



**21st ANNUAL REPORT
2011-2012**

DCM FINANCIAL SERVICES LTD.

BOARD OF DIRECTORS

Mr. Arif Beg	Chairman
Mr. S.K.Sharma	Executive Director
Mr. O.P.Gupta	Director

COMPANY SECRETARY

Mr. 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.
e-mail : info@dfslonline.com
Website : www.dfslonline.com

REGISTRAR & SHARE TRANSFER AGENT

(Physical & Electronic)
MCS LTD,
F-65, Okhla Industrial Area,
Phase- I, New Delhi 110020
email : mcsdel@vsnl.com

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NOTICE

NOTICE is hereby given that the Twenty-first Annual General Meeting of the Members of the Company will be held on Friday, September 28, 2012 at The Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi – 110 030 at 12:30 P.M. for transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2012 and Profit and Loss Account for the nine 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. S. K. Sharma 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

Place: New Delhi
Dated: August 31, 2012

(Sumit Agarwal)
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. A brief resume of the Director proposed for appointment/re-appointment as mandated in Clause-49 of the Listing Agreement is annexed with the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, September 24, 2012 to Thursday, September 27, 2012 (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. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorizing their representative to attend and vote at the Annual General 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: 41406149-52, Fax: 41709881
Email: 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

PURSUANT TO THE PROVISIONS OF CLAUSE 49 IV (G) (i) OF THE LISTING AGREEMENT, A BRIEF RESUME OF DIRECTOR, PROPOSED FOR APPOINTMENT/RE-APPOINTMENT IS GIVEN BELOW

ITEM NO. 3

Name of Director	Mr. S. K. Sharma
Date of Birth	28th October 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 Twenty-first Annual Report of the Company together with the Audited Accounts for the nine months period ended on March 31, 2012.

FINANCIAL RESULTS

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

PARTICULARS	CURRENT YEAR ENDED ON 31.03.12 (Rs. in lacs)	PREVIOUS YEAR ENDED ON 30.06.11 (Rs. in lacs)
Gross Income	330.47	334.19
Profit/(Loss) before depreciation	223.05	206.47
Depreciation	27.14	36.44
Profit/(Loss) before tax	195.91	170.03
Provision for tax	-	-
Profit/(Loss) before Extra ordinary items	195.91	170.03
Prior period adjustment	2.55	1.91
Less: Provision on Investments	-	-
Net Profit/(Loss)	195.91	168.12
Profit/(Loss) brought forward from previous year	(8995.14)	(9163.26)
Surplus /(Loss) carried to Balance Sheet	(8799.23)	(8995.14)

Your Directors have pleasure in informing the members that the Company has posted a profit of Rs. 195.91 lacs, after adjusting prior period adjustments amounting to Rs. 2.55 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 Company has changed its financial year from July to March this year consequently this financial year 2011-12 shall be of nine months and subsequent financial year 2012-13 and onwards shall be from April to March i.e. twelve months.

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. Ahmedabad, Madras, Delhi, Calcutta and Jaipur Stock Exchanges in view of non-trading on these stock exchange and the share holders in the Annual General Meeting held on 30th December 2011 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 Appellant 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. 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.
2. Note 2.2 on non creation of debenture redemption reserve is self explanatory and can not be created due to insufficient profits.
3. Provision of interest on certain liabilities covered under notes 4.1.f, 4.1.g (i), 4.2.c, 4.2.d, 4.3.2, 4.3.3, 4.4(f) & 4.6 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.
4. Depletion in the value of Assets charged to Banks/Institution and Debentures covered under notes 4.1.d, 4.2.b & 4.3.1 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.
5. The default in repayment to depositors as mentioned in note 4.4(b) 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.
6. Regarding liability on account of fixed deposit received, the company has prepared a fixed deposit register and verifying the claims of depositors on regular basis and also in process of reconciling difference with books of accounts.
7. Maintenance of minimum liquid assets covered under note 4.4(g). 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.
8. Provision of Non Performing Assets as per RBI norms under Note 11.2 & 12.1: 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 11.3, 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 and efforts are on to get transferred 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.
9. Going Concern Basis – Note 28: 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.

