECRETARY

Mr. Khushroo Driver

BANKERS

The Ratnakar Bank Limited
HDFC Bank Limited
Standard Chartered Bank
Citibank N.A.

AUDITORS

F K Mody & Co.,
Chartered Accountants,
408, Bharat Diamond Bourse,
Above Swastik Cinema, Lamington Road, Mumbai - 400 004.

REGISTERED OFFICE

Bombay Mutual Building,
2nd Floor, Dr D N Road, Fort, Mumbai - 400 001.
Tele # 2266 2434 / 5268 / 4611 Fax # 2266 3458
E-mail : info@centrum.co.in
Website : centrum.co.in

CORPORATE OFFICE

Eucharistic Congress Building No.III
10th Floor, 5, Convent Street
Colaba, Mumbai - 400 039.
Tele # 2202 3838 Fax # 2204 6096

BRANCHES

Ahmedabad * Bangalore * Baroda * Chennai * Delhi * Hyderabad * Kolkata * Pune * Surat

Centrum Finance Limited

ANNUAL REPORT 2001-2002

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their twenty fourth Annual Report together with the Audited Accounts of your Company for the year ended 30th June, 2002.

Financial Highlights

Particulars	Rupees in '000	
	Year ended 30th June, 2002 Amount	Year ended 30th June, 2001 Amount
Gross Income from operations	79,110	1,264,110
Extraordinary Income	-	27,000
Profit before depreciation and tax	13,117	32,330
Less Depreciation	7,021	12,888
Profit before tax	6,096	19,442
Less Provision for taxation	3,768	2,000
Profit after tax	2,328	17,442
Less proposed Dividend	488	2,180
Income Tax on Proposed Dividend	-	222
Balance of profit for the year	982	15,040
Balance of profit for earlier years	32,233	37,194
Transfer to General Reserve Account	-	20,000
Balance carried forward	33,215	32,233

Performance Review

Previous years figures are not comparable as they include forex division figures. Overall performance has been affected due to recessionary conditions in the economy and depressed capital market conditions. However the company has maintained its leadership position in the primary debt market and project finance business. Lease/Hire Purchase syndication also came to a standstill because of regulatory issues.

Dividend

Looking at the bottom line and future prospects, your directors are pleased to recommend a dividend of 1 % and it will be paid to eligible shareholders whose names stand registered in the books of the Company as on the book closure date.

Directors

Mr Gobind Gidwani, Mr Philip Thomas & Mr P.G Kakodkar retire by rotation and being eligible, offer themselves for re - appointment. Mr Berjis Desai had been appointed as Additional Director at the meeting of the Board of Directors held on 7th January, 2002. He holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice from a member proposing his candidature for the office of Director at the said Meeting.

Director's Responsibility Statement

Pursuant to the provision of section 217 (2AA) of the Companies Act, 1956, the Board hereby certifies and confirm that :

- 1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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- 2) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affair of your Company at the end of the financial year and of the profit or loss of your Company for that period;
- 3) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- 4) the directors have prepared the annual accounts on a going concern basis.

Corporate Governance

The provisions relating to corporate governance mentioned in the Listing agreement and section 292A are currently not applicable to the Company. However your company has always strived to incorporate appropriate standards for good corporate governance, and is taking necessary steps required for implementing corporate governance code.

Subsidiary Company

The audited statements of account of the Company's subsidiary viz; Centrum Forex Limited for the year ended 30th June, 2002 together with the Report of Directors and the Auditors, as required under section 212 of the Companies Act, 1956, is attached herewith.

There has been no change in the Company's shareholding in Centrum Forex Limited.

Auditors

M/s. F. K. Mody & Co., Chartered Accountants, retire as auditors of the Company and have given their consent for re-appointment. The Shareholders will be required to elect auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Fixed Deposits

The Company has not accepted any Fixed Deposits either from any member, director or public.

Future Prospects

Even though the external environment continues to be bad, the company has performed exceedingly well by getting ranked second in the April - June '02 quarter in the primary debt market. The project finance area also holds considerable potential for the future as the company is holding mandates exceeding Rs. 1200 crores for execution. However the same optimism cannot be exposed for the equities segment, which will take off only if sentiment improves. The Company has decided to transfer its retail distribution business to Centrum Forex Limited w.e.f. 01 July 2002 for better focus.

Conservation of Energy and Technology Absorption

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

Foreign Exchange Earning and outgo

The company earned Rs. NIL in foreign exchange earnings during the year. There were no major foreign exchange outgoes except in respect of business travel and related expenses, which amount to Rs. 5.01 lacs (previous year Rs. 16.89 lacs)

Particulars of Employees

As required under section 217 (2A) of the Companies Act, 1956 and Rules thereunder, we confirm that there were no employees who were in receipt of remuneration of not less than Rs. 12,00,000 during the year ended 30th June, 2002 or not less than Rs. 1,00,000 per month during any part of the said year.

