

CENTRUM

Innovative Solutions *for a*
Changing World.

ANNUAL REPORT
2013-2014

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CHAIRMAN'S LETTER

Dear Shareholders,

I am writing this letter to you at a time when the Indian economy is at a crucial juncture. The new government has taken guard at the center and is expected to herald a new phase of growth for the Indian economy. While we still need to see execution on the ground, the new government has certainly reinvigorated investor interest, which is quite evident from the inflows seen in both the debt and the equity markets in 2014.

The Indian economy is beginning to see signs of recovery from the trough it made in 2013. Q1FY15 GDP at 5.7% was certainly a much stronger print than what was seen in FY14. On ground activity has also improved from the sluggish period we saw last year. The external account position in the form of the Current Account Deficit at 1.7% of GDP has also seen significant improvement on the back of decline in gold imports. The inflation has also stabilized and there could be downward pressure to inflation from the recent decline in crude oil. The global economies are also seeing revival in the labour market although some of the economies like Eurozone and Japan the recovery is still protracted in nature.

The economy is definitely seeing some tailwinds in the form of lower crude prices, the global economic recovery and an investment friendly government. This sets up the financial services industry, which is an integral part of the economy for many opportunities over the coming years.

Our businesses progressed smoothly during the year. The Group's profits (EBITDA), on a consolidated basis increased by Rs. 609.69 million during the year ending 30th June, 2014 compared to Rs. 439.52 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 previous financial years. We have posted a growth @ 74.26% in consolidated net profit of Rs. 249.98 million in FY2014, as compared to a consolidated net profit of Rs.143.46 million in FY2013 .

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 Rs.30 billion at present as compared to Rs.20 billion last year. We have over 1800 active clients whose networth is more than Rs.250 billion. During the year we have continued to launch innovative structured products.

Our debt team successfully closed some marquee transactions, viz. 38 transactions with a total deal size of over Rs. 70,000 million. Our investment bank closed 15 private equity and ECM transactions with a total deal size of over Rs. 3000 million in a challenging environment.

CentrumDirect consolidated its position as the 2nd largest retail money changer during the year. With majority presence in the second largest airport in the country, the new international airport in Mumbai, and with exclusive rights to operate in the Chennai, Bangalore and Trichy Airports, it has become one of the leaders in money changing business executed at airports. It posted 87% yoy growth in revenue and crossed a turnover of Rs.400 billion.

Our institution equity desk has been able to establish itself as a leading house in the Institutional space. It is

currently empanelled with more than 150 institutions. Its thrust has always been research focused on the mid cap side of the markets; which has led identifying a number of lesser known stocks with path breaking ideas; which has been recognized and appreciated by the institutions.

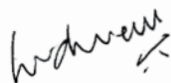
During the year we saw a significant outperformance in the offshore fund (Progressive India Fund) on the back of restructuring efforts taken towards the beginning of the year and tailwinds from the positive move seen in the equity market. We have seen some inflows in the fund during and after the elections. The formation of a stable government at the centre and recovery in the INR versus the USD has led to increased overseas investor interest. We expect the increased investor appetite to lead to better inflows into the fund as compared to the flows seen last year.

The Change in sentiment in the domestic economy throws up significant opportunities for both financial services and wealth management business in the country in the medium term. Despite overall slowdown, the banking business is growing significantly. The equity markets have shown a steady rise and have reached all time high levels. 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.

Finally, I would like to express my gratitude to all our clients, our employees, our investors, our shareholders – for the trust you have reposed in us. I would especially like to thank the Board members for their guidance throughout our journey.

As we aim to create long-term value for all our stakeholders, we hope you will continue to support and encourage us as you have done in the past.

Yours sincerely,



Chandir Gidwani

Corporate Information

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
Non Executive Director

Mr. Ibrahim S. Belselah
Non Executive Director

Mr. Subimal Bhattacharjee
Non Executive Director

Mr. Ameet Naik
Non Executive Director

Mr. Rashid Kidwai
Non Executive Director

Mr. R. S. Reddy
Non Executive 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. LLP
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 9833

Directors' Report

Dear Members,

Your Directors present their Thirty Sixth Annual Report together with the Audited Accounts for the year ended June 30, 2014.

FINANCIAL PERFORMANCE:

The financial performance of the Company for the year ended June 30, 2014 is summarized below:

(₹ in Million)		
Particulars	2013-2014	2012-2013
Total Income	614.37	712.04
Profit/Loss before Interest, Depreciation, Tax and Exceptional Items	283.84	322.76
Less: Interest	166.50	162.52
Less: Depreciation	36.42	36.81
Add: Exceptional Item	18.55	30.21
Profit/Loss before tax	99.46	153.64
Less: Provision for Taxation	(14.59)	16.50
Profit/Loss after tax	114.05	137.14
Add: Balance brought forward from previous year	506.76	369.62
Less: Transfer to DRR	157.85	Nil
Profit available for appropriation	462.96	506.76
Less: Proposed Dividend	Nil	Nil
Less: Provision for Dividend Tax	Nil	Nil
Balance carried to Balance Sheet	462.96	506.76

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. The Company has transferred ₹ 1,578.50 Lakhs to the Debenture Redemption Reserve Account. As on June 30, 2014, the balance available in the Debenture Redemption Reserve Account is ₹ 1,578.50 Lakhs.

