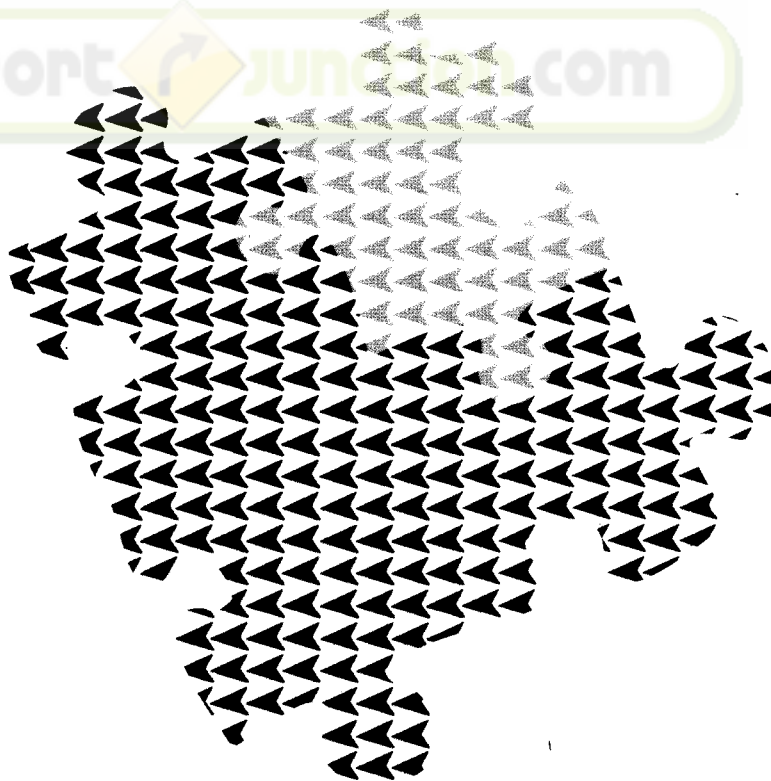


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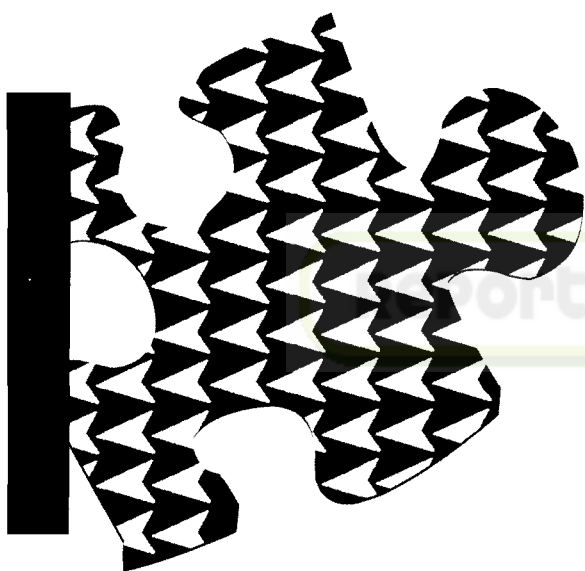


◀ CHALLENGES ◀ CONSOLIDATION ◀ CONSISTENCY

Centrum Capital Limited | Annual Report 2008-09

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◀ Challenges ◀ Consolidation ◀ Consistency

2008-09 was a challenging year not just globally, but in India and at Centrum too.

The world order changed. Every single economy of the world has witnessed economic downtrend fuelled by the global liquidity crisis like never before. The speed and velocity of the challenges were, themselves, challenging.

Within this challenge were specific challenges faced by the financial services sector and each of our business segments internally.

Indian equities, like in other emerging markets, fell by over 63.70% from its peak.

The Indian forex market witnessed a drop of 23% in volumes year-on-year.

The wealth management business faced the brunt of regulatory changes in commissions paid to agents along with a drop in business volumes.

It was time to consolidate our presence and grow.

◀ In debt and project finance, we had identified the opportunity early and we further consolidated our position in these segments in 2008-09, when they performed relatively well, as we had our team and credibility in place.

◀ In equity, we consolidated by hiring high quality talent, which was now affordable. In a year like 2008-09 when many were downsizing, we added over 13 people to our team.

