



13TH ANNUAL REPORT 2003-2004

DCM FINANCIAL SERVICES LTD.

BRANCHES

AHMEDABAD

1 NN Complex,
Opp. BVD School,
Shah Alam Tolnaka,
Maninagar,
Ahmedabad-380028.

BARODA

811-Centre Point,
R.C. Dutt Road,
Alkapuri,
Baroda-390005.

BANGALORE

4th Floor,
Ganesh Towers,
No. 111, Infantry Road,
Bangalore-560001.

CHANDIGARH

Kothi No. 1307,
Sector-19B,
Chandigarh-160019.

CHENNAI

Aman Complex
1st Floor, New No. 85
Kodambakkam
High Road, Nungambakkam
Chennai-600034.

INDORE

119, Vaibhav Chamber,
Usha Ganj, Jora Compound,
Indore-452001.

KANPUR

No. 2, 1st Floor, 14/123-A,
Mall, Gopala Chambers,
Kanpur-208001.

LUCKNOW

306, Chintel House,
16-Station Road, Lucknow-226019.

VARANASI

Room No. 16, 4th Floor,
Kuber Complex, Rathyatra
Varanasi-221010.



BOARD OF DIRECTORS

Arif Baig	Chairman
S.K. Sharma	Director
O. P. Gupta	Director

COMPANY SECRETARY

Gajendra Pratap Singh

AUDITORS

M/s. V. Sahai & Co.,
Chartered Accountants,
G-68, Connaught Circus,
New Delhi-110001.

REGISTERED OFFICE

79, Amrit Nagar,
NDSE Part-I,
New Delhi-110 003.

REGISTRAR & SHARE TRANSFER AGENT

(Physical & Electronic)

MCS Ltd.
W-40, Okhla Industrial Area,
Phase-II, New Delhi-110020

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NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Thursday, December 30, 2004 at The Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi - 110 030 at 9.30 a.m. for transacting the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on June 30, 2004 and Profit and Loss Account for the twelve months period ended on that date, together with the reports of the Auditors and the Board of Directors thereon.
2. To appoint Statutory Auditors in place of M/s. V. Sahai & Co., Chartered Accountants, who retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company and to authorize the Board to fix their remuneration.
3. To consider appointment of Mr. Arif Baig as Director who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to the provisions of all applicable laws, guidelines, rules and regulations including the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956 and the rules framed there under, Listing Agreement and all other applicable rules, regulations, and guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the Equity Shares of the Company are listed and any other ap-

propriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the company (hereinafter referred to as "the Board", which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), consent of the company be and is hereby accorded to the Board to seek voluntarily delisting of its Equity Shares from the Stock Exchange of Delhi, Jaipur, Madras, Ahmedabad and Kolkata,"

"RESOLVED FURTHER THAT the Board of Directors of the company or any committee thereof be and is hereby authorised on behalf of the company to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deems necessary, desirable or appropriate and execute all such applications, deeds, agreements, documents and writing as it may consider necessary, usual requisite or proper for giving effect to this resolution,"

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Special Resolution:

"RESOLVED THAT in accordance with the provision of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in pursuance of the scheme of arrangement for reorganisation of the share capital of the Company and for compromise with its secured and unsecured Creditors (hereinafter called as the Scheme) and in accordance with the Articles of Association of the Company, Listing Agreement entered into by the company with the Stock Exchanges where shares of the Company are listed, the SEBI guidelines and clarifications issued from time to time and other applicable rules and regulations and subject to such filings, approvals, consents and sanctions, if necessary, and/or in accordance with the government guidelines and/or prevailing practice at the time of the issue and the permission from the Reserve Bank of India (herein after referred to as "RBI"), where applicable and such other approvals, permissions and sanctions as may be necessary and subject to such terms and conditions, stipulations and modifications as may be required or imposed by any of



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them while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company (herein after referred to as "the Board which expression shall also include a committee thereof) the consent of the members of the Company be and is hereby accorded to issue and allot, in one or more tranches, on a preferential basis up to a maximum of 4,63,94,000/- equity shares of the face value of Rs. 10/- each, or such other number of shares, as may be necessary to implement the Scheme as sanctioned by Hon'ble High Court, New Delhi, in lieu of their money payable by company to the Secured & Unsecured Creditors of the Company in such manner and on such terms and as the Board may think fit.

