

Centrum Capital Limited

C←NTRUM

IDEAS. STRENGTHS. GROWTH.



ANNUAL REPORT 2017-18



Centrum is one of India’s most well respected and fast growing diversified financial services Groups.

Contents

Executive Chairman’s Message	02
Board of Directors	04
At a Glance	05
Our Journey over the Years	06
Key Highlights	08
Corporate Information	13
Directors’ Report	14
Management Discussion & Analysis	61
Corporate Governance Report	71
Auditors’ Report	90
Standalone Financial Statements	98
Auditors’ Report on the Consolidated Financial Statements	142
Consolidated Financial Statements	148



IDEAS. STRENGTHS. GROWTH.

In any endeavour, success most often comes to those who think out-of-the-box and take bold, visionary decisions. This is precisely what we, at Centrum, have been doing since inception. Exploring new opportunities, building strengths and diversifying our services, to bring out the best from our talent and capital to maximise shareholder value. We are focused on offering a balanced mix of fee based advisory services, along with having a scalable lending business to cater to individuals and institutions nationally.

Today, we are one of India's most well respected and fast growing diversified financial services Groups. We have all the ingredients required, to become an enduring and valuable financial power house built on our core pillars of Entrepreneurship, Customer Centricity, Creativity and Trust. For us, it's all about thinking Big ideas, building on strengths and delivering sustainable growth.

Ideas. In our journey so far, delighting clients with innovative offerings has been a driving force. Our foray into new high-potential businesses, has helped us to be ahead of the curve. Recently, we took a decisive step to divest our successful money exchange business at healthy valuations. This decision is expected to prove beneficial for both the Group and the money exchange business, paving the way for the next phase of growth and expansion.

Strengths. Today, each of our businesses are led by CEOs with proven track records. They lead over 1000 competent and highly motivated Centrumites, pan India. All our businesses are poised for strong growth. We see the Wealth Management business as having the potential to generate similar numbers as our Money Exchange business did. We expect non-linear growth in our lending business, significant expansion of our Insurance Broking business and new avenues of wealth creation from our Asset

Management business. All this supported by the on-going robust growth in our heritage businesses of Investment Banking and Equity Broking.

Growth. For us, it's all about delivering customer delight and building a bigger tomorrow. Generating strong ideas and leveraging our executional strengths to achieve sustained growth. We are constantly ideating, and acquiring deeper skillsets, to accelerate our momentum for growth and value creation.

Executive Chairman's Message



Dear Shareholders,

Starting out as merchant bankers from a small office in South Mumbai in 1996, Centrum today is a well respected and fast growing diversified financial services Group, offering varied services to institutional and retail clients. All of this has been possible through the efforts of all Stakeholders, our Team, Clients, Shareholders, Regulators, Bankers and Board of Directors.

FY2018 was a year of action and growth, driven by superior execution across all business verticals, new technology initiatives, geographic expansion, acquisitions and strengthening of our talent pool across levels. The Indian economy is growing rapidly and offers many opportunities to not only grow our existing businesses, but also venture in to new areas. This combined with our appetite to grow, expertise, ideas and strong relationships with key stakeholders will take us further on our growth trajectory. While we continued to grow our core businesses of Investment Banking, Wealth Management and Stock Broking, we successfully strengthened the newer verticals of Lending, Insurance and Asset Management. This reinforces our long-term vision of building a robust fee-based business along with a scalable lending platform. Our goal for FY2019 is to focus on new ideas to serve clients better, leverage our strengths and grow in a sustained manner.

The Indian economy grew by 7.2% in FY2018 and is one of the fastest growing economies in the world. The country witnessed the roll out of one of the biggest tax reforms - Goods and Service Tax (GST). The RBI and the Government are focusing on improving the lending scenario to boost India's overall credit growth. The Indian equity markets, during FY2018, posted a return of ~11%. The mid-and-small-cap companies outperformed their larger peers,

as witnessed by a ~13% increase in the S&P BSE Mid-Cap index and an increase of ~19% in the BSE Small cap index. During the year, the Mutual Fund industry had Quarterly Average Assets Under Management (QAAUM) amounting to Rs 23.05 lakh crore, indicating an over 7-fold increase in a span of 11 years. Given the significant increased interest in equity markets, we can assume that equity investments from domestic investors alone are likely to touch about Rs 2 lakh crores in the current fiscal. This may get a further boost with the upcoming IPOs as well as the expected public sector divestments by the Government. Overall, there was robust macro-economic growth during FY2018 and it has also led India to remain in a sweet spot for the next year.

