



22nd ANNUAL REPORT 2012-2013

DCM FINANCIAL SERVICES LTD.

BOARD OF DIRECTOR

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

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@dfsionline.com
Website : www.dfsionline.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 Second Annual General Meeting of the Members of the Company will be held on Monday, September 30, 2013 at The Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi – 110 030 at 11:30 A.M. for transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2013 and Profit and Loss Account for the year 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 Beg 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 14, 2013

Sd/-
(Arif Beg)
Chairman

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 **September 19, 2013 to September 25, 2013 (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. Arif Beg
Date of Birth	2nd February, 1936
Date of Appointment	31st October, 2001
Expertise in specific	Mr. Beg has been a Cabinet Minister of Madhya Pradesh, Minister of State of Commerce in Government of India, a member of Madhya Pradesh Legislative Assembly and was elected as Member of Lok Sabha twice. Mr. Beg has held various important positions in political parties and has also been a founder National President of the Blue Cross Crew and Aman Dost Insan Dost apart from leading many delegations.
Qualification	Graduate
List of Outside Directorship	None
Position held in other Companies	None
Other Information	INE Director
Remark	Retiring by rotation, rotation at the ensuring AGM
Share Holding in the Company	Nil

DIRECTORS' REPORT

Your Directors present the Twenty Second Annual Report of the Company together with the Audited Accounts for the year ended on March 31, 2013.

1 FINANCIAL RESULTS AT A GLANCE

PARTICULARS	CURRENT YEAR ENDED ON 31.03.2013 (Rs. in lacs)	PREVIOUS YEAR ENDED ON 31.03.2012 (Rs. in lacs)
Gross Income	644.80	330.47
Profit/(Loss) before depreciation	339.18	223.05
Depreciation	36.10	27.14
Profit/(Loss) before tax	303.08	195.91
Provision for tax	-	-
Profit/(Loss) before Extra ordinary items	303.08	195.91
Prior period adjustment	6.00	2.55
Net Profit/(Loss)	303.08	195.91
Profit/(Loss) brought forward from previous year	(8799.23)	(8995.14)
Surplus /(Loss) carried to Balance Sheet	(8496.14)	(8799.23)

Your Directors have pleasure in informing the members that the Company has posted a profit of Rs 303.08 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.

2 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 s 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 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 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.

3 DIVIDEND

In view of the accumulated losses in the past years, the Directors regret their inability to recommend dividend for the period under review.

4 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 Beg, Director, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment

5 FIXED DEPOSITS

During the year 2012-13, your Company has not accepted / renewed any Fixed Deposit. Your Directors wish to report that there are 50928 Fixed Deposits, aggregating Rs. 56.35 Cr were unpaid and out of which Rs 3.51 Cr remained unclaimed by 3639 Depositors, as on 31st March, 2013. 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.

6 SUBSIDIARY COMPANY

The Accounts of the Subsidiary Company for the year ended on March 31, 2013 is attached herewith. Statement in pursuance of section 212 of the Act, is also annexed. Your Company had not made any loans to its subsidiary for the year ended 31st March 2013.

7 AUDITORS' REPORT

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

- Rent receivable: With reference to Para i of the auditor's report, there are certain disputes with the tenant and the matter is pending arbitration and the Company is hopeful in recovering.*
- Provision of interest on certain liabilities covered under Para II and 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.*
- Para iii and Note 2.2 on non creation of debenture redemption reserve is self explanatory and can not be created due to insufficient profits.*
- Depletion in the value of Assets charged to Banks/Institution and Debentures in Para V and 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.*
- The default in repayment to depositors as mentioned Para vi, 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.*
- Regarding Para vii 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.*
- Maintenance of minimum liquid assets covered under Para viii and 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.*
- Provision of Non-Performing Assets as per RBI norms under Para ix and 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 '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 custom

9. **Going Concern Basis** – Para x and 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** – Para xi and note 29(a): 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.
11. **Para xii 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.

8 **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.

9 **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.

10 **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 except for non-compliance of Clause 49 III of the Listing Agreement i.e. appointment of an independent Director on the Board of Directors of its material Subsidiary Company, which under the current circumstances can not be done, due to the applicability of section 279(1) g of The Companies Act on its directors.

