

**EXCELLENCE**

Through

**INTEGRATION**



# CONTENTS

03	Chairman's Letter
05	Corporate Information
06	Directors' Report
11	Management Discussion & Analysis
21	Corporate Governance Report
34	Auditors' Report
42	Standalone Financial Statements
81	Auditors' Report on the Consolidated Financial Statements
84	Consolidated Financial Statements



# CHAIRMAN'S LETTER

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Dear Shareholders,

I am writing this letter to you when the Indian economy has struggled for a second year in a row as the financial year 2012-13 posted a decade low GDP growth of 5%. The industrial economy almost stagnated. India also suffered from very high twin deficits on Current Account Balance of BOP and fiscal balance. The developed world continued to suffer poor economic growth which led to lower inflows from Foreign Direct Investments and almost stagnating exports. This double whammy of weak global factors and further slippage in the domestic economy has had its impact on the financial services industry reflecting in continued low activity in both primary equity markets and M&A segments. However, stagnation in the industrial economy and high interest rate regime led to continued momentum in corporate restructuring activity. Both the RBI and government have initiated significant measures like strict restrictions on gold imports, easing short term liquidity by cutting down short term rates substantially, encouraging larger dollar inflows by permitting swapping of FCNR deposits, clearing of over ₹ 3 lakh crore worth of investment projects, etc. I believe that these initiatives would continue and they give us hope that the investment and financial services activity should see some credible improvement in the current fiscal.

Despite severe slowdown in the economy at Centrum Group, business still progressed quite impressively in relative terms. The total income of the Company, on a standalone basis, grew by 20.3% to ₹ 707.37 million for the 12 months ending 30<sup>th</sup> June, 2013, as compared to ₹ 587.80 million for the same period in the previous year. However, the Company posted about three and half times jump in operating profits to ₹ 322.28 million during the year ending 30<sup>th</sup> June, 2013 over ₹ 91.19 million posted in the previous year. Such impressive jump in profits were possible on account of both significant improvement in total revenues and Company's continued thrust on streamlining operating expenses which were initiated

in the last financial year. We have brought down the employee expenses by 27% to ₹ 178.20 million during the year ending 30<sup>th</sup> June, 2013 as compared to ₹ 244.00 million spent in the previous year. We have posted a net profit of ₹ 137.14 million in FY2013, on stand alone basis, as compared to a net loss of ₹ 97.32 million in FY2012.

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.

Centrum's foray into wealth management led to building up of assets a little in excess of ₹ 20 billion at present as compared to ₹ 10 billion last year. We have over 1700 active clients whose networth is more than ₹ 200 billion. During the year we have launched five innovative structured products successfully. In the wealth business we also strengthened our sales team to 50 members across 10 major HNI locations.

Our debt team successfully introduced CDR as a product and also closed some marquee transactions. Our investment bank closed 17 private equity and ECM transactions in a challenging environment.

Centrum Direct consolidated its position as the 2<sup>nd</sup> largest retail money changer during the year. It bagged exclusive rights to operate in the Chennai Airport, thus making us one of the leaders in money changing business executed at airports. It posted 15% yoy growth in revenue and crossed a turnover of ₹ 300 billion. It also increased margins by 21% in FY2013.

Our institution equity desk executed 6 placement / block deals in a challenging environment. It conducted 25 road

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shows, which were patronized by more than 150 investors including the FIIs, MFs, banks and insurance companies. It is currently empanelled with 135 institutions. To reinforce its growth going forward and create a niche position within institutional equity segment in the country, it has started focusing on midcap research as this segment within Indian equity is known for tremendous wealth creation over the medium to long term.

Our initiatives highlighted above helped in improving our asset base in wealth business and also in improving productivity in our other subsidiaries. The Company posted a net profit of ₹ 145.65 million at consolidated level in FY2013 as compared to net loss of ₹ 308.25 million in FY2012. Centrum continues to be recognized as a premium integrated financial services company, renowned for its ethics and good business practices.

Moving forward, we expect continued volatility in the domestic capital markets and hence, the investment banking business is expected to have a fair share of challenges. However, we believe that our wealth management and debt restructuring businesses will continue to grow both revenues and profits significantly going forward. As the industrial economy continues to stagnate and there are no signs of repo rate going down, we, at Centrum, see the environment of increasing Non Performing Assets (NPAs) 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.