On a standalone basis, Centrum Capital's Net Profit for FY2018 increased 69% to Rs. 633.2 million. At a consolidated level, the Group's EBITDA increased 65% to Rs. 1279.7 million and the net profit stood at Rs 318.5 million. I am happy to share that effective April 4, 2018, our share also listed on the National Stock Exchange. Being listed on both BSE and NSE brings greater trading volumes.

The year also saw our first acquisition in FirstRand Bank (FRB) India's Micro finance portfolio. This marked our entry in the fast growing micro finance space, where we provide business loans to the under-served sections of society under the joint liability model. We welcomed the 300 strong team of FRB to the Centrum family. They will play a key role in scaling up this business. A number of senior executives joined our team to lead different verticals, during the year. We grew our equity research and wealth advisory teams to offer more investment products to clients. Our lending verticals added services such as real estate and supply chain finance.

In April 2018, we divested our full stake in our Money Exchange business – CentrumDirect Limited. (CDL) to Atlanta based, NASDAQ listed Ebix group. CDL is a leader in currency exchange, overseas remittances, prepaid

travel cards and travelers cheques. The business had seen sustained growth and constantly innovated to meet changing customer needs. However, consolidation and margin pressures were expected to be major disruptors in this business. With more customers opting for technology enabled platforms, EBIX Inc. had the right technological capabilities, a global footprint and a large resource base, to make an ideal home for CDL. The sale proceeds will provide us with a significant resource base to strengthen our core businesses, scale up our lending businesses by offering more products and entering new markets along with identifying strategic organic and inorganic growth opportunities.

The Wealth Management business had a successful year both in terms of AUM and client growth. AUM grew by 50% y-o-y and the business has expanded its footprint overseas to South-East Asia to tap in to the significantly large HNI base there. The business is also in the process of forming alliances with banks to offer their HNI clients professional wealth management and family office services. Our alliance with Lakshmi Vilas Bank on similar lines has enabled us to reach out to and offer our services to a large number of the Bank's clients. We are very bullish on this business and believe it will be one of our largest revenue contributors.

The Institutional Securities business grew by empaneling new franchisees and strengthening its sales and research teams. Taking advantage of the bullish sentiment in the primary markets, our Broking and Investment Banking teams have successfully advised multiple transactions during the year. Our research analysts are constantly studying the markets and identifying

investment opportunities. I am happy to share that, our analysts received multiple awards for their excellent research during the year. Due to an overwhelming response from investors and corporates in 2016, our flagship investor conference – Centrum Corporate Connect, was extended to a 2-day event in 2017, with over 130 corporates participating in engaging discussions with investors.

Our dedicated debt team has been quite active in the stressed asset resolution area by assisting a number of corporates through CDR, OTS, JLF and Bilateral restructuring etc. Our Infrastructure Advisory arm too had a successful year and played an instrumental role in advising several corporate debt restructuring transactions.

During the year, our lending businesses of Housing Finance, SME and Micro Finance witnessed steady growth. In a short span of one year, we built a sizeable lending book and are expanding rapidly across the country. Our Housing Finance business is now present in 5 states. Financial Inclusion is a key agenda for the Group and through our lending businesses we are constantly looking to provide finance to the under-served sections of society.

Our Insurance business, which was a composite corporate agent, received a Direct Insurance Broking license in August 2017. With this license, we now offer products from all general, health and life insurance companies in India. This has enabled us to reach out to a larger client base by offering them insurance solutions that cater to their individual needs.

As a Group, we are always looking to innovate and offer diverse services and investment options to our customers. We started our Asset Management

business in early 2017, with the launch of our maiden Private Equity Fund – Kalpavriksh. The fund invests in consumer mid-sized, un-listed companies with a growth potential in Fintech, Education Tech and Healthcare. In November 2017, we also launched a new vertical – Centrum Real Estate Management and Advisory (CREMA), which strategically partners with Developers to provide comprehensive services such as sales & marketing support, financing and also works closely with Channel Partners and Clients to ensure on time delivery of apartments and legal support.


