

CENTRUM

Your aim is our only target

Centrum Capital Limited

28th ANNUAL REPORT 2005-2006



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PERFORMANCE

PAR EXCELLENCE

*"You always inspired
us to aim higher"*



MR. KHUSHROOH P. BYRAMJEE

22ND OCTOBER 1947 - 24TH DECEMBER 2002

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A MAN OF EXTRAORDINARY VISION
AND A PROFESSIONAL
OF EXCEPTIONAL CALIBRE
AND INTEGRITY,
OUR CHAIRMAN INSPIRED US
BOTH BY PRECEPT
AND PRACTICE

BOARD OF DIRECTORS

Mr. Berjis M. Desai	Chairman
Mr. Chandir G. Gidwani	Vice Chairman
Mr. T. R. Madhavan	Managing Director
Mr. K. V. Krishnamurthy	
Mrs. Mahakhurshid K Byramjee	
Mr. P. G. Kakodkar	
Mr. Manmohan Shetty	
Mr. Ibrahim S. Belselah	
Mr. Rajesh V. Nanavaty	
Mr. Rishad K. Byramjee	
Ms. Sonia G. Gidwani	

COMPANY SECRETARY

Mr. Rakesh Soni

BANKERS

The Ratnakar Bank Limited
Standard Chartered Bank
The Lakshmi Vilas Bank Limited
The Federal Bank Limited
HDFC 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
Website : 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 * Chandigarh * Chennai * Coimbatore * Delhi * Goa * Hyderabad * Indore *
Jaipur * Jaisalmer * Jalandhar * Jodhpur * Kochi * Kolhapur * Ludhiana * Nagpur * Pune * Surat * Dubai

Centrum Capital Limited**CENTRUM****DIRECTORS' REPORT**

TO THE MEMBERS,

Your Directors hereby present their Twenty Eighth Annual Report together with the Audited Accounts of the Company for the year ended 30th June 2006.

Financial Highlights:

(Rupees in '000)

Particulars	Year ended 30th June, 2006	Year ended 30th June, 2005
Gross Income from operations	1,34,857	1,15,990
Profit before depreciation and tax	36,684	22,371
Less: Depreciation	6,572	6,648
Profit before tax	30,112	15,723
Less: Provision for taxation	12,324	6,517
Profit after tax	17,788	9,206
Income Tax from earlier year	(346)	503
Profit Brought Forward	57,799	50,873
Less: Proposed Dividend	4,881	2,441
Income Tax on Proposed Dividend	685	342
Balance carried forward	69,676	57,799

Dividend:

Your Directors are pleased to recommend a dividend of 10%. The total dividend payout for the financial year 2005-2006 is Rs.48,81,000/- (Rs.24,40,500/- for the previous financial year) Dividend as percentage of profit after tax is 27.44% as compared to 26.51% in the previous financial year.

The dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose name appear in the register of members of the Company as on the book closure date.

Directors:

In accordance with the provisions of the Companies Act, 1956, Mr. K.V. Krishnamurthy, Mr. Rajesh Nanavaty, and Mrs. Mahakhurshid K. Byramjee retire by rotation in the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement:

Pursuant to the provision of section 217(2AA) of the Companies Act, 1956, the Board hereby certifies and confirms 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 affairs 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.

Subsidiary Company:

The audited statements of account of the Company's wholly owned subsidiary viz; CentrumDirect Limited for the year ended 30th June 2006 together with the Report of Directors and the Auditors, as required under section 212 of the Companies Act, 1956, is attached herewith.

*Annual Report 2005 - 2006***Consolidated Financial Statements:**

As required under Clause No. 32 of the Listing Agreement with the Bombay Stock Exchange Limited, Consolidated Financial Statements of the Company and its subsidiaries prepared in accordance with Accounting Standard 21 are forming part of this Annual Report. These statements have been prepared on the basis of audited financial statements received from subsidiary company, as approved by their Board.

Management Discussion And Analysis Report :**a. Corporate Update :**

- Your Company had invested in a stock broking venture and together with its subsidiary CentrumDirect holds 48.37% of Advani Share Brokers Pvt. Ltd. whose name has been changed to Centrum Broking Private Ltd. from the 19th July 2006. The stock broking associate is fully functional
- Your Company has also formed a joint venture with the ESSEL group and Mr Manmohan Shetty (CMD, Adlabs Films Ltd.) to form a venture capital fund. The three partners will be equal promoters of the new company formed for this venture. The first scheme is targeted at the Realty sector and registration formalities with regulators are underway.

b. Industry Scenario and Developments :

The trend in the current year continued to make 'India Shine'. The economy with its strong GDP growth in excess of 8% is living upto expectations.

The current year was an exciting year for the Indian capital markets. Equity and Debt Public issues raised Rs.27802 crores. Indian corporates also went global for borrowings and raised in excess of Rs 10000 crores through 49 offerings during the year.

The Indian stock market has been one of the best performing Asian markets in current year. The major outperforming sectors were construction, telecom, media and real estate.

