



Annual Report 2011-12

C-**NTRUM**
Your aim is our only target

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CHAIRMAN'S LETTER

Dear Shareholders,

I am writing this letter to you in unprecedented times, when the developed world is struggling to emerge out of the financial turmoil and domestically the macroeconomic environment has worsened to multiyear lows. This double whammy of weak global demand and protracted recovery in the domestic economy has had its impact on the financial services industry reflecting in low activity in both primary equity markets and M&A segment, tapering off of credit growth, high restructuring activity etc. Although, the recent policy measures undertaken by the government gives us hope that the investment and financial services activity should see some improvement going forward, the actual translation to business activity is yet to be seen.

At Centrum Group, business still remained on track in relative term despite challenging times and volatility. The total income of the Company, on a standalone basis, grew by 7.9% to ₹ 602.570 million for the 12 months ending 30th June, 2012, as compared to ₹ 558.583 million for the same period in the previous year. The Company managed to turnaround at operating level by cutting down overall operating expenses – we posted operating profit of ₹ 103.34 million in FY2012 as against operating loss of ₹ 51.01 million in FY2011. However, we posted a net loss of ₹ 97.317 million in FY2012 as compared to net loss of ₹ 131.788 million in FY2011 – we managed to reduce net loss by 26% this year due to effective cost control measures, despite finance cost shooting up by 156%.

Centrum's endeavor is to build strong business relationships and be the partner of choice for all its stakeholders - corporate, institutions, retail customers, employees and investors. As an integrated, complete financial services Company, Centrum specializes in equity, debt, infrastructure, wealth management, fixed

income, foreign exchange, margin funding and loan against securities. Its foray into wealth management led to building up of assets over ₹ 10 billion in the shortest span of time. Centrum continues to be recognized as a premium integrated financial services company, renowned for its ethics and good business practices.

Moving forward, volatility in the global and Indian economy is going to create significant difficulties for businesses in general, and the investment banking business too is expected to have a fair share of challenges. However, we believe that even within this phase of churn and challenges, our wealth management and debt restructuring businesses will ultimately throw up interesting opportunities. We have been successful in attracting a strong team of professionals from the reputed global organizations like Barclays, Credit Suisse, Citi Bank, HSBC Bank, etc. We are confident that with our focused approach, strong team, market and industry specific, professional business approach, we have the right ingredients to emerge as winners across different verticals of our business.

As merchant bankers, we, at Centrum, see the environment of increasing Non Performing Assets (NPA's) as an opportunity for a lot of Corporate Debt Restructuring (CDR). Our experienced team of senior banking professionals, with deep domain understanding, provides us a strong footing in this business segment.

Centrum offers comprehensive, structured and well-planned Wealth Management Services to High Net-Worth Individuals. We are proud of the fact that today we are providing wealth management services to several well known CEOs and top-end professionals in the corporate world. We were also successful in attracting NRI clients for our wealth management business from countries like Dubai, Oman, Hong Kong, Canada, etc.

During the year we have also successfully started our offshore fund “Progressive India Fund” through a joint venture with reputed Commonwealth Finance Corporation Limited, Hong Kong. We are hopeful of reaching the fund size of \$100 million within a year or so.

Centrum enjoys a formidable presence in the Forex segment, being a leader in the pre-paid cards and travelers cheque segment. Centrum is poised to further consolidate its leadership in the forex business with focus on airport counters.

The current global economic scenario notwithstanding, it is evident that overall growth prospects are positive for the Indian economy. With India still remaining as the second fastest growing major economy in the world, ranking number 1 in the world in drawing remittances from the non-residents (estimated to be over \$70 billion for CY2012, ahead of China) and the Indian financial services market still growing significantly provide us potential for further growth. The burgeoning Indian middle class, rising income levels, increasing standards of living and government's efforts to open up the aviation and retail sector for foreign direct investments are expected to transform the economic landscape of the country and push growth across the entire gamut of financial services. Our core expertise, dedicated, talented professionals and focused business approach will enable us to maneuver the challenges and make the best of the emerging opportunities. Our ability to successfully establish strong relationships with our corporate clients, financial institutions, banks, retail clients, employees and investors, boosted by our initial success in drawing clients across the globe will enable us to nurture these relationships, providing us a strategic advantage.

As we meticulously and carefully traverse the future with concrete plans, I solicit your continued trust and thank you for the faith and confidence reposed in the Centrum

Group of Companies. I take this opportunity to thank all members of the Board and senior management team for their valuable insights, particularly in the prevailing scenario which will test the mantle of our industry and the country as a whole.

I would also like to thank all our clients, bankers and stakeholders for the trust reposed in the Centrum Group. On behalf of the members of the Board, I would specially like to place on record our sincere and heart-felt gratitude to all employees for their commitment, and I hope you will continue to support the Company in its future endeavor of growth and prosperity.

