TWENTYFIRST CENTURY MANAGEMENT SERVICES LTD

27th ANNUAL REPORT 2012 - 2013

Contents

BOARD OF DIRECTORS

Mr. SUNDAR IYER
Non - Executive Chairman

Mr. CHANDRAMOULI
Managing Director
(RESIGNED w.e.f 31.05.2013)

Mr. IYER VISHWANATH
Independent Director

Mr. S. HARIHARAN
Independent Director

Mr. KRISHNAN MUTHUKUMAR
Director
(APPOINTED w.e.f 06.02.2013)

COMPANY SECRETARY

Mr. A. V. M. SUNDARAM

AUDITORS

M/s. M. B. LADHA & COMPANY
Chartered Accountants
Mumbai

BANKERS

ICICI BANK LIMITED
HDFC BANK LTD

REGISTERED OFFICE

No. 158, 1st Floor, Eldams Road,
Alwarpet, Chennai - 600 018.

CORPORATE OFFICE

1st Floor, Grease House,
Zakaria Bundar Road, SEWREE,
Mumbai - 400 015.

SHARE TRANSFER AGENTS

LINK INTIME INDIA PVT. LTD.,
C13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W), Mumbai - 400 078.
Phone: (022) 25963838
Fax: (022) 25946969

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the Company will be held on Monday, 30th December, 2013 at 11.30 a. m. at Asha Nivas, No. 9, Rutland Gate 5th Street, Chennai - 600 006 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 and the Statement of profit & loss account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint Mr. Sundar Iyer, who retires at the ensuing General Meeting and being eligible, offers himself for reappointment.
3. To appoint Mr. Iyer Vishwanath, who retires at the ensuing General Meeting and being eligible, offers himself for reappointment.
4. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution.

   "RESOLVED THAT subject to the provisions of Section 225 and other applicable provisions, if any, of the Companies Act 1956, M/s.LAKHANI & LAKHANI, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting in place of the retiring Auditors, M/s. M. B. Ladha & Company, Chartered Accountants, to audit the accounts of the Company for the financial year 2013-14 at a remuneration to be fixed by the Board of Directors on the recommendation of the Audit Committee of Directors."

By Order of the Board

Place: Mumbai — A. V. M. SUNDARAM
Date : 4.12. 2013 — Company Secretary

NOTES:

a) **A MEMBER ENTITLED TO ATTEND AND VOTE, AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

b) The instrument appointing proxy, in order to be effective must be deposited at the registered office of the company not less than 48 hours before the commencement of the 27th annual general meeting of the company.

c) Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a duly certified copy of Board Resolution on the letterhead of the Company, signed by one of the Directors or Company Secretary or any other authorized signatory and / or duly notarized Power of Attorney, authorizing their representatives to attend and vote on their behalf at the Meeting.

d) The Register of Members and Share Transfer books of the Company will remain closed from 25th December, 2013 to 30th December, 2013 (both days inclusive).

e) The Members / Proxies are requested to bring their copy of Annual Report and duly filled Attendence Slips for attending the Meeting.

f) Members holding shares in physical form are requested to immediately notify change in their address, if any, to the Registrar and Share Transfer Agents, Link Intime India Private Limited, C - 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078, quoting their Folio Number(s).

g) Members desirous of obtaining any information concerning the accounts of the Company are requested to address their queries to the Company Secretary at least seven days in advance of the Meeting so that the information required can be readily made available at the Meeting.

h) All documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company during anytime between 1000 Hours to 1200 Hours on all days except Saturdays, Sundays and Public holidays, up to the date of Annual General Meeting.

i) Profile of directors seeking re-appointment as stipulated in terms of Clause 49 of the listing agreement with the stock exchanges is provided in the report on corporate governance, which forms an integral part of this annual report.

By Order of the Board

Place: Mumbai A. V. M. SUNDARAM
Date : 4.12.2013 Company Secretary

Item No. 4

Note on appointment of M/s. LAKHANI & LAKHANI Chartered Accountants, as Statutory Auditors of the Company.

