



Ref: ND/DFSL/SECTT/AGM/2012

5th Oct, 2013

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
MUMBAI – 400051

Dear Sir,

Sub.: **FORM B FOR ANNUAL REPORTS**

This is inform that Pursuant to clause 31 of the Listing Agreement, we had submitted 6 copies of the 22nd Annual Report vide our letter dated 4th Sept, 2013 but could not submit form A or B along with the Annual report.

In view of the above, we are enclosing herewith a copy of the applicable form B and hope you will find the same in order

Delay in submission is regretted and request you to please take the Form B on your record.

Thanking you

Yours faithfully
For DCM Financial Services Limited


S.K. Sharma
Director

Encl.: As above

Copy to:

- 1 Listing Department
Bombay Stock Exchange Limited
Floor 1, Phiroze Jeejeebhoy Towers

Dalal Street
MUMBAI – 400001

- 2 Listing Department
Delhi Stock Exchange
3&4/4B, Asaf Ali Road
Near Turknam Gate
NEW DELHI-110006

DCM Financial Services Ltd

Regd. Office : D 7/3 Okhla Industrial Area-II, New Delhi 110 020. TEL : 011 26385991-93 FAX: 91-11-26385999
Website: www.dfsonline.com email ID : info@dfsonline.com

FORM B

Format of covering letter of the annual report to be filed with stock exchanges

1	Name of the Company	DCM FINANCIAL SERVICES LTD
2	Annual Financial statement for the year ended	31 st March,2013
3	Type of Audit Qualification	Qualified
4	Frequency of qualification	<p>A) Repetitive in respect of observation A as stated in item 5 below from financial year ended on 30th June,2010</p> <p>B) Repetitive in respect of observation B as stated in item 5 below from financial year ended on 30th Sept,1999</p> <p>C) Repetitive in respect of observation C as stated in item 5 below from financial year ended on 30th June,2009</p> <p>D) Repetitive in respect of observation D as stated in item 5 below from financial year ended on 31st March,2002</p> <p>E) Repetitive in respect of observation E as stated in item 5 below from financial year ended on 30th Sept,1999</p> <p>F) Repetitive respect of observation F as stated in item 5 below from financial year ended on 30th Sept,1999</p> <p>G) Repetitive in respect of observation G as stated in item 5 below from financial year ended on 30th June,1998</p> <p>H) Repetitive in respect of observation H as stated in item 5 below from financial year ended on 30th June,1998</p> <p>I) Repetitive in respect of observation I as stated in item 5 below</p> <p>M) Repetitive from financial year ended on 30th Sept,1999</p> <p>J) Repetitive in respect of observation J as stated in item 5 below from financial year ended on 30th June,1998</p> <p>K) Repetitive in respect of observation K as stated in item 5 from financial year ended on 31st March 2002</p> <p>L) Repetitive in respect of observation L as stated in item 5 below from financial year ended on 31st March 2002</p> <p>M) Repetitive in respect of observation M as stated in item 5</p>

		<p>below from financial year ended on 30th June,2009</p> <p>M)Repetitive in respect of observation M as stated in item 5 below from financial year ended on 31st March,2012</p>
5	<p>Draw attention to relevant notes in the annual financial statement and management response to the qualification in the directors report</p>	<p>A Recognition of rental income of Rs 91.02 Lacs during the financial year ended 31st March, 2013 despite uncertainty in realization of such income & non provision of doubtful debts against rental receivable of Rs 510.82 Lacs pertaining to previous years which have not yet been realized. The net profit for the year & current assets are overstated and cumulative net loss is understated to that extent. (Refer Page 19 of Annual Report)</p> <p>Management Response 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 (Page 6 of annual report)</p> <p>B No provision has been made of Rs 826.38 lacs payable for Interest on debentures, term loans and banks, fixed deposits, and inter corporate deposits. Net profit for the year & current assets are overstated and cumulative net loss is understated to that extent. This is in contravention of the Accounting Standard 1 on Disclosure of Accounting Policies issued by Ministry of Corporate Affairs, Government of India. This has been explained in Note 4.1.f, Note 4.1.g.(i), Note 4.2.c & 4.2.d, Note 4.3.2, Note 4.3.3, Note 4.4(f) and Note 4.6. (Page no. 6 ,27,28 & 29.of annual report)</p> <p>Management Response 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. (page no 6 of annual report)</p> <p>C) For redemption of debentures of Rs 2546.66 Lacs, debenture redemption reserve is required to be created. Debenture redemption reserve of Rs 2546.66 lacs has not been created due to insufficient profits. This has been explained in Note 2.2. Refer Para iii & no.2.2 of Annual Report</p>