Last year, we introduced a number of digital initiatives to offer our clients the convenience of transacting from the comfort of their homes. We launched Centrum Pay – a one stop digital payment solution, through which clients could use their mobile phones to pay utility bills, buy flight and movie tickets amongst other services. We also launched a dedicated online forex portal – www.centrumforex.com for clients to buy and sell foreign currencies, prepaid travel cards and travelers cheques online. In the coming year, we will further increase our thrust on digital initiatives to offer innovative and user friendly services. A few projects that we are working on include an online and application based trading platform for equities and mutual funds, a wealth management portal which will focus on goal based investments, and an insurance portal to purchase policies online.

The Group currently has a balanced mix of advisory and lending services, which enables us to cross sell multiple services to a single customer. The economy too, is offering us multiple growth opportunities through favorable policy initiatives such as RERA, Banking Regulation Bill and GST.

We are constantly on the lookout for new business opportunities and ways to grow our existing services through both organic and in-organic routes. We have ambitious plans for each of our businesses and I am optimistic that with our collective efforts, we will achieve all our goals.

I would like to end by expressing my gratitude to all our clients, our teams, investors, bankers, regulators and shareholders – for the trust they have reposed in us. My special thanks also go to our Board members for their guidance. We look forward to your continued support in our growth trajectory as we create long term value for all our stakeholders.

Yours sincerely,



Jaspal Singh Bindra
Executive Chairman

On a standalone basis, Centrum Capital's Net Profit for FY2018 increased 69% to Rs. 633.2 million. At a consolidated level, the Group's EBITDA increased 65% to Rs. 1279.7 million and the net profit stood at Rs 318.5 million.

Board of Directors



Chandir Gidwani
Chairman Emeritus



Jaspal Singh Bindra
Executive Chairman



Mahakhurshid Byramjee
Non-Executive Director



Rishad Byramjee
Non-Executive Director



K. R. Kamath
Non-Executive Director



Ibrahim Belselah
Non-Executive
Independent Director



Manish Kumar Verma
Non-Executive
Independent Director



Manmohan Shetty
Non-Executive
Independent Director



Rajesh Nanavaty
Non-Executive
Independent Director



R. S. Reddy
Non-Executive
Independent Director



Subhash Kutte
Non-Executive
Independent Director

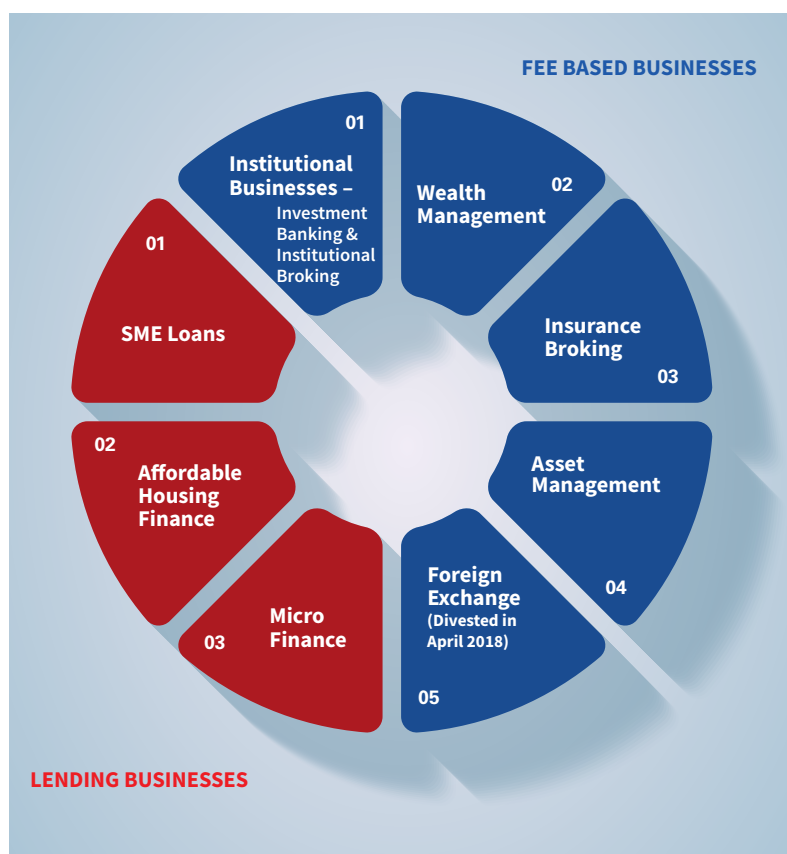
At a Glance

Centrum is a two decades old integrated Financial Services Group with established fee businesses in Investment Banking, Institutional Equities, Wealth Management, Foreign Exchange services and emerging Lending businesses in SME, Affordable Housing & Micro Finance. We have also forayed into Insurance Distribution and Asset Management recently.

