

16th Annual Report 2006 - 2007

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DCM FINANCIAL SERVICES LTD.

DCM FINANCIAL SERVICES LTD.**BRANCHES****AHMEDABAD**

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

INDORE

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

BARODA

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

KANPUR

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

BANGALORE

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

LUCKNOW

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

CHANDIGARH

Kothi No. 1307,
Sector-17-B,
Chandiarh-160019.

VARANASI

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

DCM FINANCIAL SERVICES LTD.

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Nidhi Goel

AUDITORS

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

REGISTERED OFFICE

79,Amrit Nagar,
NDSE Part-1,
New Delhi 110003.

REGISTRAR & SHARE TRANSFER AGENT

(Physical & Electronic)
MCS LTD,
W-40, Okhla Industrial Area,
Phase-II, New Delhi -110020.

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DCM FINANCIAL SERVICES LTD.**NOTICE**

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of the Company will be held on Friday, December 14, 2007 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, 2007 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 as a special resolution the following:

"RESOLVED THAT pursuant to the provisions of section 198, 269, 302, 309 read with Schedule XIII of the Companies Act, 1956, and subject to other applicable provisions, if any, and subject to approval of the Central Government and / or terms and conditions which may be imposed while granting such approval, which the Board of Directors be and is hereby authorized to accept, consent of the members of the Company be and is hereby accorded for appointment of Mr. S.K. Sharma as Whole Time Director designated as "Executive Director" of the Company for a period of two years from 1st December 2007 on the following terms and conditions:

1	Tenure	Two years 1st December, 2007
2	Remuneration	Remuneration payable to Mr. S.K. Sharma shall be as follows:
a	Salary	
	Basic Salary	Rs. 15882/- per month
b	Company Leased accommodation (or HRA in lieu thereof	50% of basic per month
LTA& Medical shall be in accordance with the Company rules.		
3	Minimum Remuneration	Mr. S.K. Sharma shall be paid the aforementioned remuneration as minimum remuneration even in the event of absence or inadequacy of profits, in any financial year.
4	i	Mr. S.K. Sharma shall be eligible for an increment of 10% on the cost of the Company basis at the end of the first year of his appointment.
	ii	The above remuneration will be inclusive of any other allowance as may be applicable as per Company rules.
	iii	Mr. S.K. Sharma will not be paid any sitting fees for attending the meeting of the Board of Directors or any Committee thereof.

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RESOLVED FURTHER THAT the above may also be treated as notice to the shareholders under section 302 of the Companies Act, 1956.

5. To consider and if thought fit, to pass, with or without modification as a special resolution the following:

"RESOLVED THAT pursuant to applicable provisions of the Companies Act, 1956, and Articles of Association of the Company, the guidelines issued from time to time by the Securities & Exchange Board of India (SEBI) and other applicable rules and regulations and subject to such approvals, filings, consents and sanctions, as may be necessary in accordance with the government guidelines and/or prevailing practice at the time as may be considered necessary by the Board of Directors of the Company (herein after referred to as the 'Board' which expression shall also include a Committee thereof) or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the shareholders of the Company be and is hereby accorded to delisting of the shares of the Company from the Stock Exchanges situated at Calcutta, Delhi, Ahmedabad, Chennai & Jaipur".

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

Place : New Delhi

Dated : November 05, 2007

Sd/-

Arif Balg
(Chairman)

NOTES:

1. Explanatory Statement as required under section 173 (2) of the Companies Act, 1956, is annexed and forms part of this 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 01, 2007 to December 14, 2007 (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 : 41406149 - 52

Fax : 41709881

Email : mcsdel@vsnl.com

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

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

Place : New Delhi
Dated : November 05, 2007

Sd/-
Arif Baig
(Chairman)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 4.**

The Shareholders in the Annual General Meeting held on 28th December 2006 had given their consent to the company for appointing Mr. S.K. Sharma as Whole Time Director of the company designated as "Executive Director" of the Company for a period of two (2) years from 1st December 2005.

Mr. Sharma's term expires on 30th November 2007. Mr. Sharma has given his consent to act as Whole Time Director of the Company designated as "Executive Director".

Mr. Sharma being eligible for being appointed as Whole Time Director designated as "Executive Director" it is proposed that he be reappointed as Whole Time Director designated as "Executive Director" in terms of section 269 of the Companies Act, 1956.