(Page no.19 & 27 of Annual Report)

Management Response

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

(page no 6 of annual report)

D)The value of assets charged as security in favour of banks, debenture-holders & financial institutions have been depleted over a period of time. The depletion has not yet been ascertained. To the extent of shortfall, if any, the liability is unsecured, whereas the same has been shown as secured. This has been explained in Para V, Note 4.1.d and Note 4.2.b & 4.3.1. (Page no. 19 ,28 & 29)

Management Response

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 (page no 6 of annual report)

E) There is a default in repayment of outstanding deposits with interest vide order dated 17.07.98 as the Company Law Board had ordered payment of interest at contracted rates up to the date of maturity and at 10% thereafter. Due to liquidity problems, the company has not fully followed the schedule of repayment ordered by the Company Law Board. However, a fresh Restructuring Scheme of arrangement for re-organization of the share capital of the company and for compromise with its creditors including fixed depositors has been made in which interest dues will be waived. Assuming that the scheme will be approved by the Hon'ble High Court of Delhi, provision of interest payable amounting to Rs. 827.06 lacs has been written back in earlier years. This has been explained in Para vi, Note 4.4.(b).

(Refer Page no. 20 & 30 of annual report)

Management Response

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.

(Refer page no 6 of annual report)

F) Fixed Deposits and Bills Payable as per records maintained by the Company are Rs. 5645.45 lacs and as per financials books amounting to Rs. 5634.75 lacs. There is a difference of Rs. 10.69 lacs which is un-reconciled in the Fixed Deposit Register. The reason is either lack of identification of depositors or no claim or confirmation having been received by the company. The provision of such differential amount has not been made. This has been explained in Para vii, Note 4.4.(d) & Note 4.4.(e).

(Page no.20 &30 of Annual report)

Management Response

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 (page no 6 of annual report)

G) Due to liquidity crisis in the past, minimum liquid assets @ 15% of Fixed Deposits as per RBI directives has not been maintained by the company. The company has applied to RBI and Company Law Board for exemption from maintaining minimum liquid assets and payment of penal interest but the disposal of the application is still pending. This has been explained in Para viii Note 4.4.(g).

(Refer Page no.20 & 30 of Annual Report)

Management Response

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. (page no 6 of annual report)

H) There is non-provision of NPA's of Rs 274.56 Lacs & Rs 631.43 Lacs respectively towards inter corporate deposits, bills receivable, employee advances and long-term trade receivables as required by Non-Banking Financial Companies Prudential Norms (Reserve Bank). The net profit for the year & current assets are overstated and cumulative net loss is understated to the extent of Rs 905.99 lacs This has been explained in Para ix & Note 11.2 & Note 12.1.

(Refer Page no. 35 of Annual Report.)

Management Response

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.

(Refer page no 6 of Annual Report)

I) The accounts of the company have been prepared on a going concern as on an assumption made by the management that (a) The fresh scheme would be approved by the Hon'ble Delhi High Court, (b) The promoters of the company have provided letter of support, (c) adequate finances and opportunities would be available in the foreseeable future to enable the company to start operating on a profitable basis and (d) injection of Rs. 19.50 crores as promoters quota. This has been explained in Note 28.