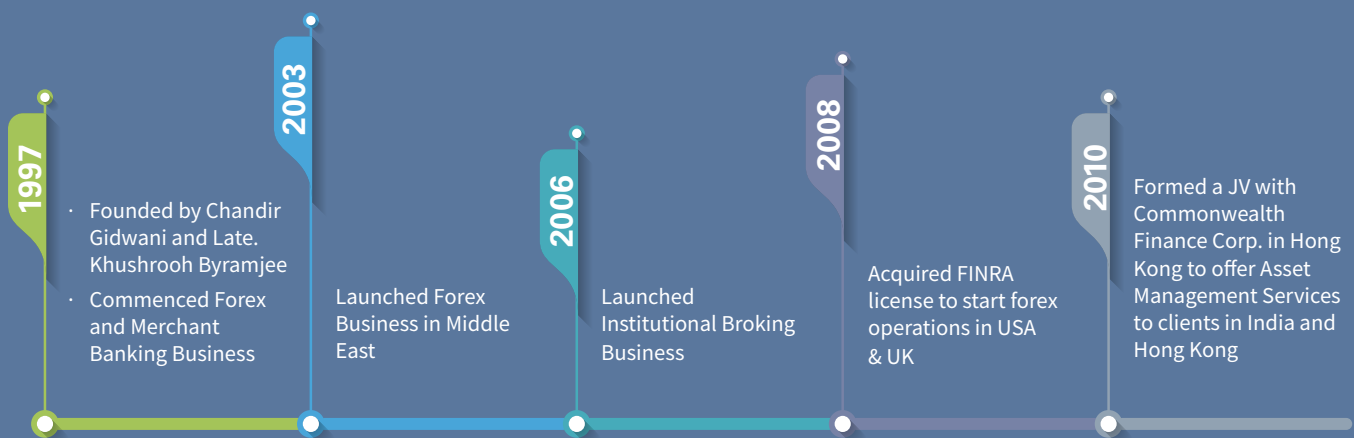
We are listed and actively traded on the Bombay Stock Exchange and the National Stock Exchange.

