



CENTRUM

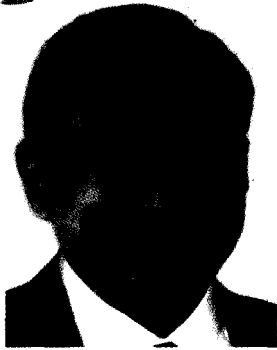
Your dream is our only target

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# Centrum Finance Limited

26th Annual Report  
2003 - 2004

*"You always inspired  
us to aim higher"*



MR. KHUSHROOH P. BYRAMJEE

22ND OCTOBER 1947 - 24TH DECEMBER 2002

Report

A MAN OF EXTRAORDINARY VISION

AND A PROFESSIONAL

OF EXCEPTIONAL CALIBRE

AND INTEGRITY,

OUR CHAIRMAN INSPIRED US

BOTH BY PRECEPT

AND PRACTICE

Centrum Finance Limited

#### BOARD OF DIRECTORS

Mr. Berjis Desai  
Mr. Chandir Gidwani  
Mr. R. Krishnamurthy  
Mrs. Mahakurshid K. Byramjee  
Mr. P. G. Kakodkar  
Mr. Manmohan Shetty  
Mr. K. V. Krishnamurthy  
Mr. Ibrahim S. Belselah  
Mr. Rajesh V. Nanavaty  
Mr. Rishad K. Byramjee  
Ms. Sonia G. Gidwani

Chairman  
Vice Chairman  
Managing Director

#### COMPANY SECRETARY

Mr. Suresh Viswanathan

#### BANKERS

The Ratnakar Bank Limited  
HDFC Bank Limited  
Standard Chartered Bank  
The Dhanalakshmi Bank Limited  
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](mailto:info@centrum.co.in)  
Website : [centrum.co.in](http://centrum.co.in)

#### CORPORATE OFFICE

Khetan Bhavan, 5th Floor,  
198, J. Tata Road, Churchgate,  
Mumbai - 400 020.  
Tele # 2202 3838 Fax # 2204 6096

#### BRANCHES

Ahmedabad \* Bangalore \* Baroda \* Chennai \* Delhi \* Dubai \* Gurgaon \* Hyderabad \* Kolhapur \* Kolkata \*  
Nagpur \* Pune \* Surat

**DIRECTORS' REPORT**

To the members,

Your Directors have pleasure in presenting their twenty sixth Annual Report together with the Audited Accounts of Company for the year ended 30<sup>th</sup> June, 2004.

**Financial Highlights**

Particulars	Rupees in '000	
	Year ended 30 <sup>th</sup> June, 2004 Amount	Year ended 30 <sup>th</sup> June, 2003 Amount
Gross Income from operations	1,30,844	95,567
Profit before depreciation and tax	28,946	14,309
Less Depreciation	6288	7064
Profit before tax	22,658	7,245
Less Provision for taxation	4,999	2,111
Profit after tax	17,659	5,134
Less Proposed Dividend	2,441	488
Income tax on proposed Dividend	319	63
Balance of Profit for the year	14,899	4,583
Balance of Profit for earlier years	37,799	33,215
Balance carried forward	50,873	37,799

**Management Discussion and Analysis on the Performance of the Company****a. Industry structure and developments.**

Efficient functioning of the financial system and an environment of financial stability were concurrent pursuits of the financial market regulators. In 2003-04 heightened sensitivity to these objectives was reflected in the stance of financial policies. Issues relating to corporate governance and appropriate disclosures were the focus of the conduct of financial regulation. At the same time, prudential norms and supervision continued to be tightened and benchmarked to international best practices and the emphasis also continued to shift from micro regulation to risk-based supervision.

The year 2003 - 2004 was a record breaking one in the history of India's capital market. The equity mobilisation of Rs. 17,821 Crore was the highest ever in the history. This was largely due to huge Offer of Sale by the Government of India. The other reason for this was the buoyant secondary market almost through out the year. The economic resurgence and the stable political climate only further improved the scenario. Significantly, the year started and ended with PSU divestments; while Maruti was the first issue of the year, the 6 divestment offers dominated the market in February-March.

Significantly, public debt issues, which had dominated the issuances in the past several years, recorded a major fall. The debt market (private placement) saw lot of volatility in the year 2003 04. The new SEBI Guidelines issued in September on corporate bonds had an immediate impact on resource raising. However it picked up in January, following clarifications in the guidelines.

A decline was also recorded in the mobilisation by the private sector. The attractive interest rates in the ECB market were the major reason for this fall.

**Annual Report 2003-2004****b. Segmentwise or product-wise performance.**

As part of a strategic plan, our investment banking businesses cover the following core areas:

1. Capital Markets
2. Strategic Advisory Services
3. Structured Finance
4. Financial Products Distribution

- ✓ Your company is ranked amongst the top 10 Merchant Bankers for M & A Transactions so far in FY2003-04 (CMIE-ET)
- ✓ 11th - Ranked Merchant Banker - Number and Value of Public issue assignments handled (Prime Database - April 2003 to March 2004)
- ✓ 6th Highest mobiliser for Debt Syndication (Prime Database April 2003 to March 2004)
- ✓ 3rd Highest mobiliser for private Placement Debt - Short Term issues (Prime Database April 2003 to March 2004)
- ✓ Project Finance segment mobilized Rs. 3000 Crore of finance
- ✓ Secondary Market Operations for Debt was set up in this year.