RESOLVED FURTHER THAT the equity shares to be issued and allotted as aforesaid shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing shares of the Company in all respect except dividend, if any, to be paid during the year on the said equity shares, which shall be on a pro-rata basis from the date of allotment and pro-rata to the amount paid up per share for that year.

RESOLVED FURTHER THAT for the purpose of giving effect to the above the Board be and is hereby authorized to appoint advisors, consultants, and pay, if they so think fit, fees as may be lawful and reasonable and to take all such actions and to give all such directions as may be necessary or desirable and also to settle any questions or difficulties that may arise in regard to the offer, issue and allotment of such shares and further to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in connection with the issue of shares.

RESOLVED FURTHER THAT any action already taken and acts done in terms of the above resolution by and with the authority of the Board be and are hereby expressly confirmed, approved and ratified.

**BY THE ORDER OF THE BOARD
FOR DCM FINANCIAL SERVICES LTD.,**

Place : New Delhi
Dated : November 29, 2004

Arif Baig
(Chairman)

NOTES :

1. Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of the special business is annexed and forms part of the notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER, PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company shall remain closed from December 20, 2004 to December 30, 2004 (both days inclusive).
4. Members/Proxy holders are requested to produce at the entrance the enclosed admission slip duly completed and signed, for admission to the meeting.
5. Members are requested to notify any change in their address, immediately to the Company's Share Registrars and Transfer Agents at the address mentioned below:

MCS LTD.
Sri Venkatesh Bhawan,
W-40, Okhla Industrial Area, Phase - II,
New Delhi - 110020.
Tel: 26384909
Fax: 26384907
6. In accordance with SEBI directions, shares of the Company can only be traded in demat mode. Accordingly it is in member's own interest to get their shares dematerialized at the earliest.
7. As required under clause 49 VIA of the Listing Agreement executed with the Stock Exchange a brief profile of the directors who are seeking re-appointments according to Item No. 3 of this notice for the forthcoming Annual General Meeting are provided in the Corpo-

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rate Governance Report, as part of the Report of the Directors of the company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Equity Shares of the Company are presently listed on the following Stock Exchanges :

1. The Delhi Stock Exchange Association Ltd., Delhi. (DSE)
2. The Stock Exchange, Mumbai. (BSE)
3. The Stock Exchange, Ahmedabad. (ASE)
4. The Calcutta Stock Exchange Association Ltd., Kolkata. (CSE)
5. Jaipur Stock Exchange Ltd., Jaipur. (JSE)
6. Madras Stock Exchange Ltd., Chennai. (MSE)
7. The National Stock Exchange of India Ltd. (NSE)

As per the recent (Delisting of Securities) Guidelines, 2003 issued by Securities and Exchange Board of India (SEBI), the company can delist its securities from any/all the exchanges including Regional Stock Exchanges without providing an exit opportunity, provided that the securities will continue to be listed on a stock exchange having nation wide trading terminals i.e. The Stock Exchange, Mumbai (BSE) or National Stock Exchange (NSE).

The Company's Equity Shares are not frequently traded on ASE, MSE, DSE, CSE and JSE. The Company believes that no particular benefit is available to the shareholders of the company by continuing the listing of Equity Shares on these five Stock Exchanges.

Since the Equity Shares of the Company are listed on BSE & NSE which has the nation wide terminals; the company therefore intends to delist its shares from all the Exchanges except BSE & NSE.

The proposed voluntary delisting of the Company's Equity Shares from these five Stock Exchanges will, apart from the savings resulting from annual listing fees, also reduce a lot of administrative work. The delisting will not adversely affect any investors interest including the shareholders located in the regions where these five Stock Exchanges are situated.

Pursuant to the guidelines issued by SEBI on voluntary delisting by companies of their securities from the Stock Exchanges, it is now proposed to seek the shareholders' approval by way of a Special Resolution for voluntary delisting, the company's Equity Shares from these five Stock Exchanges as set out in the Resolution at Item No. 4

The Directors recommended the passing of Resolution at Item No. 4 as a Special Resolution.