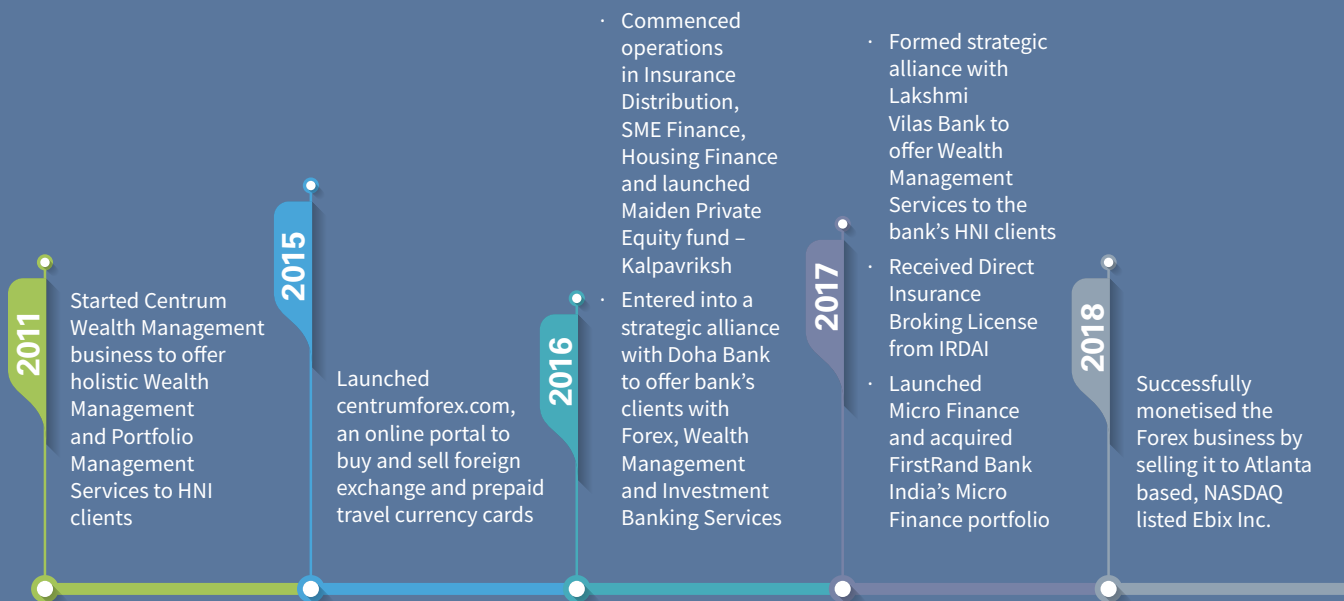
Our Businesses

Centrum offers eight distinct services to institutional and individual clients. Its strong group ecosystem enables cross-leveraging client relationships and cross-selling multiple services.



Our Journey over the Years





Key Highlights

Its All About Customer Delight and Building a Bigger Tomorrow

FY2018 was an action-packed year, filled with a number of strategic initiatives including launch of new businesses, strengthening core businesses and hiring capable talent.

Divestment of our Money Exchange Business

In April 2018, we signed an agreement to divest our complete stake in the money exchange business - CentrumDirect (CDL) to Atlanta based, NASDAQ listed Ebix Inc. With more customers opting for technology enabled platforms and expected margin pressures, Ebix Inc would make for a good home for CDL owing to its technological capabilities, global footprint and a large resource base. Over its journey of 20 years, CDL had grown to become one of the largest money exchange companies in India.

The transaction will provide the Group a significant resource base to strengthen our core businesses of Wealth Management, Institutional & Retail Broking, Investment Banking, Insurance and our lending verticals, along with identifying strategic opportunities for growth.

Centrum Group to sell money exchange business for ₹1,200 cr

To use proceeds to strengthen institutional and retail broking, wealth management

NEW DELHI
New Delhi: Centrum Group, a diversified financial services group, has signed an agreement to sell its foreign exchange business, CentrumDirect (CDL), to US-based Ebix Inc. The deal, which will see the Indian company transfer the entire CDL, trade and assets to Ebix, which will become part of the Atlanta-based company's financial exchange, EbixLink.

This follows Centrum Group's 2017 divestment of an 80.5 per cent stake in CDL to a group of private equity investors, such as Jacob Rufin, New York Life and Insurance.



A file picture of preparations for the inauguration of new services.

our lending verticals, along with identifying strategic opportunities for growth," he added.

₹1,200 cr worth transaction
In FY18, CDL handled transactions worth ₹1,200 crore, while it has a customer base of over 30 lakh as of date. The company's services include sale and purchase of foreign currency, overseas remittances, pre-paid travel

cards and travel cheques. CDL has a nationwide network of 500 outlets in 15 cities and is the largest airport forex player with presence at 25 airports in India.

"The acquisition of CDL provides us with new abilities in the financial exchange sector, while expanding our footprint in India.

"We have been eager to take up a strong position in India's airports and shipping ports. CDL has a strong financial trajectory in terms of capital and operating margins," Robin Rains, Chairman, President and CEO at Ebix, said.

The deal, which has been approved by the Centrum Board, is subject to shareholder and other regulatory approvals.

Micro Finance Business Takes Off!

Acquired FirstRand Bank India's Microfinance Portfolio

In November 2017, we obtained a Certificate of Registration from RBI to commence operations in the fast-growing micro finance sector. Our new venture, Centrum Micro Credit Pvt. Ltd. focuses on providing loans to un-served and under-served borrowers operating small businesses in semi-urban areas, under the Joint Liability Group (JLG) model.

To give the business a strong start, we acquired the MFI business of FirstRand Bank India, and took on board their 70,000 customers, 25 branches in Maharashtra and a team of over 300 employees. During the year, we added 8 branches and deepened our presence by opening 4 offices in Gujarat.