Keeping in view the experience of Mr. S.K Sharma in the corporate sector it was proposed that Mr. S.K Sharma, be re-appointed as the Whole Time Director designated as "Executive Director" of the Company w.e.f. 1st December 2007 for a period of 2 years, subject to approval of the Board of Directors.

NONE OF THE DIRECTORS EXCEPT MR. S.K. SHARMA IS INTERESTED OR CONCERNED IN THIS RESOLUTION.

ITEM NO. 5.

Presently the shares of the Company are traded at seven Stock Exchanges i.e. Delhi, Mumbai, National Stock Exchange, Ahmedabad, Calcutta, Chennai, Jaipur. The Bombay Stock Exchange and National Stock Exchange have terminal all over the Country and as such liquidity is ensured to investors.

In order to conserve resources, the Board of Directors, subject to your approval, seek to delist share of the Company from Stock Exchanges at Ahmedabad, Chennai, Jaipur, Delhi & Calcutta.

On your approval, necessary steps in accordance with the guidelines shall be taken.

Consent of the members is required before taking any steps for delisting

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

Place : New Delhi
Dated : November 05, 2007

Sd/-
Arif Baig
(Chairman)

DCM FINANCIAL SERVICES LTD.**DIRECTORS' REPORT**

Your Directors present the Sixteenth Annual Report of the Company together with the Audited Accounts for the 12 months period ended on June 30, 2007.

FINANCIAL RESULTS

The financial results for the period under review, for a period of twelve months, are as under:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
	(12 months) (Rs. in lacs)	(12 months) (Rs. in lacs)
Gross Income	1521.11	326.83
Profit/(Loss) before depreciation	451.95	74.83
Depreciation	37.51	40.32
Profit/(Loss) before tax	414.44	34.51
Provision for tax	2.04	3.17
Profit/(Loss) before Extra ordinary items	412.40	31.34
Prior period adjustment	0.38	1.04
Add: Investment Provision written Back	-	35.04
Less : Provision for NPA	31.24	-
Net Profit/(Loss)	380.78	65.34
Profit/(Loss) brought forward from previous year	(10954.61)	(11019.95)
Surplus /(Loss) carried to Balance Sheet	(10573.83)	(10954.61)

Your Directors have pleasure in informing the members that the Company has posted a profit of Rs. 380.78 lacs, after adjusting prior period adjustments amounting to Rs. 0.38 lacs and after adjusting provision for NPA Assets amounting to Rs. 31.24 lacs.

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. 0.38 lacs is reflected in the attached Profit & Loss Account as "Prior Period Adjustment" and Rs. 31.24 lacs is reflected in the Profit and Loss account as "Provision for NPA Assets".

The Board of Directors have made conscious efforts for drawing the financial statements on the basis of sound, accepted and conservative accounting principles to ensure true and fair financial statements of the Company.

COMPANYS' 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, have been elaborately and explicitly explained and dealt with in the Management Discussion and Analysis Report (which forms part of this report) and accordingly have not been repeated herein to avoid repetition..

The Equity Shares of the Company are presently listed on the seven Stock Exchanges including The Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE). The Shares of the Company are compulsorily traded in dematerialized form.

The Directors had recommended the voluntary delisting of shares from other five stock exchanges i.e. ASE, MSE, DSE, CSE and JSE and the share holders in the AGM held on 30th December 2004 had

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approved the same, however steps for delisting could not be taken due to circumstances beyond control of the Company.

Due to sustained efforts 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 (RBI) allowed your Company's application for grant of certificate for registration (COR) as NBFC to remain pending till 5th of March 2004, on which date RBI issued orders rejecting the Company's application for grant of Certificate of Registration (CoR). Your Company filed 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 of rejection of CoR 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. Even though your Company's business plan as of now do not envisage any fresh aggressive fund based NBFC business exposure as it envisages exploring other business activities and NBFC activities shall be restricted to non fund bases business, apart from continuation of aggressive recovery from its defaulting customers.

RBI, against the orders of the Appellate Authority filed a Constitutional Writ before the Hon'ble High Court of Delhi at New Delhi and the Hon'ble Court granted stay on the operations of the orders of the Appellate Authority. RBI thereafter filed a Petition for winding up of the Company before the Hon'ble High Court of Delhi at New Delhi. Both the Petitions filed by RBI are pending adjudication and have been clubbed with the scheme.

