

# **20<sup>TH</sup> Annual Report**

## **2010-2011**



**DCM FINANCIAL SERVICES LTD.**

**BOARD OF DIRECTORS**

Arif Beg	Chairman
S.K.Sharma	Executive Director
Om Prakash Gupta	Director

**COMPANY SECRETARY**

Sumit Agarwal

**AUDITORS**

M/s V. Sahai Tripathi & Co  
Chartered Accountants  
C-593,Basement,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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**NOTICE**

Notice is hereby given that the Twentieth Annual General Meeting of the Members of the Company scheduled to be held on Friday, December 30th, 2011 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<sup>th</sup>, 2011 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. Om Prakash Gupta 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 Special Resolution:

**"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 three years from 1st December 2011 on the following terms and conditions:

1		Tenure	Three years w.e.f. Date of joining i.e 1st December, 2011
2		Remuneration	Remuneration payable to Mr. S. K. Sharma shall be as follows:
	a	Salary Basic Salary	Rs. 19,217/- 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.
	i	The above remuneration will be inclusive of any other allowance as may be applicable as per Company rules	
	ii	Mr. S.K. Sharma will not be paid any sitting fees for attending the meeting of the Board of Directors or any Committee thereof.	

**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(s) the following resolution as Special Resolution:

**"RESOLVED THAT** in accordance with the provisions of the section 100, and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the High Court of judicature at New Delhi and pursuant to Article 14 of Articles of Association of the Company and subject to necessary compliances of continuous listing on stock exchanges and such other approvals and consents as may be required, consent of the members of the Company be and is hereby accorded to the reduction of the share capital of the Company from Rs. 22,12,50,540 (Rupees Twenty Two Crores Twelve Lakhs Fifty Thousand Five Hundred Forty only) divided in 2,21,25,054 shares of Rs. 10/- (Rupees Ten only) each to Rs. 4,42,50,108 (Rupees Four Crores Forty Two Lakhs Fifty Thousand One Hundred Eight Only) divided into 2,21,25,054 shares of Rs. 2/- (Rupees Two only) each and the said reduction be effectuated by applying an amount of approximately Rs. 17,70,00,432/- (Rupees Seventeen Crores Seventy Lakhs Four Hundred Thirty Two only), being a portion of accumulated losses of the Company against the share capital.

**RESOLVED FURTHER THAT** the corresponding amendments be made in Clause V of the Memorandum of Association of the Company as may be required under the provisions of the act.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to take steps for obtaining the High Court approval, delegate powers to Director, finalise the scheme of reduction, effecting modifications as per the order of Court, finalise the terms and conditions and to do all such acts, deeds and things necessary for the purpose of giving effect to this resolution."

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

**"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, Ahmadabad, Madras & Jaipur."

**BY THE ORDER OF THE BOARD**

Sd/-

Place: New Delhi

(Sumit Agarwal)

Dated: December 5th, 2011

Company Secretary

## 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 Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed herewith.
3. A brief resume of the Director(s) proposed for appointment/re-appointment as mandated in Clause-49 of the Listing Agreement is annexed with the Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, December 20th, 2011 to Thursday, December 29th, 2011 (both days inclusive).**
5. Members/Proxy holders are requested to produce at the entrance the enclosed admission slip duly completed and signed, for admission to the meeting.
6. 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 – I, New Delhi–110020  
 Tel: 011-41406149-52, Fax: 41709881  
 Email: [mcsdel@vsnl.com](mailto:mcsdel@vsnl.com)
7. 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.
8. To implement the Green initiatives launched by the Government by allowing paperless compliances by the Companies, which will benefit the society at large through reduction in paper consumption, contribution towards a Greener Environment and also ensure prompt receipt of communication and avoid loss in postal transit, Company may send documents to Shareholders in electronic form to the e-mail Id as noted in the records of their DP or details as furnished by the Depositories viz. National Securities Depository Ltd and Central Depository Services limited.

Shareholders who have not yet registered/updated their e-mail ID may notify the same to the following:

- i. If shares are held in electronic mode, to their Depository Participant (DP)
- ii. If shares are held in physical mode, to the Company and / or R&TA

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

### **ITEM NO. 4**

The shareholders in the Annual General Meeting held on 30<sup>th</sup> December 2009 had given their consent to the Company for appointing Mr. S. K. Sharma as Whole Time Director of the Company designated as "Executive Director" for a period of two years from 1<sup>st</sup> December, 2009.

Mr. Sharma's term expired on 30<sup>th</sup> November, 2011. Mr. Sharma has given his consent and offered himself for re-appointment as Executive Director for further three (3) years.

Mr. Sharma being eligible for being re-appointed as Whole Time 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, Board proposed the re-appointment of Mr. Sharma for further three years w.e.f. 1<sup>st</sup> December, 2011 which requires the approval of members of the Company and Central Government approval. Your Directors recommend the resolution for approval of the members.

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

**ITEM NO. 5**

The present authorized share capital of the Company is Rs. 22,12,50,540/-. The resolution seeks the approval of the shareholders to reduce the share capital of the Company pursuant to section 100 of the Companies Act 1956 by a portion of the accumulated losses of the Company, being approximately Rs. 17,70,00,432/- . The purpose of the reduction of the capital is to reduce the amount of capital on issue where the value is not represented by the available assets, provided that the Company does not cancel any shares.