M/s. M. B. Ladha & Company, Chartered Accountants have expressed their inability to continue as Statutory Auditors for the financial year ending 31st March 2014 due to their prior commitment and have requested the Board of Directors of our company to consider their inability to be Statutory Auditors for the year ending 31st March 2014.

The Audit Committee felt that it would be appropriate to accept their request and to appoint M/s. LAKHANI & LAKHANI Chartered Accountants. Based on the recommendation of the Audit Committee, the Board of Directors, has at its meeting held on 4th December 2013 recommended the appointment of M/s. LAKHANI & LAKHANI Chartered Accountants as statutory auditors of the Company for the financial year 2013-14 in place of M/s. M. B. Ladha & Company, Chartered Accountants.

The Company has received special notice of a resolution from a Member of the Company, in terms of the applicable provisions of the Act, signifying his intention to propose the appointment of M/s. LAKHANI & LAKHANI Chartered Accountants as the statutory auditors of the Company from the conclusion of this AGM till the conclusion of the next AGM of the Company.

M/s. LAKHANI & LAKHANI Chartered Accountants has expressed its willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

The Members' approval is being sought for the appointment of M/s. LAKHANI & LAKHANI Chartered Accountants as the Statutory Auditors and to authorise the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to them.

None of the Directors is concerned or interested in this resolution.

Your Directors recommend the resolution for your approval.

Important Communication to Members The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies through electronic mode. The Companies are now permitted to send various notices / documents including annual reports to its Members through electronic mode to their registered e-mail address. To support this initiative of the Government, the Members are requested to notify their e-mail address, including any change thereof, to their DPs (for shares held in dematerialised form) or to the RTA (for shares in physical form) of the Company viz., Link Intime India Pvt. Limited in order to enable the Company to send all the future notices and documents.

DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the 27th ANNUAL REPORT of your company together with the Auditor's Report for the year ended 31st March 2013.

FINANCIAL HIGHLIGHTS

The Financial Results for the year ended 31st March 2013.

Rupees in Lacs

	31/03/2013	31/03/2012
Profit / (Loss) from capital market operations	5.32	(447.99)
Other Income	7.06	28.23
Profit / (Loss) before Depreciation & Tax	(45.96)	(746.40)
Interest	0.00	0.00
Depreciation	14.65	19.71
Profit / (Loss) before tax	(60.61)	(766.11)
Provision for tax	0.00	0.00
Less: Deferred tax liability (asset)	(1.48)	(2.52)
Profit / (Loss) after tax	(59.13))	(763.59)
Excess provisions written back	199.40	0.00
Balance b/f from previous year	216.41	216.41
Surplus / (Deficit) carried to Balance Sheet	**140.27**	**(763.59)**

BUSINESS & PERFORMANCE

During the year under review, the Company has incurred a loss of Rs.59.13 Lacs, against the net loss of Rs.763.59 Lacs,in the last financial year. Our company had shifted the focus on core business of investments. Further the decreasing volume of business income namely broking income by subsidiary company - Twentyfirst Century Shares and Securities Limited (due to reduction in number of clients of capital market segment) was a concern. This has made the Board of Directors to rethink on the composition of business and accordingly it was decided to wind up the business of Institutional Broking with effect from 1st July 2013. Further the expenditure on account of personnel and administration expenses have also been reduced considerably.

DIVIDEND

In the absence of profit during the year, directors regret their inability to recommend dividend for the financial year 2012-13.

FUTURE PROSPECTS

The global environment is likely to continue to be an area of concern, although conditions have improved since the beginning of the last financial year. Growth is likely to improve in the second half of 2013-14.

Since our company is directly related to Equity Market we hope that the sentiment in the market will improve and our company will have an opportunity to increase the market operations in improving the profitability of the company.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Corporate Governance" has been annexed to this Annual Report.

DEPOSITS

Your company has not accepted any deposits from the public during the year under review. There are no outstanding deposits as on 31st March 2013.

PARTICULARS OF EMPLOYEES

The Company has no employees, who are in receipt of remuneration, requiring disclosure under Section 217(2A) of the Companies Act, 1956.

