

# 19th Annual Report 2009-2010



**DCM FINANCIAL SERVICES LTD.**

## DCM FINANCIAL SERVICES LTD.

## BRANCHES

**AHMEDABAD**

1NN Complex  
Opp. BVD School,  
ShahAlam Tolnaka,  
ManInagar,  
Ahmedabad-380028

**INDORE**

119, Vlabhav Chamber,  
Usha Ganj,  
Jora Comound,  
JoraComound,  
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**

28/A 7th Cross  
3rd Main, Divanrapalya  
Mathikore Post.  
Bangalore

**LUCKNOW**

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

**CHANDIGARH**

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

**COMPANY SECRETARY**

**Deepa Kapoor**

**AUDITORS**

M/s V. Sahai Tripathi & Co  
Chartered Accountants  
C-593, Baement, Defence  
Colony New Delhi -110 024

**REGISTERED OFFICE**

D 7/3 Okhla Industrial  
Area-II, Mezzanine Floor,  
New Delhi 110020.

**REGISTRAR & SHARE TRANSFER AGENT**

(Physical & Electronic)  
MCS LTD,  
F-65, Okhla Industrial Area,  
Phase- - I, New Delhi 110020

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**DCM FINANCIAL SERVICES LTD.****NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of the Company will be held on Friday, December 31, 2010 at The Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi – 110 030 at 9:30 AM for transacting the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as on June 30, 2010 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 Tripathi & 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.

**BY THE ORDER OF THE BOARD**

**FOR DCM FINANCIAL SERVICES LTD.**

Place: New Delhi

Dated: December 07, 2010

(Chairman)

Arif Baig

**NOTES:**

1. **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.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from December 22, 2010 to December 30, 2010 (both days inclusive).
3. Members/Proxy holders are requested to produce at the entrance the enclosed admission slip duly completed and signed, for admission to the meeting.
4. 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.**  
**F-65, 1st Floor ,Okhla Industrial Area, Phase – II, New Delhi-110020.**  
**Tel:41406149-52,Fax:41709881 Email: mcsdel@vsnl.com**
5. 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.
6. 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: December 07, 2010

Arif Baig

(Chairman)

## DCM FINANCIAL SERVICES LTD.

## DIRECTORS' REPORT

Your Directors present the Nineteenth Annual Report of the Company together with the Audited Accounts for the 12 months period ended on June 30, 2010.

## FINANCIAL RESULTS

PARTICULARS	CURRENT YEAR (12 months) (Rs. In lacs)	PREVIOUS YEAR (12months) (Rs. in lacs)
Gross Income	311.78	432.13
Profit/(Loss) before depreciation	183.46	264.42
Depreciation	36.76	36.42
Profit/(Loss) before tax	146.71	228
Provision for tax	0	0.82
Profit/(Loss) before Extra ordinary items	146.71	227.18
Prior period adjustment	(0.15)	1.99
Less: Provision on Investments	0	32.12
Net Profit/(Loss)	146.86	193.07
Profit/(Loss) brought forward from previous year	(9310.12)	(9503.19)
Surplus /(Loss) carried to Balance Sheet	(9163.27)	(9310.12)

Your Directors have pleasure in informing the members that the Company has posted a profit of Rs. 146.86 lacs, after adjusting prior period adjustments amounting to Rs.(0.15) lacs.

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 30<sup>th</sup> December 2004 had 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 5<sup>th</sup> 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 21<sup>st</sup> 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

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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.

**AUDITORS' 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 5 (c), 5(e), 6(B), (C), (D), 7 (e), and 8 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 5(a) and 6(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 7(a) and para 6 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 7(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 9: 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. The total NPA provisions as on date of Balance Sheet aggregates to Rs. 1556.79 lacs. 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. Non reconciliation of stock in trade -Note 11, the stocks in trade are primarily from share division customer accounts and bad delivery of shares, which used to be in physical form at that time and hence complete reconciliation has not been done however reconciliation is under process.
6. Going Concern Basis - Note 13: 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

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basis.

8. Balance confirmation & Un-Reconciled Balances – Note 14(a) & 14 (b): 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.
9. Rental receivable: With reference to Clause 5(f) of the auditors report, there are certain disputes with the tenant and the company is following up with the tenant to recover/settle the dues.
10. Stock in trade: With reference to Clause 5(f) of the auditors report, efforts are on to get transferred these shares held under bad delivery in the name of the company and the value of these shares are much higher than considered in the books.
11. Director remuneration: Note 15- The Company could not file application for approval of remuneration of director in the absence of NOC from the financial institutions, which is a pre-requisite for filing the application. The company is following up for the NOC from the institutions for necessary approval.
12. Note 18 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. Claim of Rs 1 Cr filed against the company by the tenant. To settle the claim, the company is negotiating.

All the other notes are self-explanatory.

**AUDITOR'S**

M/s V.Sahai Tripathi & 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 14<sup>th</sup> Dec, 2007 and hold the office as such upto 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 and also applied for delisting its shares from these Stock Exchanges because of availability of nation wide 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 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

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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 also operational. As per communication received from SEBI, SEBI seems to be satisfied with the reply submitted by the company.

**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, 2010:

- (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.

**SUBSIDIARY COMPANY**

The Accounts of the Subsidiary Company for the year ended on June 30, 2010 is attached herewith. Statement in pursuance of section 212 is also annexed.