Under this reduction of capital, the Company will not be returning any capital to shareholders or cancelling any shares. The reduction of the capital does not prejudice the Company's ability to pay any creditors, has no direct impact on shareholders (or their shareholding), in not selective between shareholders and will not affect the number of fully paid shares on issue in the Company.

The Special resolution approved by the members did not involve diminution of any liability in respect of unpaid capital or the payment of any paid up capital, not is any call being waived or payments to any shareholder of the petitioner-company and will not affect or prejudice to the interest of the members, company, its creditors or the general public at large.

The purpose of this resolution is to unlock the value of shareholder and to bring the shares to its real value.

On your approval, necessary steps for reduction shall be taken subject to Hon'ble High Court approval.

NONE OF THE DIRECTORS IS ANY WAY CONCERNED OR INTERESTED IN THE RESOLUTION.

**ITEM NO. 6**

Presently the shares of the Company are listed at seven Stock Exchanges i.e., Bombay, Delhi, Jaipur, Ahmadabad, Calcutta, Madras and National Stock Exchange. Out of them, only two stock exchanges i.e. Bombay Stock Exchange and National Stock Exchange, have nation wide trade terminal and as such liquidity is insured to investors.

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

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

Consent of the members is requires before taking any steps for delisting.

NONE OF THE DIRECTORS IS ANY WAY CONCERNED OR INTERESTED IN THE RESOLUTION.

**PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT, A BRIEF RESUME OF DIRECTORS, PROPOSED FOR APPOINTMENT/RE-APPOINTMENTS GIVEN BELOW**

**ITEM NO. 3**

Name of Director	Mr. Om Prakash Gupta
Date of Birth	10th July 1933
Nationality	Indian
Date of Appointment	13th February 1991
Expertise in specific	Mr. Gupta is a Management Graduate from Delhi University and has vast experience in general management of Manufacturing, Service and other Industries. He has been on board of the Company since its inception and actively contributes to the proceedings of the Board.
Qualification	MBA from Faculty of Management Studies, Delhi
List of Directorship	None
Position held in other Companies	None
Share Holding in the Company	150 shares
Relationship with Director Inter-se	Nil

**PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT, A BRIEF RESUME OF DIRECTORS, PROPOSED FOR APPOINTMENT/RE-APPOINTMENTS GIVEN BELOW**

**ITEM NO. 4**

Name of Director	Mr. S. K. Sharma
Date of Birth	28th December 1931
Nationality	Indian
Date of Appointment	30th December 2003
Expertise in specific	Mr. Sharma is a science graduate. He retires as Senior Manager from a nationalized Bank. Mr. Sharma is also active socially and is involved in promoting the game of chess, with the credit of organizing International chess tournaments near Delhi. He has an experience of over 42 years in General Administration.
Qualification	B. Sc. (Maths)
List of Directorship	None
Position held in other Companies	None
Share Holding in the Company	Nil
Relationship with Director Inter-se	Nil

**DIRECTORS' REPORT**

Your Directors present the Twentieth Annual Report of the Company together with the Audited Accounts for the 12 months period ended on June 30, 2011.

**FINANCIAL RESULTS**

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

<b>PARTICULARS</b>	<b>CURRENT YEAR Ended on 30.06.11 (Rs. in lacs)</b>	<b>PREVIOUS YEAR Ended on 30.06.10 (Rs. in lacs)</b>
Gross Income	328.34	311.78
Profit/(Loss) before depreciation	206.47	183.46
Depreciation	36.44	36.76
Profit/(Loss) before tax	170.03	146.71
Provision for tax	-	-
Profit/(Loss) before Extra ordinary items	170.03	146.71
Prior period adjustment	1.91	-0.15
Less: Provision on Investments	-	-
Net Profit/(Loss)	168.12	146.86
Profit/(Loss) brought forward from previous year	(9163.26)	(9310.11)
Surplus /(Loss) carried to Balance Sheet	(8995.14)	(9163.26)

Your Directors have pleasure in informing the members that the Company has posted a profit of Rs. 168.12 lacs, after adjusting prior period adjustments amounting to Rs. 1.91 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 2009 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 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.

### 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 basis.
7. 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 acknowledgements are not feasible.

8. Rental receivable: With reference to Clause 5(f) of the auditor's report, there are certain disputes with the tenant and the company and the matter is pending arbitration.
9. Stock in trade : With reference to Clause 5(f) of the auditor's 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.
10. 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, however the same has been filed and the approval is awaited.
11. 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 and the matter is pending before arbitrator.

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. Om Prakash Gupta, Director, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Om Prakash Gupta was appointed as Director, liable to retire by rotation, at the AGM held on 16.12.2008 and holds the office as such up to the date of the ensuing Annual General Meeting.

Mr. S.K. Sharma is proposed to be re-appointed as Whole Time Director designated as "Executive Director" of the Company, subject to approval of members and the Central Government.

Keeping in view the experience of Mr. Sharma, requirement of Companies Act, 1956, and challenges ahead, your Director's recommend appointment of Mr. Sharma as the Executive director of the Company for three years.

## LISTING AGREEMENT COMPLIANCES

- I. The Company is presently listed at Stock Exchanges at Ahmedabad, Calcutta, Chennai, Delhi, Jaipur, Bombay 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 non-availability of nation wide terminals and there is no suffering to the investors for trading & it will reduce the cost to your company. However, the trading on National Stock Exchange is suspended since October, 2010 due to certain queries raised by the National Stock Exchange and reply to same has been made. The Company is in constant touch with the National Stock Exchange and progressing towards revocation of suspension of trading on National Stock Exchange.