AUDITORS

M.B. Ladha & Company, Chartered Accountants, Auditors of the company retire at the ensuing Annual General Meeting and have expressed their inability to consider reappointment.

Auditors of the company in their report made an observation that, the company has no internal audit department, commensurate with the size of the company and nature of its business. Also they have made comment on non provision of gratuity in the accounts in the event of any employee leaving services by reason of death or incapability.

Regarding internal audit system, management is of the opinion that (as the company does not have volume of transaction - other than investments in Equities - which are directly under supervision of the Chairman) the decision to have the internal audit system be deferred and can be considered later.

Regarding non provision of gratuity, the management opines that, gratuity for the period of services rendered by the employees, is being paid to the employees leaving services by reason of resignation, and due to death or incapability, to the legal heirs of the deceased or to the employee disabled and accounted for on cash basis. Hence no provision is made in the books of the company.

DIRECTORS

Mr. Sundar Iyer and Mr. Iyer Viswanath, Directors of the company shall retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re - appointment.

As stipulated in terms of Clause 49 of the listing agreement with the stock exchanges, the brief resume of Mr. Sundar Iyer and Mr. Iyer Vishwanath, is provided in the report on corporate governance, which forms an integral part of this annual report.

Mr. Chandramouli, Managing Director of the company has submitted his resignation as a Director and Managing Director on 29th May 2013 for personal reasons. Our Board accepted his resignation with effect from 31st May 2013 and has decided to appoint a suitable person in due course.

PARTICULARS AS REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULRS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

Conservation of Energy

The Company had taken steps to conserve the use of energy in its office, consequent to which energy consumption has been minimized. No additional Proposals/Investments were made to conserve energy. Since the company has not carried on industrial activites, disclosures regarding impact of measures on cost of production of goods, total energy consumption, etc., are not applicable.

Technology Absorption

Company's business does not require any technology absorption and hence no reporting is required to be furnished under this heading.

Foreign Exchange Inflow & Outflow

Foreign Exchange inflow and outflow during the year is Nil.

SUBSIDIARY COMPANY

The Company has a subsidiary TWENTYFIRST CENTURY SHARES & SECURITIES LIMITED. The Company is not attaching copies of the balance sheet and profit and loss account, reports of Board of Directors and Auditors thereon, in respect of the subsidiary as required under Section 212(1) of the Companies Act, 1956 ("the Act") to its accounts as per the dispensation available pursuant to the directions issued by the Ministry of Corporate Affairs vide general circular no. 2/2011. However, as required under the aforesaid circular and pursuant to Clause 32 of the Listing Agreement, the consolidated financial statement of the Company duly audited by the statutory auditors forms part of this Annual Report. The Company shall make available, the annual accounts and related information of its subsidiary, to those shareholders who wish to have the copies of the same. Further, these documents shall be available for inspection by a shareholder at the registered office of the Company as well as its subsidiary on any working day, except Saturdays, between 11.00 a.m. and 3.00 p.m.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

* In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
* Appropriate accounting principles have been selected and applied consistently and have 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 as at 31st March, 2013 and of the profit or loss of the Company for the year ended on that date.
* Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
* The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors would like to thank all employees of the Company as also Company's shareholders, auditors, customers and bankers for their continued support.

For and on behalf of the Board

Place : Mumbai SUNDAR IYER
Date : 30.5.2013 CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ENVIRONMENT

After a weak 2011, global prospects improved in 2012 especially in the latter half of the year as activity stabilised in advanced economics while the emerging market and developing economies saw renewed vigour supported by policy stimulus. This pickup followed the slowdown in the first half of 2012, which was manifested in industrial production and global trade. Investment in major economies dipped while consumption varied with sluggishness in many advanced economies constrained by high unemployment and buoyancy in many emerging and developing markets with labour continuing to perform well. However, since mid 2012 strong actions by European policymakers and the avoidance of the “fiscal cliff” in US helped to improve confidence and financial conditions. Japan adopted more expansionary macroeconomic policies in response to a larger-than-expected slowdown. In the meantime, emerging markets also eased policy supporting internal demand.