Yours sincerely,



Chandir Gidwani

Corporate Information

BOARD OF DIRECTORS

Mr. Chandir Gidwani
Chairman

Mr. K. V. Krishnamurthy
Director

Mrs. Mahakhurshid Byramjee
Director

Mr. Rishad Byramjee
Director

Mr. Rajesh Nanavaty
Director

Mr. Ibrahim S. Belselah
Director

Mr. Dhanpal Jhaveri
Director

Mr. Subimal Bhattacharjee
Director

Mr. Manmohan Shetty
Director

Mr. Ameet Naik
Director

Mr. Rashid Kidwai
Director

Mr. P. R. Kalyanaraman
Managing Director

COMPANY SECRETARY

Mr. Alpesh Shah

BANKERS

The Ratnakar Bank Limited
HDFC Bank Limited
Standard Chartered Bank
The Lakshmi Vilas Bank Limited
The Federal Bank Limited
Bank of Baroda
City Union Bank

AUDITORS

Haribhakti & Co.
Chartered Accountants
701, Leela Business Park, Andheri Kurla Road,
Andheri (East), Mumbai - 400059

REGISTERED OFFICE

Bombay Mutual Building,
2nd Floor, Dr. D.N. Road, Fort,
Mumbai-400001
Tel: 2266 2434
Fax: 2261 1105
Website: www.centrum.co.in
E-Mail: info@centrum.co.in
cs@centrum.co.in

CORPORATE OFFICE

Centrum House, CST Road,
Vidyanagari Marg, Kalina,
Santacruz (East),
Mumbai-400098
Tel.:022-4215 9000
Fax: 022-4215 9533

Directors' Report

Dear Members,

Your Directors present their Thirty Fourth Annual Report together with the Audited Accounts for the year ended 30th June, 2012.

FINANCIAL PERFORMANCE:

The financial performance of the Company for the year ended 30th June, 2012 is summarized below:

(₹ in Million)		
Particulars	2011-2012	2010-2011
Total Income	602.57	558.58
Profit / (Loss) before Interest, Depreciation and Tax	103.34	(51.01)
Less: Interest	150.72	55.17
Less: Depreciation	36.69	35.94
Profit / (Loss) before tax	(84.07)	(142.18)
Less: Provision for Taxation	13.25	(10.33)
Profit / (Loss) after tax	(97.32)	(131.79)
Add: Balance brought forward from previous year	466.93	598.72
Profit available for appropriation	369.62	466.93
Less: Proposed Dividend	Nil	Nil
Provision for Dividend Tax	Nil	Nil
Balance carried to Balance Sheet	369.62	466.93

PERFORMANCE:

Detailed information on the overall performance of the Company is given in the Management Discussion and Analysis Report which forms part of this Report.

DIVIDEND:

In view of the losses during the year and in order to preserve cash for the operating businesses, your Directors do not recommend any dividend for the financial year 2011-12.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rishad Byramjee and Mrs. Mahakhurshid Byramjee retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. T. R. Madhavan has resigned as an Executive Chairman & Whole Time Director w.e.f. 1st November, 2012 and Mr. Rajesh Narian Gupta, Independent Director resigned from the Board w.e.f. 1st November, 2012. The Board wishes to place on record its appreciation for the invaluable services and guidance given by each of them during their respective tenures as Directors of the Company.

The Board at its meeting held on 1st November, 2012, appointed Mr. P. R. Kalyanaraman as an Additional Director in the capacity of Managing Director of the Company for a period of 3 years. Pursuant to Section 260 of the Companies Act, 1956, Mr. P. R. Kalyanaraman holds office as a Director up to the date of the forthcoming Annual General Meeting. Approval of Members is being sought for his appointment as Managing Director at the ensuing Annual General Meeting on the terms and conditions as provided in the notice of the Annual General Meeting.

The Board at its meeting held on 1st November, 2012 appointed Mr. Rashid Kidwai, Mr. Manmohan Shetty and Mr. Ameet Naik as Additional Directors of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Rashid Kidwai, Mr. Manmohan Shetty and Mr. Ameet Naik hold office as Directors upto the date of the ensuing Annual General Meeting. Approval of Members is being sought for their appointment as Directors at the ensuing Annual General Meeting.

A brief profile of the Directors seeking appointment/re-appointment at the ensuing Annual General

Meeting, nature of their expertise and names of the other Companies in which they hold Directorship and Committee Membership is provided as a part of the notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby certify and confirm that:

- 1) in the preparation of the Annual Accounts for the year 2011-12, the applicable Accounting Standards have been followed and there are no material departures;
- 2) they 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 the Company at the end of the financial year and of the profit or loss of Company for that period;
- 3) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) they have prepared the Annual Accounts on a going concern basis.