Bank credit witnessed one of its best phases with the growth rate at almost 31%. There were times when the incremental Credit /Deposit ratio exceeded 100%. In the background of rising interest rate scenario both globally and in the Indian markets, investments by the banks in approved and government securities witnessed a fall of 3.0%. Though the interest rates seem to be stabilizing, the fear of inflation and monetary tightening by the apex banks of other countries, shall continue to have a bearing on the Indian yield curve.

The overall bullishness in the economy was also reflected to some extent in the debt fund raising. The amount of funds being raised through the private placement route jumped up year-on-year by over 69% to Rs 79,445.83 crores. However, there was an overall gloom in the debt markets as there was very high volatility due to monetary tightening, rate hikes, oil prices, inflationary concerns and liquidity concerns.

Overall your Company further consolidated its position in the current year in various business segments as shown below:

- **Capital Markets**

- **Debt Markets**

- i. Company has been ranked 3rd highest mobiliser for Debt on All India basis for both PSU and PSU Banks (Prime Database April 2005 - March 2006)
- ii. Company has been ranked 4th highest mobiliser of Debt on All India basis for all segments of Debt (Prime Database April 2005 - March 2006)

- **Equity Markets**

- iii. Company has been ranked 9th as per the league tables in 2005-06.
(Ranked on the number of assignments handled – Prime Database April 2005 - March 2006)
- iv. Niche in the mid-cap companies with 17 assignments successfully executed during the year.

- **Project Finance Syndication Desk**

The desk mobilized Rs 1300 crores during the year for various corporations.

c. Assignments Handed by the Company :**Equity Issuances :**

Your Company, with its thrust on the Mid Cap and SME segment, has handled more than 17 assignments during the year. Some of the domestic offerings, which were multibaggers, during the year were:

Prime Focus Ltd. - IPO of Rs 115 crs

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- Bartronics Ltd. - IPO of Rs 50 crs
- Aurion Pro Solutions Ltd. - IPO of Rs 27 crs

In order to enhance shareholder value for clients your Company also handled rights issue assignments for clients. Some notable assignments were:

- Deepak Nitrite Ltd - Rs 88 crs
- United Western Bank - Rs 32 crs
- NCL Industries Ltd - Rs 22 crs

Debt Issuances :

The debt side of the business primarily concentrated on the PSU and Bank issuers.

Your company was the Lead Arranger to the first ever perpetual bond in the history of Indian Banking issued by UCO Bank.

Some of the other prestigious assignments included, acting as Lead Arranger to the issues of:

- Food Corporation of India - Rs - 3500 crs
- UCO Bank - Sole Arranger to its 500crs Upper Tier II Issue
- Oriental Bank of Commerce - Rs 500 crs
- Syndicate Bank - Rs. 800 crs
- Bank of India - Rs. 300 crs.
- Union Bank of India - Rs. 450 crs.

The Project Finance Division has also been instrumental in placing some large infrastructure and corporate mandates in the banks. Some of the notable deals done were:

- Maharashtra State Road Development Corporation (Bandra-Worli Sea Link) - Rs 526 Crs
- Neelachal Ispat Nigam Limited debt swap - Rs 1200 Crs

d. Opportunities & Threats :

Your Company continues to believe that the environment offers tremendous scope to build on a strong franchise driven by:

- Positive macroeconomic parameters
- Continued emphasis on economic/social reforms resulting in the booming services and industry.

The risk to your Company's performance stems from significant competition in the Indian market from domestic as well as international players. This is, in particular, from players seeking to establish themselves in the Indian markets. The challenges of operating in such a highly competitive and volatile business environment could continue to pressurize margins.

e. Outlook :

Your Company is working towards meeting the new challenges and opportunities by concentrating on improving performance through continuously evaluating a host of initiatives in existing businesses as well as related fields.

Your Company continues to focus on risk management and compliance procedures and its efforts are aimed at creating long-term value for shareholders.

f. Internal Control Systems and their Adequacy :

The Company has a proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use or disposition of the assets and that the transactions are authorized, recorded and reported correctly.

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

Particulars of Employees:

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is as given in Annexure - " A " to the Directors' Report :-

Annual Report 2005 - 2006**Auditors:**

M/s. F. K. Mody & Co., Chartered Accountants, retires 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.

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. 9,74,500/- (previous year Rs. 31,10,288/-) 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. 72,11,311/- (previous year Rs. 63,94,330/-)

Corporate Governance:

Your Company has complied with the provisions of Clause 49 of the Listing Agreement. A Certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement forms part of this Annual Report.

Availability of Information on the SEBI EDIFAR System :

By virtue of Clause 51 of the Listing Agreement with the Stock Exchanges, the Company has uploaded its Financial Results, Shareholding Pattern, Annual Report, Corporate Governance with effect from the financial year 2002-03 on EDIFAR website namely www.sebiedifar.nic.in maintained by SEBI, in-line with such manner and format as specified by SEBI. A statement of your Company can be accessed at this website.

Acknowledgements:

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 and support. Your Directors thank the Reserve Bank of India for the support provided to the wholly owned subsidiary of your Company viz. CentrumDirect Limited. Your directors also thank the Governments of Maharashtra, Karnataka, Andhra Pradesh, West Bengal and Punjab for the patronage extended to your Company in mobilising various debt funds. Your Directors look forward to their continued support in the future.