**c. Outlook**

Centrum intends to maintain its focus on debt and equity segments while supporting the growth of its subsidiary and associate companies in the areas of insurance, distribution, broking etc.

**d. Risks and concerns.**

Centrum is exposed to specific risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risk, and credit risk.

**e. Internal control systems and their adequacy.**

Centrum ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines. The Audit Committee of Directors reviews the adequacy of internal control.

**Corporate Governance**

Your company has always strived to incorporate appropriate standards for good corporate governance, and has taken necessary steps required for implementing the corporate governance code. Your directors have documented your company's internal policies on corporate governance. The auditor's certificate on compliance with the mandatory recommendations of the committee is attached to this report (Annexure 2)

**Dividend**

Looking at the bottom line and future prospects, your directors are pleased to recommend a dividend of 5% and it will be paid to eligible shareholders whose names stand registered in the books of the Company as on the book closure date.

**Responsibility statement of the board of directors**

The directors' responsibility statement, setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies (Amendment) Act, 2000, in respect of the financial statements, is attached to this report (Annexure 1)

**Directors**

The Board in the meeting held on 14 April 2004, appointed Mr. K. V. Krishnamurthy and Mr. R. Krishnamurthy as Additional Directors. They hold office up to the date of the ensuing Annual General Meeting. The Company has received notices from members proposing their candidature for appointment to the office of Director at the said meeting.

In accordance with Articles 122 and 123 of the Articles of Association, Mr. Chandir Gidwani, Mr. Ibrahim Belselah and Mr. Rajesh V. Nanavaty retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

#### Auditors

The auditors, M/s. F. K. Mody & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

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.

#### 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. 36,91,582/- (previous year NIL) in foreign exchange earnings during the year. There was outgo of foreign exchange amounting to Rs.48,93,124/- (previous year Rs. 4,12,235/-)

#### Subsidiary Company

The audited statements of account of the Company's subsidiary viz; CentrumDirect Limited for the year ended 30<sup>th</sup> June 2004 together with the Report of Directors and the Auditors, as required under section 212 of the Companies Act, 1956, is attached herewith.

#### Particulars of employees

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

We confirm that there were no employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 30<sup>th</sup> June 2004 or not less than Rs. 2,00,000 per month during any part of the said year.

#### Acknowledgments

Your directors thank the company's clients, vendors, investors and bankers for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels. Your company's consistent growth was made possible by their hard work, solidarity, cooperation and support. Your directors thank the Reserve Bank of India for the support provided to the wholly owned subsidiary of your company, CentrumDirect Limited. Your directors also thank the Governments of Maharashtra, Karnataka, Andhra Pradesh, Himachal Pradesh, Jammu & Kashmir, Punjab and Gujarat for the patronage extended to your company in mobilizing various debt funds. Your directors look forward to their continued support in the future.

For and on behalf of Board

**Berjis Desai**  
Chairman

**Chandir Gidwani**  
Vice Chairman

Place : Mumbai

Dated : September 29, 2004.

### 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;
- 2) the directors have selected such accounting policies and applied them consistently and made judgements 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.

For and on behalf of Board

**Berjis Desai**  
Chairman

**Chandir Gidwani**  
Vice Chairman

Place : Mumbai

Dated : September 29, 2004.

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**Corporate Governance Report for the year 2003-04**

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchange)

**I. Philosophy of Corporate Governance**

The company is committed to adhere to the code of corporate governance as it means adoption of best business practices aimed at growth of the Company coupled with bringing benefits to investors, customers, creditors, employees and the society at large.

The objective of the Company is not just to meet the statutory requirements of the Code of Corporate Governance as prescribed under Clause 49 of the Listing Agreement but, to develop such systems and follow such practices and procedures to satisfy the spirit of the law.

**II. Board of Directors**

The Board of Directors consists of 2 Wholtime Directors and 9 Non-Executive Independent Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them are given below :

Name of Directors	Category of Directors	Board Meetings attended during 2003-04	Whether attended AGM held on 17th October 2003	No. of Directorships of other Indian Companies including directorship in Private Companies	Membership of Board Committees as on 30th June 2004
Mr. Berjis M. Desai	Chairman	3	-	18	2
Mr. Chandir Gidwani	Vice Chairman	4	Yes	11	1
Mr. R. Krishnamurthy	Managing Director	1	-	-	-
Mr.K.V. Krishnamurthy	Director	1	-	4	1
Mr. Gobind Gidwani	Director	1	-	2	1
Mr. P. G. Kakodkar	Director	1	-	9	1
Mr. Manmohan Shetty	Director	3	-	11	-
Mr. Rishad Byramjee	Director	4	Yes	25	1
Ms.Mahakhurshid Byramjee	Director	2	Yes	23	-
Mr. Rajesh V Nanavaty	Director	3	Yes	3	2
Mr. Ibrahim Belsalah	Director	1	-	-	-

Four Board Meetings were held during the year 2003-04 and the gap between two meetings did not exceed four months. The Meetings were held on 29th August 2003, 23rd October 2003, 27<sup>th</sup> January 2004, 14<sup>th</sup> April 2004



Annual Report 2003-2004

Mr. R. Krishnamurthy, Mr. K.V. Krishnamurthy were appointed as additional director by the board in its meeting held on 14th April 2004.