10. Balance confirmation & Un-Reconciled Balances – Note 29(a) & 29(b): As the Company is under litigation for a majority of bills receivable and payables, and the matters are subjudice, confirmations and acknowledgments are not feasible.
11. Director remuneration: Note 30- The Company has filed an application for approval of remuneration of director and Central Government approval is awaited. The company is following up with Ministry for necessary approval.
12. Note 23 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. S. K. Sharma, Director, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. S.K. Sharma has appointed as Whole Time Director designated as "Executive Director" of the Company for the period of 1.12.2011 to 30.11.2014 and follow up is being done for necessary approval.

LISTING AGREEMENT COMPLIANCES

The Company is presently listed at Stock Exchanges at Ahmedabad, Calcutta, Madras, 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, Madras, 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 efforts are being made to revoke the suspension of trading on National Stock Exchange

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 Agreement 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 National Stock Exchange 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 NSE, NSE 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 nine months period ended on March 31st, 2012:

- (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 March 31, 2012 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 31st March 2012.

FIXED DEPOSITS

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

Unclaimed / Unpaid deposits as on 31st March 2012 are Rs.3.51 Crores (3639 depositors) and Rs.56.35 Crores (50928 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.

CODE OF CONDUCT

Pursuant to the requirements of clause 49 of Listing Agreement, the Board Members and Senior Management Personnel, have affirmed compliance with the Code of Conduct for the financial year ended on 31st March, 2012.

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 upgradation.

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 March 31st, 2012, 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, Ministry of Corporate 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 : August 31st, 2012

(Arif Beg)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

The Management of the Company is pleased to present its Report on Industry scenario including Company's performance during the year 2011-12.

Indian Economy

India's economy grew at 8.6% last year, next only to China and this is certainly a remarkable achievement as it comes in the backdrop of a challenging period of global recession where a few countries were even on the brink of bankruptcy and had to seek huge bailouts. With the world economy coming out of recession, the Indian economy has successfully re-positioned itself on a faster growth trajectory, which prompts us to believe that the country will be able to grow at a rate of 9%, on a sustained basis.

Industry Structure and Developments

Non Banking Finance Companies (NBFC) sector in India is represented by a mix of a few large companies with nationwide presence and a few small and medium sized companies with regional focus, primarily engaged in hire purchase financing, investments, corporate loans, IPO funding, venture capital and other non-fund based activities etc. The Reserve Bank of India regulates and supervises these NBFCs.

a. Opportunities and Threats / Risks and Concerns / Outlook

The NBFCs are facing stiff competition from banks and financial institutions, due to the ability of Banks & FI's to raise low cost funds which enables them to provide funds at much cheaper rate. More stringent capital adequacy norms have been stipulated by RBI for NBFCs which is making difficult for them to give cheaper finance.

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 affected 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.

b. Segment-wise / product-wise performance

The Company is primarily engaged in the business of hire purchase, leasing and bill discounting and non-fund based activities. Since the risk and returns in these businesses are similar, therefore, these are grouped as a single segment. This is in accordance with the guiding principle enunciated in the Accounting Standard on Segment Reporting (AS- 17) issued by The Institute of Chartered Accountants of India.

c. Internal control systems and their adequacy

The Company has an effective system of accounting and administrative controls which ensures that all assets are safeguarded and protected against loss against unauthorized use or disposition. The Company has a well-defined organization structure headed by Executive Director who is an Ex-Banker with clear functional authority limits for approval of all transactions.

The Company has a strong reporting system, which evaluates and forewarns the management on issue related to compliance. The Company has appointed to M/s Kushwaha & Company, Chartered Accountants as their Internal Auditor. The performance of the Company is regularly viewed by the Board of Directors to ensure that it is in keeping with the overall corporate policy and in line with pre-set objectives.