Financial markets have driven this reacceleration in activity, though markets may have moved ahead of the real economy. Fiscal consolidation was broadly on expected lines in 2012. In advanced economies, general government deficits as a percent of Gross Domestic Product (GDP) were brought down below 6% in 2012, despite weak activity. However, debt-to-GDP ratios continued to rise. In emerging markets, deficit ratios rose modestly in response to weaker activity, while debt ratios fell. Inflationary expectations remain well anchored with no excess demand pressures in the major advanced economies and inflation rates broadly under control in emergin markets. According to the International Monetary Fund (IMF), global inflation has fallen to about 3.25% from 3.75% in early 2012, and it is projected to stay around these levels through 2014. Food and fuel supply developments will help contain upward pressure on prices of major commodities despite the expected reacceleration in global activity. In advanced economies, inflation will ease though Japan should come out of deflation on the back of Bank of Japan’s new quantitative and qualitative easing framework to support a steady acceleration of inflation. Inflationary pressures are expected to remain contained in emerging markets, supported by the recent slowdown and lower food and energy prices. However in certain pockets, inflationary pressures are still fairly high, spurred by food prices in some cases. The IMF in its World Economic Outlook expects world economy to grow at 3.25% in 2013 and 4% in 2014. Growth is likely to be led by emerging and developing economies again, which are seen growing at 5.3% in 2013 and 5.7% in 2014. Advanced economies are expected to grow only by 1.2% in 2013 and 2.2% in 2014. However, divergences in the pace of growth exist. In the euro area, balance sheet repair and still tight credit conditions will continue to weigh on growth prospects, whereas underlying conditions in the United States are more supportive of a recovery, even with the sequester inducing a larger-than-expected fiscal consolidation. In many developing economies, activity has already picked up following the sharper-than-expected slowdown in the middle of 2012. The short-term risk picture has improved as policy action has lowered some immediate risks especially those relating to the breakup of the euro area and an economic contraction resulting from the U.S. fiscal cliff. In addition, risks for a hard landing in key emerging economies have abated. Stock markets of advanced nations had strong returns for FY 2013, closing the year close to their highs. The Dow Jones Industrial Average closed the year on a high of 14,579 after touching a low of 12,101 during FY 2013, up to 10.34% YoY. Japan's Nikkei 225 rose 22.95% YoY, touching a high 12,636 and a low of 8,296 during FY 2013. UK's FTSE 100 Index rose 11.15% YoY, touching a high of 6,529 and a low of 5,260 during FY 2013. India's BSE Sensex touched a high of 20,104 and a low of 15,948 during FY 2012, closing at 18,836 on March 31, 2013, up 8.23% YoY and Nifty touched a high of 6,082 and a low of 4,836 during FY 2012, closing at 5,683 on March 31, 2013, up 7.31% YoY.