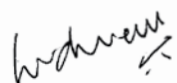
During the year we could not grow our offshore fund (Progressive India Fund) substantially as this is a US \$ denominated fund and INR exchange rate took a major jolt during the year. However, we remain confident that with INR stabilizing around 62 against the US\$ due to significant measures implemented by both the government and RBI we expect our offshore fund to grow to a bigger size in the next 2 years.

Notwithstanding the current slowdown in the domestic economy we believe that there are still significant opportunities for both financial services and wealth management business in the country in the medium term. Despite overall slowdown, our GDP in nominal terms is still growing closer to 12% and the banking business is growing significantly. The burgeoning Indian middle class, rising income levels, liberalization policies towards foreign capital inflows especially in the areas of FDI and attracting capital from NRIs in the form of FCNR deposits, etc augur well for significant business potential in the areas in which we operate. Our core expertise, dedicated, talented professionals and focused business approach will enable us to 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 thank you for the faith and confidence reposed in the Centrum Group of Companies and solicit your continued trust. 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

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## BOARD OF DIRECTORS

Mr. P. R. Kalyanaraman  
Managing Director

Mr. Chandir Gidwani  
Non Executive Chairman

Mr. Rishad Byramjee  
Non Executive Director

Mrs. Mahakhurshid Byramjee  
Non Executive Director

Mr. Manmohan Shetty  
Non Executive Director

Mr. Dhanpal Jhaveri  
Non Executive Director

Mr. Rajesh Nanavaty  
Independent Director

Mr. Ibrahim S. Belselah  
Independent Director

Mr. Subimal Bhattacharjee  
Independent Director

Mr. Ameet Naik  
Independent Director

Mr. Rashid Kidwai  
Independent Director

Mr. R. S. Reddy  
Independent 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,  
2<sup>nd</sup> Floor, Dr. D.N. Road, Fort,  
Mumbai-400001  
Tel: 2266 2434  
Fax: 2261 1105  
Website: [www.centrum.co.in](http://www.centrum.co.in)  
E-Mail: [info@centrum.co.in](mailto:info@centrum.co.in)  
[cs@centrum.co.in](mailto:cs@centrum.co.in)

## CORPORATE OFFICE

Centrum House, CST Road,  
Vidyanagari Marg, Kalina,  
Santacruz (East),  
Mumbai-400098  
Tel.:022-4215 9000  
Fax: 022-4215 9833



# Directors' Report

## Dear Members,

Your Directors present their Thirty Fifth Annual Report together with the Audited Accounts for the year ended 30<sup>th</sup> June, 2013.

## FINANCIAL PERFORMANCE:

The financial performance of the Company for the year ended 30<sup>th</sup> June, 2013 is summarized below:

(₹ in Million)		
Particulars	2012-2013	2011-2012
Total Income	712.04	602.57
Profit/Loss before Interest, Depreciation ,Tax and Exceptional Items	322.76	103.34
Less: Interest	162.52	150.72
Less: Depreciation	36.81	36.69
Add: Exceptional Item	30.21	-
Profit/Loss before tax	153.64	(84.07)
Less: Provision for Taxation	16.50	13.25
Profit/Loss after tax	137.14	(97.32)
Add: Balance brought forward from previous year	369.62	466.93
Profit available for appropriation	506.76	369.62
Less: Proposed Dividend	Nil	Nil
Provision for Dividend Tax	Nil	Nil
Balance carried to Balance Sheet	506.76	369.62

## 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 order to preserve cash for the operating businesses, your Directors do not recommend any dividend for the financial year 2012-2013.

## SHARE CAPITAL:

(i) The Authorised Share capital of the Company was increased from ₹100,000,000/- (Rupees Ten Crores) divided into 10,000,000 (One Crore) Equity Shares of ₹ 10/- (Rupees Ten) to ₹ 420,000,000/- (Rupees Forty Two Crores) divided into 420,000,000 (Forty Two Crore) equity shares of ₹ 1/- (Rupee One) each by the members at the Extra Ordinary General Meeting of the Company held on 13<sup>th</sup> June, 2013.

## (ii) SUB-DIVISION OF EQUITY SHARES (FROM FACE VALUE OF ₹ 10/- EACH TO FACE VALUE OF ₹ 1/- EACH):

With a view to encourage participation of the investors and also with a view to increase the liquidity of the equity shares of the Company, the equity shares of face value of ₹ 10/- (Rupees Ten) each are sub-divided into ten equity shares of the face value ₹ 1/- (Rupee One) each.