◀ In forex, we consolidated our position as one of the market leaders in the prepaid cards and travellers cheques segment. With the acquisition of Club7 Holidays Limited we established ourselves as a one-stop-shop for travel and forex needs.

◀ In wealth management, we consolidated our presence in terms of branches and sales force. We leveraged our partnership with India's largest retailer, Future Group to set up presence across their stores and acquire customers, and serve them.

We are confident of our consistent performance.

At Centrum, our diversified model encompassing corporate, institutional and retail fee streams across a suite of services, catering to a multitude of asset classes – debt, equities, infrastructure & project finance, forex & travel and wealth management will help us make the most of better times ahead.

We have delivered to our shareholders a consistent and sustainable performance. In a tough year like 2008-09 we recorded a total income of Rs. 729.18 million and a PAT of Rs. 162.22 million.

It's not just our numbers. We have been consistently building our team, expanding our reach, enhancing our processes and investing in technology.

Expect more. Consistently.

◀ Challenges ◀ Consolidation ◀ Consistency

In 2008-09 the world economy in general and the financial services industry in particular were challenged. Economies run on money and vice versa. When one goes through serious challenges, so does the other. The sub-prime crisis led to the economy getting challenged and a challenged economy further took the financial world down. Without exception, every country and every asset class faced challenges; India and the Indian financial services included.

The Indian economy went through rough times. Indian financial services too. Every segment faced unique challenges.

Debt - challenged by too much demand

When capital from equity markets dries up, the debt market suddenly finds more takers. Indian debt market went through that challenge in 2008-09. Almost every corporate wanted debt funding. What made the challenge more challenging was the macro picture. With big financial houses like Lehman Brothers collapsing, a fear of lending got installed amongst the banks and institutions. High demand. Minimal supply.

It was an interesting challenge that we faced for the first time. It required innovation, structuring and credibility to make things happen in this segment. That's what we did. Centrum further grew the debt business in its most challenging times.

Equity - from a darling to a demon

Just before the crisis began, equity markets were rallying globally. They were the darling of the investment community. All that changed overnight. Stocks tumbled like nine pins. The IPO pipeline completely dried up. The volumes in the stock market fell by over 28%. Everyday was a new challenge. Losing a couple of hundred basis points was the norm. Erosion in equity value was colossal. The relevance of equity as an asset class got questioned. In no time, the darling became a demon. Large broking houses were forced to downsize their teams and rationalize their presence. Some even had to shut operations. The challenge was something the equity world had never seen.

It required a lot of conviction to challenge the challenge. We did that. We looked at the challenge with optimism. Even though we couldn't expand the business, we expanded the approach. The investment. The build-up.

Forex - challenged by volatility and volume

Forex business growth is a function of global trade and travel. The global slowdown affected global trade and travel alike. International travel 'in' and 'out' of the country saw serious downtrend. This challenged the forex volumes. Thus the forex business witnessed a significant dip in volumes in 2008-09. The overall volumes in the prepaid cards and travellers cheques segments fell by around 23%. There was also huge volatility in the forex market with the Dollar index moving by 25% in the year. Competition increased. Margins were under pressure. The business faced its worst nightmare. Low volumes and scramble for market share at any cost.

We differentiated. We integrated and became a one-stop-shop for travel and forex by strengthening corporate tie ups with several corporates. We went retail. Our partnership with the Future Group (India's largest retailer) enhanced our visibility, presence and customer acquisition. We also used the Future Group tie-up to extend travel by setting up Club7 outlets in retail stores and malls. We are confident; it will pay off in the long run.

Wealth Management - no wealth to manage

The wealth management business also witnessed an interesting challenge. The challenge of existence. When wealth erosion of such a magnitude takes place, what do you manage? The fall in the stock markets and the global liquidity crisis had an adverse impact on the wealth management/retail distribution business. Since the appetite for investments in equity and mutual funds was at an all time low, it was a huge challenge to generate business in this segment.

The Centrum model of positioning its wealth management business as customer centric than product centric helped it to manage the challenges better. It was more of advisory approach against the product centric approach which was needed and Centrum fit the bill. We were able to strengthen our relationship with the customer and that is the differentiator which shall help in future growth in this business as well.