11 **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, 2013:

- (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.

12 INTERNAL CONTROL SYSTEM

The Company has adequate internal control procedure proportionate to the nature of its business and size of its operations for the smooth conduct of its businesses Internal Audit is conducted at regular intervals and covers the key area of operations. 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.

13 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, 2013.

14 PARTICULARS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company is not engaged in manufacturing activities and, therefore, the particulars as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 regarding Conservation of Energy, Research and Development and Technology Absorption are not applicable

15 FOREIGN EXCHANGE EARNING AND OUTGO

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

16 PARTICULAR OF EMPLOYEES

During the year ended March 31st, 2013, there was no employee drawing remuneration in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956.

17 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.

18 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: 14.08.2013

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 2012-13

1 Industry Structure and Development

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 finance investments, corporate loans, IPO funding, venture capital and other non-fund based activities etc. The Reserve Bank India regulates and supervises these NBFCs.

2 Opportunities and Threats

The NBFCs are facing stiff competition from banks and financial institutions, due to the ability of Banks & FI's to raise k cost funds which enables them to provide funds at much cheaper rate. More stringent capital adequacy norms have be 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 some time. 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.

3 Segment-wise or Product-wise Performance

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

4 Financials performance with respect to operational performance

The efforts are towards recovery of dues from past and present creditors. There was no income from leasing and hire purchase due to lapse of tenure. The sustained efforts for aggressive recoveries during the current financial year has supported the bottom line of your Company which has posted a profit of Rs 303.08 lacs which includes Prior Period adjustments amounting to Rs. 6.00 lacs after providing for depreciation of Rs. 36.10 lacs.

5 Material developments in Human Resources / Industrial Relations Front, including number of people employed

The relations with the employees remained cordial during the year.

The total number of employees in the Company was 9 as on March 31, 2013.

6 Cautionary Note

The statements in the Directors' and Management Discussion and Analysis Report describing the Company's projections, 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 operations are influenced by many external and internal factors beyond the control of the Company.

REPORT ON CORPORATE GOVERNANCE**1 A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE.**

The Company's philosophy on Corporate Governance is to practice transparently in its operations and maintain a professional approach, accountability and equity in its dealing with its employees, shareholders, government, lenders and every individual who comes in contact with the Company.

The Company believes that its vision coupled with its Business Principles and Core Dimensions, would create the culture of High Performance Environment to enhance overall stakeholder value.

The Company believes that fairness in corporate procedures, full disclosures in reporting system, total transparency in corporate culture, fiduciary and trustee relationship and maximization of shareholders value in the long run are the pillars on which the structure of the Corporate Governance rests.

2 BOARD OF DIRECTORS

The Board of the Company is comprised of three Directors and is headed by an independent non – executive Director.

During the Financial Year under review, five Board Meetings were held as per detailed given in **ANNEXURE - B.**

3 AUDIT COMMITTEE

Brief description of terms of reference of the audit committee:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Pre-audit and post audit discussions with external auditors on nature and scope of audit and areas of concern, if any respectively.

The constitution of the Committee and no. of meeting held is detailed in **ANNEXURE - A & B.** The Company Secretary acts as the Secretary to the Committee.

4 REMUNERATION COMMITTEE

The Remuneration committee was constituted on 1st December 2005 as required under section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956 and in accordance with clause 49 of the Listing Agreement and the Committee is entrusted with regard to the remuneration of executive and non- executive directors. The composition of the committee and meeting of the members of the committee is detailed in **ANNEXURE - A & B.**

The aggregate value of salary and perquisites paid for the year ended on 31st March, 2013 in accordance with Central Government's approval to Whole Time Director Shri S.K. Sharma is Rs 3.98 Lacs. No other Director is paid any remuneration and none of the Directors are holding any shares of the company except Mr. Om Prakash Gupta, who is holding 150 Shares.

5 INVESTORS GRIEVANCE COMMITTEE

The Shareholders Grievance Committee was constituted on January 30, 2002. The composition of the committee is detailed in **Annexure-A & B.** The Committee oversees redressal of shareholders Grievances/Complaints.

The Company is prompt in attending to complaints/queries from shareholders/investors.