The events with regard to Board of Directors after 30th June 2004 include its reconstitution. Mr. Gobind Gidwani has resigned from the Board as Director with effect from 28th September 2004. Ms. Sonia Gidwani has been appointed as Additional Director by the Board on 29th September 2004. She has also been appointed as Whole-time Director with effect from the same date.

### III. Audit Committee

#### Brief description of terms of reference of Audit Committee inter alia

- (i) Oversight of the company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (iii) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
  - ✓ Any changes in accounting policies and practices.
  - ✓ Major accounting entries based on exercise of judgement by management.
  - ✓ Qualifications in draft audit report.
  - ✓ Significant adjustments arising out of audit.
  - ✓ The going concern assumption.
  - ✓ Compliance with accounting standards.
  - ✓ Compliance with stock exchange and legal requirements concerning financial statements.
  - ✓ Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

#### Composition, name of members and Chairperson

The audit committee comprises of 3 independent Directors. The committee was reconstituted on 29th September 2004

with Mr. K.V. Krishnamurthy (Chairman), Mr. Manmohan Shetty and Mr. R. Nanavaty

#### Meetings and attendance during the year

Committee meetings were held on 29th August 2003, 23rd October 2003, 14th April 2004.

### IV. Remuneration Committee

The Remuneration Committee comprises of three members The Committee has been authorized to determine the remuneration package for any Executive Directors as well as the remuneration payable to the non-executive Directors from year to year and to distribute the same amongst all or some of the Directors such proportion or manner as the Committee may decide.

The committee met on 14th April 2004 and 29th September 2004 to approve the remuneration of Mr. R. Krishnamurthy and Ms. Sonia Gidwani respectively. The committee confirmed that the remuneration is in accordance with the provisions of Part III of Schedule XIII of The Companies Act and recommended the same to the board. The committee was reconstituted on 29th September 2004 with Mr. K.V. Krishnamurthy (Chairman), Mr. Manmohan Shetty and Mr. R. Nanavaty

### V. Shareholders Committee

This Committee comprising 3 Directors viz. Mr. Berjis M. Desai (Chairman of the Committee), Mr. Chandir Gidwani and Mr. Rishad K. Byramjee met 3 times during the year. The Committee approves and monitors transfers, transmissions consolidation etc. of shares issued by the Company. The Committee also monitors redressal of complaints from shareholders. The Registrars have not received complaints on any matters during the year ended June 2004.

**VI. General Body Meetings**

Particulars of Annual General Meetings and Extraordinary General Meetings held during the last three years

General Meeting	Day, Date and Time	Venue	Special Resolutions passed there at
Annual General Meeting	31 <sup>st</sup> December 2001, 5.00 p.m.	10 <sup>th</sup> floor, Eucharistic Congress Building III, 5, Convent Street, Colaba, Mumbai 400 039	1
Annual General Meeting	31 <sup>st</sup> December 2002, 5.00 p.m.	10 <sup>th</sup> floor, Eucharistic Congress Building III, 5, Convent Street, Colaba, Mumbai 400 039	1
Annual General Meeting	17 <sup>th</sup> October 2003, 5.00 p.m.	Khetan Bhavan 5 <sup>th</sup> Floor 198 J Tata Road Churchgate Mumbai 400 020	-

**VII. Disclosures**

- There were no material pecuniary relationships or transactions of the non-executive directors vis-à-vis the Company, other than payment of Board fees/commission and any investments in shares and fixed deposits with the Company on normal terms.
- There were no material transactions of the Company with its Promoters, Directors, management or their relatives that may have potential conflict with the interest of the Company at large.
- There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.

**VIII. Means of Communication**

The unaudited quarterly results were published in one English and one vernacular newspaper in the last week of July 2003, October 2003, January 2004 and April 2004 each year. The audited results for the year are published in the above newspapers in October 2004. The results are also displayed on the EDIFAR web-site.

Management Discussion and Analysis forms a part of the Director's Report.

**IX. General Shareholder Information**

AGM	:	23 <sup>rd</sup> November, 2004
Financial Calendar	:	30 <sup>th</sup> June
Date of Book Closure	:	16 <sup>th</sup> November, 2004 to 22 <sup>nd</sup> November, 2004
Dividend Payment Date	:	within 42 days of the AGM
Listing on Stock Exchanges	:	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
Stock code	:	501150
ISIN	:	INE 660C01019