(Refer Para x at page 20 & page No.43 of Annual Report)

Management Response

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.

(Refer page no 7 of Annual report)

J) Balance confirmation of 18 Banks which are restricted and cannot be operated without getting prior approval of the Hon'ble Delhi High Court , Bills Receivable and Payable, advances recoverable relating to lease and hire purchase are not available. The financial impact of this is not ascertainable. This has been explained in Note 14.2, 14.3 & 29 (a).

(Refer Para xi & note 14.2, 14.3 & 29 (a) at page no 20 & 36 of Annual Report)

Management Response

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.

(Refer page No 7 of Annual Report)

K) Punjab & Sind bank has filed a recovery suit before the Debt Recovery Tribunal (DRT) for recovery of Rs. 1217.52 lacs against which the amount payable to them, as per books is Rs. 803.40 lacs. The company contends that the dues of the Bank will be settled as per the fresh restructuring scheme and consequently no provision for the difference of Rs. 414.12 lacs has been made. Since the Company has not made payment of interest & principal in accordance with the Fresh Restructuring Scheme filed with the Hon'ble High Court, Rs 1217.52 became payable to PSB. No provision for the difference of Rs. 414.12 lacs has been made by the Company.

(Refer Para xii(a) at page no 20 of Annual Report)

Management Response

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.




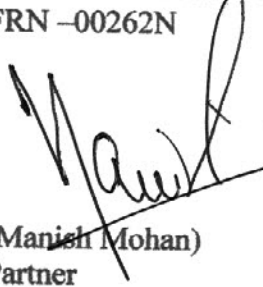

(Refer page no 7 of annual report)

L) IndusInd Bank has filed a recovery suit before the Debt Recovery Tribunal (DRT), of Rs. 1042.42 lacs against which the amount payable to them as per books is Rs. 577.00 lacs. The company contends that the dues of the Bank are to be anticipated to be settled as per the fresh restructuring scheme and consequently no provision for the difference of Rs. 465.42 lacs has been made.

(Refer Para xii(b) at page no.20 of Annual Report)

Management Response

		<p>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. (Refer page no 7 of annual report)</p> <p>M) During the year ended 30th June, 2009, the Company had received Rs. 100.00 lacs from one of the Debtors and the balance recoverable from the debtors account was reduced by this amount. Subsequently the Hon'ble Punjab and Haryana Court deemed that payment to be an out of turn payment and asked the company to deposit the amount. The Company had filed a SLP with the Hon'ble Supreme Court of India which has been dismissed by them. The Company is liable to deposit the amount mentioned above which has yet to be deposited. (Refer Para xii(c) at page no. 20 & 21 of Annual Report)</p> <p>Management Response 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. (Refer page no 7 of annual report)</p> <p>N) There is an award passed by the arbitrator against the company in the matter of MS Shoes East Limited on May 28, 2012 for Rs. 51.28 lacs i.e. claim amount along with interest of Rs. 307 lacs for an underwriting given by the company in the year 1995 for the public issue of M/s MS Shoes East Ltd. The same has been contested by Company before Hon'ble Delhi High Court. Refer Para xiii (d) at page no. 21 of Annual Report.</p> <p>Management Response 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. (Refer page no 7 of annual report)</p>
6	Additional comments from Board/ Audit Committee Chairman	From point A to N above : As per disclosures made in the Annual Report and all other notes are self-explanatory

Additional Comments from the Board / Audit Committee Chairman	As per disclosures made in the Annual Report.
To be Signed by	
CEO / Managing Director	  (S.K. Sharma)
CFO	The company does not have CFO
Audit Committee Chairman	 (Arif Beg)
Auditors of the Company	For V Sahai Tripathi & Co. Chartered Accountants FRN -00262N   (Manish Mohan) Partner M.N.091607