## (iii) BONUS SHARES:

In order to increase the liquidity in the shares and to reward the existing shareholders and in view of the comfortable reserves position, the Company allotted 346,693,950 each credited as fully paid-up Bonus Shares in the proportion of 5 (Five) Equity Share of ₹ 1/- each for every 1 (One) Equity Share of ₹ 1/- each held, by capitalising ₹ 346,693,950 (Rupees Thirty Four Crore Sixty Six Lakhs Ninety Three Thousand Nine Hundred and Fifty) out of Company's Securities Premium Account.

(iv) Consequent to the sub-division of equity shares and allotment of the fully paid bonus equity shares, the Issued, Subscribed and Paid up equity capital of the Company has increased from ₹ 69,338,790 (Rupees Six Crore Ninety Three Lakhs Thirty Eight Thousand Seven Hundred and Ninety) divided into 6,933,879 (Sixty Nine Lakhs Thirty Three Thousand

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Eight Hundred and Seventy Nine) equity shares of ₹ 10/- (Rupees Ten) each to ₹ 416,032,740 (Rupees Forty One Crore Sixty Lakhs Thirty Two Thousand Seven Hundred and Forty) divided into 416,032,740 (Forty One Crore Sixty Lakhs Thirty Two Thousand Seven Hundred and Forty) equity shares of ₹ 1/- (Rupee One) each.

#### **DEBENTURES:**

The Board of Directors has approved the issue of secured, unlisted, unrated, redeemable non-convertible debentures of ₹ 100,000/- (Rupees One Lakh) each through private placement, including the greenshoe option, upto a limit of ₹ 650,000,000 (Rupees Sixty Five Crores).

#### **DIRECTORS:**

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

Mr. P. R. Kalyanaraman has been appointed as the Managing Director of the Company for a period of 3 years w.e.f. 1<sup>st</sup> November, 2012, Mr. Manmohan Shetty has been appointed as Non Executive Director w.e.f. 1<sup>st</sup> November, 2012 and Mr. Rashid Kidwai and Mr. Ameet Naik have been appointed as Independent Directors of the Company w.e.f. 1<sup>st</sup> November, 2012.

The Board at its meeting held on 14<sup>th</sup> February, 2013 appointed Mr. R.S. Reddy as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. R. S. Reddy holds office as a Director upto the date of the ensuing Annual General Meeting. Approval of Members is being sought for his appointment as Director at the ensuing Annual General Meeting.

Mr. Rajesh Narian Gupta resigned from the Board w.e.f. 1<sup>st</sup> November, 2012 and Mr. T. R. Madhavan resigned from

the Board as Executive Chairman w.e.f. 1<sup>st</sup> November, 2012. Mr. K. V. Krishnamurthy, Independent Director of the Company passed away on 16<sup>th</sup> January, 2013 and ceased to be a Director of the Company w.e.f. 16<sup>th</sup> January, 2013. 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.

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 2012-13, 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 provision of this act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;



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- 4) they have prepared the annual accounts on a going concern basis.

#### **SUBSIDIARY / JOINT VENTURE COMPANIES:**

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 and 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.

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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, retire 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.

The Notes forming part of financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

With Regards the Emphasis of Matter in the Auditors Report, we wish to submit as under:

- a) Based on the financial estimates provided by the management of Centrum Broking Limited (CBL), Centrum Wealth Management Limited (CWML) and Centrum Infrastructure & Realty Limited (CIRL) confirming fair valuation higher than the cost of investments of ₹ 815,523,945 Lakhs in CBL, ₹ 500,000 in CWML and ₹ 500,000 in CIRL respectively, the management believes that no impairment provision is required in respect of said Investments along with loans advanced amounting to ₹ 32,394,297 to CBL and ₹ 327,280,258 to CWML and ₹ 72,250,413 to CIRL.

- 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 and status of ongoing law suit, the outstanding amount of ₹ 45,832,632 in view of Board of Directors is fully recoverable and accordingly the same need not be subject to any further provisioning.

#### **FIXED DEPOSITS:**

The Company has not invited nor accepted any fixed deposits pursuant to the provisions 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 forming part of financial statements) 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.