INDIAN ECONOMY

The Indian economy witnesses a sharper than expected slowdown in FY 2013. After GDP growth averaging 8.5% for the period FY 2005-2011, growth decelerated to 6.2% in FY 2012. However the worst was not over, with FY 2013 first quarter GDP growth slowing down to 5.5%, and falling below 5% for the first time since March 2009 to 4.5% in third quarter of FY 2013. For the full year, official advance estimates indicate growth to be a decade low of 5.0%. The slowdown has been across all components. Disappointing monsoon season dragged agriculture growth down with sector growth at 1.7% for the first three quarters compared to 3.6% in FY 2012. Services sector which held up in FY 2012 has slowed down sharply in FY 2013, with growth at 6.7% in the first three quarters compared to 8.2% in FY 2012. Industrial sector growth continues to be lackluster with growth in the first three quarters averaging at 3.2% vis-a-vis 3.5% for FY 2012. Manufacturing sector grew at 1.2%, while mining grew only 0.1% despite favourable base (-1.4% in FY 2012). The index of industrial production indicates only a modest pickup in manufacturing in the fourth quarter of FY 2013. The eight item core sector (which includes coal, steel, cement, natural gas, refinery production, electricity, fertilisers and crude oil) with a 37.8% weightage in the Index of Industrial Production (IIP) continues to be a drag on the economy with cumulative growth of 2.6% up to February 2013 compared to 5.0% in FY 2012. As per the use-based classification of Industrial production, cumulative growth in the consumer segment was only at 2.5% up to February 2013 compared to 4.4% in FY 2012 with consumer durables growth at 2.7%, similar to FY 2012, but there was a sharper slowdown in non-durables, growing 2.3% vs 5.9% in FY 2012. Investment demand was weak with capital goods segment under the IIP contracting by 7.6% in FY 2013 compared to a contraction of 4% in FY 2012. Fiscal balance improved with Government's fiscal deficit falling to 5.2% of GDP in FY 2013 from 5.8% of GDP in FY 2012, this was marginally higher than the budgeted 5.1% FY 2013 deficit slippage curtailed to 10bps on account of savings through plan expenditure cuts (+90bps) despite weaker revenue receipts (-63bps) and higher non plan expenditure (-32bps) on larger than expected subsidy burden. The fiscal situation is budgeted to improve in FY 2014 to 4.8% of GDP. However, it is important to note that fiscal consolidation as envisaged is subject to risks; especially with respect to lower tax revenues if the economy does not grow on expected lines. The bigger pressure point for India in FY 2013 was the sharp widening of current account deficit and its emergence as a significant policy concern. According to Reserve Bank of India's (RBI) official data, Current Account Deficit (CAD) for the first three quarters of FY 2013 was around US$ 72.5 billion. CAD as a proportion of GDP has widened from -1.3% in fourth quarter of FY 2011 to -6.7% in the third quarter of FY 2013. Full year data on merchandise trade shows export growth falling by 1.76% to US$ 300 billion, while imports held up, growing 0.44% to US$491 billion. Oil imports continue to be the biggest driver for imports, growing 9.2% in FY 2013 to touch US$169 billion. Despite the high CAD, Balance of Payment deficit for the first three quarters of FY 2013 was US$ 0.3 billion, compared to a deficit of US$12.8 billion in FY 2012, as reforms initiated by the government from September 2012 coupled with a being global environment led to a surge in portfolio inflows in FY 2013 (US$ 25 billion). The exchange rate was relatively stable averaging '54.23 per US$ after touching an all-time low of '57.2 per US$ on June 24, 2012. Foreign exchange reserves were US$ 292.6 billion at the end of March 2013. FY 2014 is likely to be a year when the economy recovers from a lower base. However, with agriculture growth contingent on a normal monsoon and government spending expected to slow down on account of fiscal consolidation, sustainable recovery hinges on improvement in investment cycle. Reforms are essential both for a revival of the investment cycle and financing of our high deficits.

INFLATION

FY 2013 saw diverging trends emerging from inflation indices. Wholesale Price Index moderated over the course of the year, averaging 7.35% in FY 2013 compared to 8.8% in FY 2012. Core inflation moderation was even sharper, averaging 4.8% in FY 2013 compared to 7.2% in FY 2012. This was despite increases in administered prices coupled with increases in freight rates, service and excise taxes indicating weak pricing power. However, retail price acceleration continued unabated with Consumer Price Index averaging 10% in FY 2013. Latest data shows that wage pressures remain. RBI expects the headline inflation to be range-bound around current levels over FY 2014 as (a) sectoral demand-supply imbalances remain, and (b) the ongoing correction in administered prices coupled with its second-round effects plays out on inflation. Also, the risk of elevated food prices stemming from Minimum Support Price increases and the wedge between wholesale and retail inflation are having adverse implications for inflationary expectations. External balances remain high notwithstanding the likely improvement in fourth quarter of FY 2013 over an expected sharp deterioration in third quarter of FY 2013. Given the above macro setup, RBI's guidance emphasises limited headroom on further policy easing.

MONETARY CONDITIONS

After raising the policy rate by 375 basis points during March 2010- October 2011, with inflation moderating and growth slowing down sharply, the RBI eased policy rates by 100 bps in FY 2013, cutting the repo rate by 50bps in April 2012 and further 25bps each in January 2013 and March 2013. The RBI also cut Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) by 75bps and 100bps in FY 2013 to ease