At Centrum, we are open to challenges. We look at them more as an opportunity than a threat. We believe that they are the best times to build businesses and to invest. We did exactly that.

Read on...

◀ Challenges ◀ Consolidation ◀ Consistency

Tough times are not new to Centrum. We clearly recall our baptism by fire in 1996, when we were born. Since then, we have not only successfully weathered subsequent downturns but forged ahead and grown. We have used challenges to consolidate all our businesses and silently prepare for the next upswing.

The challenge of the 2008 crisis was no different to Centrum. We used the challenge to consolidate every business vertical.

We further consolidated our leadership in Debt and Project Finance

Centrum is an undisputed leader in the fixed income space in India. The Company's expertise extends across the debt spectrum. We offer customised solutions in project finance, primary and secondary debt placement, stressed asset solutions and portfolio buyouts. With a 30 member core execution team having over 150 man years of experience, Centrum leveraged its experience, expertise and plethora of relationships to consolidate its presence in 2008-09. The debt markets need in challenging times called for innovative structuring, and we did that. We added debt restructuring to our product portfolio in 2008-09. We executed mandates of over Rs. 631.3 million during the year and our revenues from the segment saw a jump of 189%. We were among the top players in the segment according to the Prime Rankings as on March 09.

We believe the debt market is going through a very interesting inflection and we expect volumes to increase significantly in the next few years. Look out for this space and our dominance within it.

We consolidated and expanded our vision in Equities and Investment Banking

There were two ways to play the challenged equity space. One was to wait for the challenge to get over and the better phase to start and during that wait, downsize and get defensive. The other was to utilise this opportunity when most were busy doing the former, to consolidate our efforts, to expand the horizons and prepare for the next phase much before. Centrum opted for the latter, consciously.

- ◀ We expanded our horizon and strengthened our back-end.
- ◀ We enhanced our global presence with on the ground presence in USA, UK and the Asia Pacific Region.
- ◀ We are among the few Indian brokers to have a FINRA license in the US (enables us to execute institutional trades in US equities).
 - ◀ We obtained the FSA approval in UK (enables us to execute institutional trades in UK).
 - ◀ Strengthened our global sales team in USA, UK, Asia Pacific and domestically.
 - ◀ Enhanced our research team to 25 people. Coverage in just a year of the team coming together at over 110 companies. Centrum Research is now among the top 3 in terms of companies under coverage.
 - ◀ In 2008-09, when others were downsizing and talent was available at affordable levels of remuneration, we added several new members to our team. Our team now comprises of people with global experience. These people have worked with international organisations at various local and overseas locations.
 - ◀ Integrated investment banking coverage with ECM execution to provide a seamless solution to the client.

- ◀ Industry led approach so that we are able to tap into opportunities proactively rather than reactively.
- ◀ We are now a very serious contender in the mid cap equity segment (200 crore upwards) and have strong mid cap offerings.
- ◀ Restructured and upgraded the quality of the ECM execution team—we are very strongly positioned to execute across QIPs, IPOs, FCCBs, Follow ons, Right Issues, etc.
- ◀ Robust ECM advisory business consisting of valuation assistance, restructuring advisory, open offers, buybacks and structured financing.

We consolidated and expanded our reach and went retail in Forex

The forex business challenge of volume decline and margin decline was met with, by Centrum effectively. We went to the end customer directly by partnering with India's largest retailer, the Future Group. We enhanced the Centrum visibility. Travel and forex converged. This is how we consolidated in forex.

- ◀ Acquisition of Club7 Holidays Ltd. gave FCH CentrumDirect Ltd. the capabilities to offer comprehensive forex and travel solutions to all its clients.
- ◀ We identified strategic outlets of Future Group across the country to offer travel and forex solutions. Very likely you will see a Centrum forex desk in malls across India.
- ◀ We increased the focus on students travelling abroad to study segment.
- ◀ The Company continued to remain as the largest seller of prepaid travel cards in India.
- ◀ Centrum consolidated its position as one of the top 3 money changers in the retail foreign exchange segment with over 80 locations across the country.

As a result, in a year when the travel related market witnessed a dip of around 22% in volumes, Centrum's volumes grew by around 27%.