Acknowledgments

The directors have pleasure in placing on record their appreciation to its Bankers, Investors, Clients for their co-operation and support to the Company. Your directors also place on record the commitment and involvement of the employees at all levels and looks forward to their continued co-operation.

By order of the Board

Sd/-
Chandir Gidwani
Managing Director

Place : Mumbai
Dated : 4th December, 2002



AUDITORS' REPORT**TO THE MEMBERS OF CENTRUM FINANCE LIMITED**

We have audited the attached Balance Sheet of Centrum Finance Limited as at 30th June, 2002 and also Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of provisions of section 227 (4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraph 4 and 5 of the Said Order.
- 2 Further to our comments in the annexure referred to in paragraph (1) above
 - a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion the company has kept proper books of accounts as required by law so far, as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
 - c) The Balance Sheet and Profit and Loss Account are in agreement with books of accounts;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply in all material terms with the Accounting Standards prescribed in sub-section (3C) of Section 211 of the Companies Act, 1956 **except Accounting Standard 15-Accounting for retirement benefits. The company accounts for retirement benefits on cash basis instead of accrual basis as specified by the said Accounting Standard. The effect of such deviation from the said Accounting Standard is presently not quantifiable in absence of actuarial valuation.**
 - e) On the basis of written representation received from directors and taken on record by Board of Directors, we report that none of the directors of the company are disqualified from being appointed as directors of the company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to explanation given to us the Balance Sheet and Profit & Loss Account subject to para (d) above and read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) In the case of the Balance Sheet of the state of affairs as at 30th June, 2002 and
 - ii) In the case of Profit and Loss Account of the profit of the company for the year ended on that date.

F. K. Mody & Co.
Chartered Accountants

Place : Mumbai
Dated : 4th December, 2002

Sd/-
Surendra Nijsure
Partner

Annexure to the Auditor's Report

(Referred to in Paragraph (1) of our even date)

- i) The Company has maintained proper records showing full particulars of fixed assets owned. The management at reasonable intervals has physically verified fixed assets and no material discrepancies are noticed on such verification. **Certain leased assets have neither been physically verified during the year nor the confirmations from the lessees have been obtained.**
- ii) None of the Fixed Assets have been revalued during the year.
- iii) The company does not have any stocks and hence the question of physical verification, reasonableness of frequency of such verification and their valuation does not arise.
- iv) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the registers maintained under section 301 are not, prima facie, prejudicial to the interest of the Company. The Company has not taken loans; secured or unsecured from Companies covered under Sections 370 (1B) (non-operative) of the Companies Act, 1956.
- v) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in register maintained under section 301 and/or to the Companies under the same management as defined under Section 370 (1B) (non-operative) of the Companies Act, 1956.
- vi) The Company has granted loans and advances in nature of loans where no stipulations as to their repayment are made. In respect of other loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are generally repaying the principal amount as stipulated and have also been regular in the payment of interest wherever applicable.
- vii) There are adequate internal control procedures commensurate with the size of the company and the nature of its business with regards to purchase of equipments and other assets.
- viii) There are no transactions of purchase of goods and materials and sale of goods and materials. In our opinion and according to the information and explanations given to us, the transactions of sale of services made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and aggregating during the year to Rs. 50,000/- or more have been made at prices which are reasonable having regard to prevailing market prices for such services or the prices at which transactions for such services have been made with other parties.
- ix) The company has not accepted public deposits during the year under review.
- x) The scope of Internal Audit needs to be widened to commensurate with size of the company and nature of business.
- xi) We are informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
- xii) According to the records of the company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.

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- xiii) No undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales-Tax, Custom duty and excise duty, were outstanding as at 30th June, 2002 for the period of more than six months from the date they become payable.
- xiv) According to the information and explanations given to us and the records of the Company examined by us no personal expenses have been charged to Profit & Loss Account other than those payable under contractual obligation or in accordance with generally accepted business practice.
- xv) The Provisions of Sick Industrial Companies (Special) Provision Act, 1985 does not apply to the Company.
- xvi) We are informed that the provision of Statue applicable to chit fund, nidhi or mutual benefit society do not apply to the company.
- xvii) In respect of company's service activities, having regard to the nature of the services rendered, it is not considered necessary to allocate man-hours to relative jobs.
- xviii) As per information and explanation given to us sub clauses (xii) and (xiv) of paragraph 4A and Clause (i) and (iii) of paragraph 4D of the aforesaid order are not applicable to the company.