None of the Directors of the Company is concerned or interested in the above resolution.

Item No.5

The Company has been undergoing serious financial constraints over the past few years.

The Company has filed a fresh Scheme of arrangement in Sept. 2004 under Section 391 and 394 of the Companies Act, 1956 for compromise with its secured and unsecured creditors wherein it is to offer a debt share exchange as recommended by Sharp & Tannan, Chartered Accountants.

The resolutions for allotment of shares are to be implemented only after the scheme of arrangement is approved at the creditors meeting and confirmed by the Hon'ble Delhi High Court.

The Company has proposed these resolutions so that they can be implemented when the Scheme is sanctioned and confirmed by the Hon'ble Delhi High Court.

The Company is intending this, since it desires to enter into a composition with its creditors and offer shares, especially when it is engaged in non fund based activity whilst commencing activity for Education and Training.

The issue of share capital to the secured and unsecured creditors is not truly in the nature of preferential allotments but are enabling resolutions; to permit issue of capital otherwise than on rights basis for debt equity exchange or quasi equity debt exchange to reduce outstanding to the creditors.

In terms of the proposed Scheme such shares are proposed to be allotted as per the SEBI guidelines for pricing of preferential issues. Shares worth Rs.25.00 lakhs are proposed

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to be issued in the first year to SBI Home Finance Ltd., after the approval of the Scheme by the Hon'ble Delhi High Court, New Delhi and rest (i.e. worth Rs.4614.40 lakhs) in third year of the implementation of the sanctioned scheme to other secured and unsecured creditors including the fixed deposit holders and debenture holders. These allotments will be in one or more tranches after the approval of the Scheme. As the pricing of the shares to be so allotted is not known at this stage, hence pre and post share holding pattern cannot be determined now.

In terms of the provisions contained in Section 81 (1A) of the Companies Act, 1956, prior approval of the shareholders is required for such further allotment.

The Directors recommended the passing of Resolution at Item No.5 as a Special Resolution.

None of the Directors of the Company is concerned or interested in the above resolution.

**BY THE ORDER OF THE BOARD
FOR DCM FINANCIAL SERVICES LTD.,**

Place : New Delhi
Dated : November 29, 2004

Arif Baig
(Chairman)

Report  junction.com

DIRECTOR'S REPORT

Your Directors present the Thirteenth Annual Report of the Company together with the Audited Accounts for the 12 months period ended on June 30, 2004.

FINANCIAL RESULTS

The financial results for the period under review are for a period of twelve months while for the previous year it was for a period of fifteen months are as follows:

PARTICULARS	CURRENT YEAR (12 months) (Rs. In lacs)	PREVIOUS YEAR (15 months) (Rs. in lacs)
Gross Income	192.43	130.89
Profit/(Loss) before depreciation	(207.21)	(547.96)
Depreciation	43.18	53.64
Profit/(Loss) before tax	(250.39)	(601.60)
Profit/(Loss) before Extra ordinary items	(250.39)	(601.60)
Prior period adjustment	185.32	3.54
Net Profit/(Loss)	(86.15)	(667.67)
Profit/(Loss) brought forward from previous year	(10723.55)	(10055.88)
Surplus /(Loss) carried to Balance Sheet	(10809.70)	(10723.55)

The principle of complete disclosure continued to be followed for a true and fair picture of the affairs of the Company. Accordingly a sum of Rs. 185.32 lacs is reflected in the attached Profit & Loss Account as "Prior Period Adjustment". This includes Rs. 174.98 Lacs of Dividend Annulled by the members in the last Annual General Meeting. No further provision for NPA is considered necessary as your Directors are of the view that provision for NPA should be made on the basis of realistic estimates of recovery even though the RBI rules require higher provisioning. The recovery estimate does not take into account earnings by way of interest including costs, overdue and penal interest, which may accrue to the Company from defaulting customers. Successful realization of even part of this amount in future could add to the Company's bottom line.

The Board of Directors have made conscious efforts for drawing the financial statements on the basis of sound and accepted accounting principles. It has ensured true and

fair financial statements of the Company.

Due to continued restrictions imposed by the Reserve Bank of India, the Company could not take up any new business activity.