Consolidated by being cautious in Wealth Management

The wealth management vertical consolidated by adopting a cautious approach in a challenging year like 2008-09. This is how:

- ◀ Centrum rationalised its team and presence.
- ◀ Cost control initiatives were undertaken.
- ◀ The Company worked on improvements in the operating processes in terms of documentation, compliance, risk management and back office operations.
- ◀ We have invested in an online brokerage platform for high volume customers and are in the process of launching a wealth platform for retail customers.
- ◀ Identified Future Group outlets across the country for distribution of wealth management services to capitalise on the footfalls they get.

With the financial services industry across asset classes bouncing back, we are prepared, more than ever before, to take on the challenges.

We are looking forward...

◀Challenges ◀Consolidation ◀Consistency

At Centrum, we create sustainable shareholder value consistently. To do that we have not only delivered consistent financial performance, we have also consistently invested in our client relationships, product offerings, building a world class team in financial services, setting up robust processes and state-of-the-art technology.

Consistency in Financial Performance

In a tough year like 2008-09, the Company recorded total income of Rs. 729.18 million, an increase of 37.55% from the previous year. The Company's PAT stood at Rs. 162.22 million. In the last six months things are looking up in India, with a clear mandate to the new Government at the centre and their strong commitment to support the economy having been well received. Things are looking up at Centrum as well. Our income from operations is up over 61% in Q1FY10 in comparison to Q1FY09. Over the last five years our PAT has grown at a CAGR of 56%.

Consistency in Customer Delight

Over the years, we have built a reputation of delighting our customers, every time. Centrum caters to both sides of the balance sheet. Our unique life-cycle investment banking partnership approach and diversified product portfolio has enabled us to consistently deliver innovative and customised solutions to cater to the specific needs of our clients. As a result we have not lost any significant client in the previous year. On the retail side we have a direct relationship with more than 500,000 HNI and retail investors.

Consistency in enhancing the Quality of Talent

Our business is talent-led and tough times are best times not just to hire but also to retain high quality talent. In a year like 2008-09 when many were downsizing, we added around 500 people to our team. Of this, 38 were at senior positions. More importantly we invested in training them and making them better financial managers.

Consistency in Thinking Ahead

We like to own our customers. We like to service them directly. 70% of Indian are below 30 years of age and are embracing consumption like never before. Malls and organised retail is their preferred shopping destination so we have decided to meet them there. Our alliance with Future Group has given us the opportunity to tap its 200 million customer base across the country. We have identified Future Group outlets in strategic locations to enhance the reach of our wealth management and forex business.

Consistency in Technology Upgradation

We have consistently invested in building our systems, technology and processes, ensuring the highest levels of compliance and very strong risk controls to rapidly grow our business.

Consistency in Optimism

Centrum is an eternal optimist. We look at India and India's dominance with optimism. We expect India to grow at an estimated rate of 8% in the next five years. It is with this optimism we are very bullish on the Indian financial services sector. Every asset class in the financial services will witness growth patterns not seen before.

We have a complete financial services offering. We cater to institutional clientele. We have added retail reach too. We are feeling confident.

Expect more.

Chairman's Message



*"We are optimistic
about the growth of the
Indian financial
services sector.*

*We are at the right
place, at the right time,
with the right talent and
the right reach."*

Dear Shareholders,

A lot has already been written and spoken about the financial services sector, thanks to the severe crisis that shook the global economy and had the potential to permanently reverse the engine of economic growth, progress and human civilization.

I have a different view on this unique situation.

Let's understand the role of finance. It's actually everything. The means and the end.

Let me explain.

When we refer to growth, we are essentially talking about the Gross Domestic Product of any country. To grow, we need assets, people, technology and a

powerful vision. But for each of these growth drivers, we need money. Finance is the life blood of any economy. Human nature is to progress and for progress, we need capital.

It is this simple rationale and thinking that makes us believe that the Indian financial services sector is at the cusp of something very big.

India is the second fastest growing economy in the world after China and for the Indian economy to grow at this rapid pace there is a strong need for capital - both equity and debt. Further, as people's per capita income rises, they are able to satisfy their basic necessities, and have incremental income to invest. It is this incremental capital which is available to corporates