COMPANY SECRETARY:

During the year under review, Mr. Gajendra Thakur resigned from the post of Company Secretary of the Company w.e.f. 2nd August, 2012 and Mr. Alpesh Shah was appointed as the new Company Secretary w.e.f. 25th September, 2012.

SUBSIDIARY / JOINT VENTURE COMPANIES:

During the year under review, the shareholding of Centrum Capital Ltd. in Centrum Broking Ltd. has increased from 48.74% to 99.26 % in Centrum Broking Limited and consequently Centrum Broking Limited became a subsidiary of the Company.

During the year under review, Centrum Securities (Europe) Limited, subsidiary of the Company has been wound up.

In terms of the General Circular of the Ministry of Corporate Affairs, Government of India has granted general exemption under Section 212(8) of the Companies Act, 1956. In view of this copies of the Balance Sheet, Statement of Profit & Loss, Report of the Board of Directors and Auditors of its subsidiaries namely Centrum Financial Services Limited, Centrum Infrastructure and Realty Limited, Centrum Wealth Management Limited (Formerly Centrum Investments Limited), Accounts Receivables Management Services (India) Limited, CentrumDirect Limited, Club 7 Holidays Limited (step down subsidiary), Centrum Capital Holdings LLC and Centrum Securities LLC (step down subsidiary), Centrum Broking Limited have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same at the Corporate Office of the Company. However, as directed by the MCA in the aforesaid circulars, the financial information of the said subsidiaries has been disclosed in the Annual Report.

The annual accounts of the subsidiary companies will also be kept for inspection by any shareholders at the Corporate Office of the Company and that of respective subsidiary companies.

Further pursuant to Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report include financial information of its aforesaid subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS:

As required under the Listing Agreement with the Bombay Stock Exchange Limited, Consolidated Financial Statements of the Company are attached. The Consolidated Financial Statements have been prepared in accordance with Accounting Standards 21, 23 and 27 issued by the Institute of Chartered Accountants of India. These statements have been prepared on the basis of Audited Financial Statements received from Subsidiaries, Joint Ventures and Associate Companies, as approved by their respective Boards of Directors.

UTILIZATION OF PROCEEDS OF PREFERENTIAL ALLOTMENT:

The details of utilization of proceeds raised through preferential issue of equity shares are disclosed to the Audit Committee and in the Annual Report. The Company has not utilized these funds for purposes other than those stated in the notice convening the Extra Ordinary General Meeting called for the approval of said preferential issue of equity shares.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, a Management Discussion and Analysis Report forms part of the Annual Report.

PARTICULARS OF EMPLOYEES AND EMPLOYEES STOCK PURCHASE SCHEME:

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the

name and other particulars of the certain employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company Secretary at its Corporate Office.

The disclosure(s) required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 are annexed and forms part of this Report.

AUDITORS AND AUDITORS' REPORT:

M/s. Haribhakti & Co., Chartered Accountants, retires as Statutory Auditors at the ensuing Annual General Meeting and have expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from the 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. A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

With regard to point no 4 in the Auditors' Report, we wish to submit as follows:

- a) Based on the financial projections provided by management of Centrum Broking Limited confirming fair valuation higher than the cost of investments in the books of the Company, the Board of Directors believe that no impairment is necessitated in respect of said investments along with the loans advanced.
- b) Subsequent to the end of the financial year, Company has received part payment from the said

party. Based on recent trends in collection, sale of pledge shares, the above amount in view of Board of Directors is fully recoverable and accordingly the same need not be subject to provision.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

FIXED DEPOSITS:

The Company has not invited nor accepted any fixed deposits pursuant to the provision of Section 58A of the Companies Act, 1956 during the year under review.

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 EARNINGS AND OUTGO:

The details of foreign exchange earnings and outgo during the year under review are provided at Item No. 33(a) & 33(b) (Notes to Accounts) of the Audited Accounts. The members are requested to refer to the said Note for details in this regard.

CORPORATE GOVERNANCE:

A detailed Report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report. A Certificate from the Auditors of the Company, M/s Haribhakti & Co., Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, also forms part of the Annual Report.

ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation to Company's clients, vendors, investors, business associates and bankers for their support to the Company.

The Directors also thank the Government of India, the Governments of various countries, the concerned State Governments, Government Departments and Governmental Agencies for their co-operation.

The Directors appreciate and value the contribution made by every member of the Centrum family. Your Directors look forward to the continued support of all stakeholders in the future.

For and on behalf of the Board of Directors

P. R. Kalyanaraman
Managing Director

K. V. Krishnamurthy
Director

Place: Mumbai

Date: 3rd December, 2012