COMPANY'S AFFAIRS / OPERATIONS / MATERIAL DEVELOPMENTS

The Statement of Company Affairs, operations, opportunities and threats, performance on the recoveries front and developments in the Scheme of Arrangement filed by the Company before the Hon'ble High Court of Delhi at New Delhi, have been elaborately and explicitly explained and dealt with in the Management Discussion and Analysis Report (which forms part of this report) and accordingly not provided herewith for the sake of brevity.

During the financial year, company has changed its registered office to 79, Amrit Nagar, NDSE Part I, New Delhi-110003 with a view to cut the costs.

The Equity Shares of the company are presently listed on Seven Stock Exchanges including The Stock Exchange, Mumbai (BSE) & National Stock Exchange (NSE). The shares of the company are compulsorily traded in dematerialized form.

Attention of the members is drawn to Item No. 4 of the Notice of the Annual General Meeting and the Explanatory Statement attached thereto, whereby the company proposes to delist its Equity Shares from all other Stock Exchanges except The Stock Exchange, Mumbai (BSE) & National Stock Exchange (NSE). The delisting would further contribute to the cost reduction initiative taken across various functional areas of the company.

The directors recommend the voluntary delisting of the company's shares from other five Stock Exchanges i.e. ASE, MSE, DSE, CSE and JSE.

Due to sustained effort made by your company in recovery of dues from its customers and efforts for settlement of liabilities towards secured and unsecured creditors in particular the fixed deposit holders, the Reserve Bank of India allowed your company's application for Certificate for Registration (COR) as NBFC to remain pending till 5th of March 2004, on which they issued an order rejecting the application for Certificate of Registration for the company. Even

DIRECTOR'S REPORT

though your company's future business plan do not envisage any fresh aggressive NBFC business exposures as it envisages exploring education related and other business activities apart from continuation of aggressive recovery from its defaulting customers. Your company did file an appeal before the Appellate Authority in the Ministry of Finance and vide order dated 21st May 2004, the Appellate Authority directed the Reserve Bank of India to keep its order for rejection of Certificate of Registration application in abeyance for a period of six months during which the company shall file the revised scheme for restructuring before appropriate authority or till the disposal of the company's review petition by the Hon'ble Delhi High Court, New Delhi.

The Reserve Bank of India is currently before the Hon'ble Delhi High Court, New Delhi having filed a Constitutional Writ challenging the order of the Appellate Authority under the Ministry of Finance and a petition for winding up of the company.

AUDITORS' REPORT

The Auditors' Report on the Accounts of the Company is attached. The Directors' observations on the Auditor's Report are as under: -

1. Provision of interest on certain liabilities covered under notes 3 (a), (c), (e), 4 (b), (c), (d), (e), 5 (c), and 6 in CARO is in accordance with the scheme of restructuring filed by the Company before the Hon'ble Delhi High Court, which provides for waiver and cancellation of interest and the same is pending before the Hon'ble Delhi High Court.
2. This is regarding note 2 with respect to credit of Rs. 139.83 lacs arising out of extinguishments of liabilities, the company has considered opinions taken from reputed Chartered Accountants & have decided this accounting treatment in view of various Income Tax judgments.
3. The default in repayment to depositors as mentioned in note 5 and note no. 6 in CARO report proposed to be is covered by the Scheme of Arrangement filed before the Hon'ble High Court of Delhi and pending. Note 5 (b) is under reconciliation.
4. Maintenance of minimum liquid assets covered under note 5 (d): Due to the liquidity crisis and default in payment to fixed depositors, the liquid assets held by the Company had to be used for payment to depositors. Thereafter, the Company has made application to the RBI as well as the Hon'ble Company Law Board for exemption from maintaining minimum liquid assets for a period of 5 years and also to condone the default. In any case considering the situation faced by the company and legal cases against the Company, all available resources had to be first utilized for repayment to creditors rather than for buying SLR securities. For this purpose the regulating authorities and the observers appointed by them have been kept on Board.
5. Provision on Non Performing Assets as per RBI norms under Note 7 : Keeping in line with the philosophy and experiences during the years, that recoveries have been made even from the assets which were classified as Non Performing as per the Prudential Norms of RBI, no additional provision has been made for NPAs in the financial period under review. This is to give a more realistic picture of the receivable of the Company and will also put more stress on recovery. Accordingly it is deemed expedient that the provision for non-performing assets may be made at a realistic level. The Director's view is that assessment of recoverable should depend on the estimate of the recovery matters, financial position of the defaulting customers and payment by the Customer in the subsequent years and the present negotiations/commitment with/ by the customers.
6. Going Concern Basis - Note 10 : In accordance with Section 217 (2AA) of the Companies Act, 1956, the financial statements are required to be made on going concern basis. In light of the fresh scheme of restructuring pending before the Hon'ble Delhi High Court, the Company has plans for future business and income generation. Accordingly it is not only prudent but also imperative to draw the financial statement basis on such Going Concern basis. The Scheme seeks to restructure relying on debt equity swaps and profits earned by engaging in education and training business leading to progressive reduction in the debt of the Company. The Scheme of Arrangement would not only enable the Company to wipe out its debts but will also enable it to reduce carry forward losses to be a profitable entity.
8. Balance confirmation - Note 11 (a): As the Company is under litigation for a majority of receivable and payables, and the matters are sub-judice, confirmations and acknowledgments are not feasible.
9. Note 15 on Contingent liabilities: The Company is contesting claims lodged against it not acknowledged as debts including claims on account of securitization and other transaction. Rest of the contingent liabilities are being addressed through the Scheme.