AUDITOR'S REPORT

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

1. Provision of interest on certain liabilities covered under notes 4 (c), (e), 5(B), (C), (D), 6 (e), and 7 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 Court.
2. Depletion in the value of Assets charged to Banks/Institution and Debentures covered under notes 4 (a) and 5 (E): Note 4(a) & 5(E) relates to ascertainment of Security against Debentures and Bank Loan, which could not be ascertained since the Company is in litigation with various Lease and Hire Purchase customers and the matters are sub-judice, hence confirmations and acknowledgements are not feasible.
3. The default in repayment to depositors as mentioned in note 6 and note 7 in CARO report is comprehensively covered by the Scheme of Arrangement filed before the Hon'ble High Court of Delhi and approved by the creditors at their meetings held under the directions of the Hon'ble Delhi High Court.
4. Maintenance of minimum liquid assets covered under note 6 (f): 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.
5. Provision of Non Performing Assets as per RBI norms under Note 8: Though 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, yet Rs. 31.24 lacs have been provided for NPA Assets in the financial period under review. The total NPA provisions as on date of Balance Sheet aggregates to Rs. 1556.79 lacs. This is to give a more

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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 11:** 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 based on such Going Concern basis. The Scheme seeks to restructure relying on debt equity swaps and profits earned by engaging in service oriented, fee based 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. Further in accordance with amended Section 217 (2AA) of the Companies Act, 1956, the financial statements are required to be made on going concern basis.
7. **Balance confirmation – Note 12:** As the Company is under litigation for a majority of bills receivable and payables, and the matters are sub-judice, confirmations and acknowledgments are not feasible.
8. **Note 15 on Contingent liabilities:** The Company is contesting claims lodged against it not acknowledged as debts including claims on account of securitization transaction and underwriting obligations. Rest of the contingent liabilities are being addressed through the Scheme.

All the other notes are self-explanatory.

AUDITOR'S

M/s V.Sahai & Co., Chartered Accountants, Auditors of the Company retires 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 accumulated losses in the past years, the Directors regret their inability to recommend dividend for the period under review.

DIRECTORS –

There was no change in the Directors during the year. In accordance with the provision as contained in Section 256 of the Companies Act 1956, & Article of Association, Mr. Arif Baig, Director, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Arif Baig was appointed as Director, liable to retire by rotation, at the AGM held on 30.12.2004 and holds the office as such up to the date of the Annual General Meeting.

LISTING AGREEMENT COMPLIANCES

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. The Company proposes to apply for delisting its shares from these Stock Exchanges, as nation wide terminals of

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NSE & BSE are available and there will be no suffering to the investors for trading & it will also reduce the cost. Your approval is sought for the proposed delisting.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report and report on Corporate Governance form 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. Though the Company is complying with all the requirements of the Listing Agreement, yet your company had been served a Show Cause Notice from Securities & Exchange Board of India (SEBI) for non-compliance of Clause 49 III of the Listing Agreement. The Show Cause Notice states that your Company has not appointed an independent Director on the Board of Directors of its material Subsidiary Company. Further, the audit committee of the listed holding company shall also review the financial statements, in particular the investments made by the unlisted subsidiary company. The Show Cause Notice further states that your company has not complied with the requirements of Clause 49 ID of the Listing Agreement which states that the Board shall lay down a code of conduct for all Board Members and senior management personnel shall affirm compliance with the code on an annual basis.

Your company has replied to the show cause notice wherein it has been stated that the company is complying with the requirements of the Clause 49 of the Listing Agreement, however since your company has defaulted in paying its depositors, all its directors are disqualified under section 274 (1)(g) of the Companies Act, 1956, hence the Directors on the Board of Directors of your Company cannot become the Directors on the Board of any Public Limited Company. As regards the Code of Conduct for all Board Members and senior management personnel and affirmation by senior management personnel with the code on annual basis, the company is complying with the same and the website of your company is under development. We are yet to hear from SEBI.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is confirmed that for the twelve months period ended on June 30, 2007:

- (i) In the preparation of the Annual Accounts, the Company has followed the applicable Accounting Standards and there are no material departure except for non-payment of interest and discounting charges, which is in line with the new scheme of restructuring u/s 391-394 filed by the Company, which envisages waiver of interest. It may be worthwhile to note that the said new Scheme has already been approved by the requisite class of Secured and Unsecured Creditors and is pending approval before the Hon'ble High Court of Delhi.
- (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 period aforementioned and of the profit or loss of the Company 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 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.
- (iv) The financial statement has been prepared on a going concern basis.