For and on behalf of Board

T.R. Madhavan
Managing Director

Rishad Byramjee
Director

Place : Mumbai

Dated: September 15, 2006

Corporate Governance Report for the year 2005-06

(As required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

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.

This Report on corporate governance is divided into four parts: (i) Board of Directors (ii) Committees of the Board of Directors (iii) Shareholder Information and (iv) Other Disclosures.

II. Board of Directors

The Board of Directors consists of two Whole Time Directors, one Managing Director, and eight 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 in other companies are given below:

Name of Directors	Category of Directors	Board Meetings attended during 2005-06	Whether attended AGM held on 23rd December 2005	No. of Directorships of other Indian Companies including directorship in Pvt. Companies	Membership of Board Committees of other Companies as on 30th June, 2006
Mr. Berjis M. Desai	Chairman	2	-	26	2
Mr. Chandir Gidwani	Vice Chairman	5	Yes	10	1
Mr. T.R. Madhavan	Managing Director*	4	Yes	2	-
Ms. Sonia Gidwani	Whole Time Director	6	Yes	3	1
Mr.K.V. Krishnamurthy	Director	6	Yes	7	-
Mr. P. G. Kakodkar	Director	1	-	11	1
Mr. Manmohan Shetty	Director	1	-	9	-
Mr. Rishad Byramjee	Director	2	-	24	1
Ms. Mahakhurshid Byramjee	Director	-	-	22	-
Mr. Rajesh V Nanavaty	Director	6	-	2	1
Mr. Ibrahim Belsalah	Director	1	-	-	-

• * Appointed as Managing Director w.e.f. 02-09-2005

Six Board Meetings were held during the year 2005-06 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

10th August, 2005

5th October, 2005

31st October, 2005

31st January, 2006

29th April, 2006

12th May, 2006

Annual Report 2005 - 2006**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 financial statements are correct, sufficient and credible.
- (II) Recommending the appointment and removal of external auditor, fixation of audit fees 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 judgment 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 interest of Company at large.

Composition, name of members and Chairperson

The audit committee comprises of 3 independent Directors.

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

Meetings and attendance during the year

During the year the Audit Committee met three times and all the members were present in the meetings held on 5th October, 2005, 31st October, 2005, 31st January, 2006 and 29th April, 2006.

IV. Remuneration Committee

The Remuneration Committee comprised of three members. The Committee has authorised 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 5th October 2005 to approve the remuneration of Mr. T.R. Madhavan. The committee confirmed that the remuneration is in accordance with the provisions of Part III of the Schedule XIII of The Companies Act and recommended the same to the board. The Remuneration Committee comprises of 3 independent Directors namely Mr. K.V. Krishnamurthy (Chairman), Mr. Manmohan Shetty and Mr. Rajesh Nanavaty.

V. Shareholders'/Investors' Committee

This Committee comprising three Directors viz. Mr. Berjis M. Desai (Chairman of the Committee), Mr. Chandir Gidwani and Mr. Rishad K. Byramjee. The Committee met three times during the year. The Committee approves and monitors transfer, transmissions, consolidations 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 30th June, 2006.

Centrum Capital Limited



VI. General Body Meetings

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

General Meeting	Day, Date and Time	Venue	Special Resolutions passed thereat
Annual General Meeting	Friday, 17th October, 2003, 5.00 P.M.	5, Khetan Bhavan, 5th Floor, J.Tata Road, Churchgate, Mumbai - 400020	—
Annual General Meeting	Tuesday, 23rd November, 2004, 5.00 P.M.	5, Khetan Bhavan, 5th Floor, J.Tata Road, Churchgate, Mumbai - 400020	3
Annual General Meeting	Friday, 23rd December, 2005 5.00 P.M.	Bombay Mutual Building, 2nd Floor, Dr. D.N. Road, Fort, Mumbai - 400 001	2

During the Financial year 2005-2006, the Company has not passed any Resolution through postal ballot.

VII. Disclosures

- There are no materially significant related party transaction made by the Company with its Promoters, Directors or Management, their relatives, its subsidiaries etc. that may have potential conflict with the interests of the Company at large. Transactions with related parties during the period are disclosed in the Annual Report, in accordance with the requirements of Accounting Standard AS-18.
- During the last three years/period, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

VIII. Means of Communication

The unaudited quarterly results are published in one English and at least one vernacular newspaper in the last week of October 2005, January 2006 and April 2006 each year. The audited results for the year are published in the above newspapers in September, 2006. The results are also displayed on the EDIFAR web-site.

Management Discussion and Analysis forms part of the Directors' Report.

IX. General Shareholder Information

- AGM** : 22nd November, 2006
- Financial Calendar** : 30th June
- Date of Book Closure** : 15th November, 2006 to 22nd November, 2006
- Dividend Payment Date** : Within 30 days of the AGM
- Listing on Stock Exchanges** : **Bombay Stock Exchange Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.
- Stock code** : 501150