All the other notes are self-explanatory.

DIRECTOR'S REPORT**AUDITOR'S**

M/s V.Sahai & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. They have furnished a Certificate to the effect that their re-appointment, if made, will be within the limits specified under section 224(1B) of the Companies Act, 1956.

DIVIDEND

In view of the losses suffered, the Directors regret their inability to recommend dividend for the period under review.

The Reserve Bank of India (RBI) had also vide its Order dated December 30, 1997, restrained the Company from making any payments without the Bank's permission. Further on the clarification sought by the Company on the RBI's restraint Order dated December 30, 1997, the Bank vide its letter dated May 15, 1999, had categorically stated that the restraint order of December 30, 1997, includes the restraint on payment of Final Dividend @ 13.5% for the period ended March 31, 1997, which also has been annulled now with the approval of the members in the previous Annual General Meeting dated 30th Dec. 2003.

DIRECTORS

There was no change in the Directors during the years. In accordance with the provision of the Companies Act 1956, & Article of Association of Company Mr. Arif Baig will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment and the directors have recommended the appointment.

LISTING AGREEMENT COMPLIANCES

The securities of the Company were suspended by the Stock Exchange at Delhi in October 1998 due to alleged non-redressal of investor's grievances. The Company has made representation to the said Exchange that all such grievances were on account of non-payment of Dividend, which has now been annulled by the members, and Debentures, which are now proposed to be paid through the scheme filed with Hon'ble Delhi High Court. However the Company has yet to receive any reply from the Exchange.

The Company is presently listed at Stock Exchanges at Ahmedabad, Calcutta, Chennai, Delhi, Jaipur, Mumbai

and the National Stock Exchange. Due to Financial constraints, the Company is in arrears of listing fees to the Stock Exchanges at Ahmedabad, Calcutta, Chennai, Delhi and Jaipur and also proposes to delist from these Stock Exchanges because of nation wide availability of terminals of NSE & BSE and there is no suffering to the investors for trading & it will reduce the cost to your company.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report and report on Corporate Governance forms an integral part of this report. The Certificate from the Auditors of the Company certifying compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges is also annexed to the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby stated that :

- (i) in preparation of the financial statements, Company has followed the applicable Accounting Standards and there are no material disputes except for non-provisioning of interest and discounting charges since the new scheme of restructuring u/s 391-394 of the Companies Act filed by the Company envisages waiver of Interest.
- (ii) they have, in the selection of the accounting policies, consulted the Statutory and Internal Auditors from time to time and have applied them consistently and made judgments 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 aforementioned and of the profit or loss for that period.
- (iii) they have taken, proper and sufficient care, to the best of their knowledge and ability and consulted the Statutory as well as Internal Auditors from time to time 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 for the financial year aforementioned.