CHANGE IN FINANCIAL YEAR:

In compliance of Section 2 (41) of the new Companies Act, 2013, the financial year of the Company is changed from 1st July to 30th June to 1st April to 31st March of every year. Accordingly the financial year 2014-15 shall be for a period of 9 months beginning from 1st July 2014 and ending on 31st March 2015.

DIVIDEND:

In order to preserve cash for the operating businesses, your Directors do not recommend any dividend for the financial year 2013-2014.

DEBENTURES:

The Board of Directors has issued 6314 number of secured, unlisted, unrated, redeemable non-convertible debentures of ₹ 100,000/- (Rupees One Lakh) each through private placement, including the greenshoe option.

DIRECTORS:

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Rajesh Nanavaty, Mrs Mahakhurshid Byramjee and Mr. Ibrahim Belselah retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief profile of the all the Directors seeking 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:

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- 1) in the preparation of the Annual Accounts for the year 2013-14, 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;
 - 4) they have prepared the annual accounts on a going concern basis.

SUBSIDIARY / JOINT VENTURE COMPANIES:

During the year, the Company has made an additional investment of ₹ 3,000.15 Lakhs in CentrumDirect Limited and ₹ 3,192.00 Lakhs in Centrum Wealth Management Limited (both being wholly owned subsidiary) by subscribing 8,85,000 Equity Shares of Rs 10/- each and 19,950,000 Equity Shares of ₹ 10/- each, respectively. During the year, the Company has divested its investments of ₹ 4 Lakhs in Accounts Receivables Management Services (India) Limited at book value.

Subsequent to balance sheet date, company has incorporated a wholly owned subsidiary named “Centrum Retail Services Limited” and thereafter for strategic reason and to better align its various business, Company has reorganised the Centrum Group Structure by transferring its entire equity investments in its subsidiaries viz Centrum

Wealth Management Limited, Centrum Financial Services Limited and CentrumDirect Limited to the Subsidiary viz. Centrum Retail Services Limited.

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), 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.

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 LLP, Chartered Accountants, (ICAI Firm Registration No. 103523W), retire as Statutory Auditors at the ensuing Annual General Meeting and have expressed their eligibility and willingness to continue, if

so appointed. As required under the provisions of Section 139 of the Companies Act, 2013 and applicable rules, 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 and also a certificate as to eligibility for being re appointed in accordance with the requirements of Section 139 (1) of the Companies Act 2013 (the Act) read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014.

A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

Section 139(2) of the Companies Act, 2013 (effective 1st April 2014), mandates that a listed Company or such other prescribed classes of Companies shall not appoint or reappoint an audit firm as Statutory Auditors for more than two terms of five consecutive years each.

Further, the Companies as aforesaid, whose statutory Auditors has held office for a period of ten years or more are required to comply with these provisions, within three years from the date of commencement of these provisions i.e. 1st April 2014. For this Purpose, the term of the Audit firm before the commencement of these provision shall be taken into account for calculating the period of ten consecutive years.

Our Auditors M/s Haribhakti & Co LLP, Chartered Accountants, are holding office as a Statutory Auditor since FY 2012. Hence, they are reappointed for a period upto 5 years i.e. Upto FY 2019.

The Audit Committee and the Board of Directors recommend the re-appointment of M/s Haribhakti & Co LLP, Chartered Accountants, as Statutory Auditors of the Company upto FY2019 for shareholders' approval.

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

There was a delay in payment of service tax and the Company subsequently paid the due amount along with applicable interest as per applicable laws. Company will endeavour to avoid such delays in future.

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

- a) Based on the financial estimates and business rationale provided by the management for its exposure in Centrum Broking Limited (CBL), Centrum Wealth Management Limited (CWML) and Centrum Capital Holdings LLC (CCH LLC) confirming fair valuation higher than the cost of Investments of ₹ 8,155.24 Lakhs in CBL, ₹ 3,197.00 Lakhs in CWML and ₹194.28 Lakhs in CCH LLC the management believes that no impairment provision is required in respect of said Investments along with loans advanced amounting to ₹ 1,094.36 Lakhs to CBL, ₹ 1,716.46 Lakhs to CWML and ₹ 59.19 Lakhs to CCH LLC .
- b) Based on recent developments, as informed by the debtor & the status of ongoing lawsuit, the above amount in view of management is fully recoverable & accordingly the same need not be subject to 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. 32(a) & 32(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. LLP, 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