Your Company had not made any loans to its subsidiary for the year ended 30<sup>th</sup> June 2010.

**FIXED DEPOSITS**

During the year under review, the Company had not invited any fixed deposits.

Unclaimed / Unpaid deposits as on 30<sup>th</sup> June 2010 are Rs.3.51 Crores (3641 depositors) and Rs.56.42 Crores (50930 depositors) respectively. The fixed deposit liability of the Company is proposed to be settled in the manner and in accordance with the Scheme of restructuring filed by the Company, which is pending before the Hon'ble Delhi High Court.



**DCM FINANCIAL SERVICES LTD.****PARTICULARS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

In view of the nature of operations of the Company, no particulars are furnished in respect of conservation of energy and technology up gradation.

**FOREIGN EXCHANGE EARNING AND OUTGO**

There has been no foreign exchange income and outgo for the period of this report.

**PERSONNEL**

During the year ended June 30, 2010, there was no employee drawing remuneration in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956.

**FORWARD LOOKING STATEMENTS**

Certain statements describing the future outlook, industry structure, developments, projection, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Since the Company's operation are influenced by many external and internal factors beyond the control of the company and its management. Important factors that could make the difference to the Company's operation and future include RBI's stance towards the company, outcome of the restructuring scheme, industry and economic conditions, changes in Govt. regulations, tax laws and other statutes.

**ACKNOWLEDGEMENTS**

Yours Directors wish to place on records their sincere thanks and deep appreciation for the guidance, support, continued co-operation extended by the Banks specially the Reserve Bank of India, Central Bank of India, Punjab & Sind Bank, IndusInd Bank, Department of Company Affairs, Creditors, Shareholders, Debenture holders, fixed depositors and its Solicitors, advocates for their continued support and assistance.

The Directors also take this opportunity to acknowledge the dedicated efforts of the employees at all levels.

**For & on behalf of the Board of Directors**

Place : New Delhi  
Date : 7<sup>th</sup> December, 2010

Arif Baig  
(Chairman)

## DCM FINANCIAL SERVICES LTD.

**MANAGEMENT DISCUSSION AND ANALYSIS****a. Industry Structure and developments**

Despite the global economic crisis, India has established itself firmly amongst the fastest growing economies in the world and is now a 1.3 trillion-dollar economy aspiring to play a greater role in shaping the future of the world. The economy is steadily recovering from the global crisis and the growth rate in the current year is expected to be about 9%; and is well on course to the high growth trajectory with a growth rate of over 9% or to a double digit growth phase.

Over the years, the dependence on Agriculture has been substantially reduced from about 43% in the Seventies to the current level of about 16%. Consequently, the other sectors have gained in terms of their share in GDP. The share of Industry has gone up steadily from about 17% to 27% and the contribution of Service sector has grown from 40% to 57% during the same period above. One important factor that is contributing to the country's booming service sector is the availability of skilled young manpower as India is still young with 70% of its population are aged below 35 years.

The economy has shown tremendous resilience in facing the global economic crisis due to domestic consumption largely supported by rural demand and the outlook remains positive as the growth is well supported by investment. The flow of FDI from a level of about US\$ 4 billion per year in the beginning of the current decade has multiplied to the current level of over US\$ 25 billion per year.

The inflation rate has been moderate and the interest rates are stable. But due to rise in price of primary items, social sector expenditure and the base effect, inflationary pressure is likely to be a concern. Due to higher level of inflow of dollars in terms of FDI and FII investments and the compelling need for the central bank to control money supply to keep the inflation at a moderate level through increase in CRR, the management does not foresee a softer interest rate in near future.

The financial sector has acquired greater strength, efficiency and stability by the combined effect of competition, regulatory measures, policy environment and motivation among the market players including banks. The same have been appreciated by the developed western world. The financial markets, especially the money, government securities and forex markets have matured in terms of volume, depth and spread, which further confirms the strength in the economy. The share market is also reflecting confidence and optimism and the Sensex of BSE is hovering at close to 20000 mark at present.

The growth in the economy in the past few years, has led to positive business and consumer confidence, increase in purchasing power in urban as well as rural areas and wider scope of new business opportunities. In this background once the restructuring scheme of your Company, which is pending, for approval before the Hon'ble High Court, Delhi, is approved, your Company shall be in a position to exploit the conducive economic situations for revival of its business activities.

**b. Opportunities and Threats / Risks and Concerns / Outlook**

Due to factors beyond the control of the Company, the earlier Scheme under section 391 to 394 of the Companies Act, 1956, has not been sanctioned by the Hon'ble Delhi High Court, this has adversely effected the plans of the Company including its venturing into new business avenues and opportunities. The Company has filed a fresh Scheme before the Hon'ble Delhi High Court under section 391 to 394 of the Companies Act, 1956, and on approval of the Scheme, not only the Company would become debt free but it will also enable it to commence new business activities, which the Company has been attempting to start since quite sometime. The Company is planning to make a niche in the new areas of operation upon sanction of the Company's Scheme of Restructuring.

Delay in the sanction of the Scheme is increasing the volume, efforts and cost associated with the litigation process. As already mentioned, that post approval of the Scheme, the Company shall also explore possibilities in field of non-fund based business and other activities.

**c. Segment-wise / product-wise performance**

The efforts of the Company are concentrated towards recovering the past dues from the defaulting customers. The division of the recoveries operations between segment and / or product wise is not possible and therefore not provided with.