F. K. Mody & Co.
Chartered Accountants

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Place : Mumbai
Dated : 4th December, 2002

Sd/-
Surendra Nijsure
Partner

Centrum Finance Limited

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BALANCE SHEET AS AT 30TH JUNE 2002

	Schedule	As at 30/6/2002 Rs.	As at 30/6/2001 Rs.
Sources of Funds			
Share Holder's Fund			
Share Capital	1	48,810,000	48,810,000
Reserves and Surplus	2	35,985,064	35,003,241
		<u>84,795,064</u>	<u>83,813,241</u>
Loan Funds			
Secured Loans	3	5,100,544	5,318,103
Unsecured Loans	4	62,336,210	136,136,210
		<u>67,436,754</u>	<u>141,454,313</u>
Deferred Tax Liability		3,612,994	-
Total		<u>155,844,812</u>	<u>225,267,554</u>
Application of Funds			
Fixed Assets			
Gross Block	5	112,571,114	112,156,841
Less : Depreciation		79,615,891	72,797,996
Net Block		<u>32,955,223</u>	<u>39,358,845</u>
Capital Work-in-progress		3,959,360	3,959,360
		<u>36,914,583</u>	<u>43,318,205</u>
Investments	6	52,583,679	52,431,679
Current Assets, Loans & Advances			
Stock on Hire		-	73,816
Sundry Debtors	7	52,182,121	30,379,626
Cash & Bank Balances	8	2,563,151	4,863,579
Loans & Advances	9	44,174,164	118,376,828
		<u>98,919,437</u>	<u>153,693,849</u>
Less : Current Liabilities & Provisions	10		
Current Liabilities		21,593,288	14,459,820
Provision		10,981,600	9,721,058
Net Current Assets		<u>66,344,550</u>	<u>129,512,971</u>
Miscellaneous Expenditure (to the extent not written off or adjusted.)		2,000	4,700
Notes to Accounts & Significant Accounting policies	18	<u>155,844,812</u>	<u>225,267,554</u>

As per our Report of even date attached

For F. K. Mody & Co.,
Chartered Accountants

For and On behalf of the Board

Sd/-
Surendra Nijsure
PartnerSd/-
Khushrooh P. Byramjee
ChairmanSd/-
Chandir Gidwani
Managing DirectorPlace : Mumbai
Date : December 4, 2002Sd/-
Rajesh V. Nanavaty
DirectorSd/-
Khushroo Driver
Company Secretary

Centrum Finance Limited**ANNUAL REPORT 2001-2002****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 30TH JUNE 2002**

	Schedule	Year Ended 30/6/2002 Rs.	Year Ended 30/6/2001 Rs.
Income			
Sale of Forex		-	1,137,757,285
Leasing & Hire Purchase	11	239,786	3,845,039
Syndication & Commission	12	73,929,668	77,290,558
Interest Income	13	4,793,758	7,082,565
Other Income	14	147,227	38,135,008
		<u>79,110,439</u>	<u>1,264,110,455</u>
Expenditure			
Cost of Sale - Forex	15	-	1,126,954,890
Interest & Finance charges	16	21,643,326	52,267,526
Administrative expenses	17	44,347,803	52,555,678
Depreciation		7,021,060	12,887,677
Preliminary expenses Written Off		2,700	2,700
		<u>73,014,889</u>	<u>1,244,668,471</u>
Profit before tax		6,095,550	19,441,984
Less : Provision for Current Tax		3,175,000	2,000,000
Less : Deferred Tax		592,873	-
Profit after tax		<u>2,327,677</u>	<u>17,441,984</u>
Profit Brought Forward	32,233,241		37,193,815
Less : Deferred Tax adjustments for prior Period	<u>3,020,121</u>	<u>29,213,120</u>	-
Amount available for appropriations		<u>31,540,797</u>	<u>54,635,800</u>
Add : Proposed Dividend of earlier year written back		1,962,227	-
Add : Tax on Dividend of earlier year written back		200,140	-
Amount transferred to General Reserve		-	20,000,000
Proposed Dividend		488,100	2,180,180
Tax on Dividend		-	222,378
		<u>33,215,064</u>	<u>32,233,241</u>
Balance Carried to Balance Sheet			

Notes to Accounts & Significant Accounting policies 18

As per our Report of even date attached

For F. K. Mody & Co.,
Chartered Accountants

For and On behalf of the Board

Sd/-
Surendra Nijsure
PartnerSd/-
Khushrooh P. Byramjee
ChairmanSd/-
Chandlr Gidwani
Managing DirectorPlace : Mumbai
Date : December 4, 2002Sd/-
Rajesh V. Nanavaty
DirectorSd/-
Khushroo Driver
Company Secretary