

## LIMITED REVIEW REPORT

We have reviewed the accompanying statement of un-audited financial results of *DCM Financial Services Ltd.* having its registered office at D-7/3, (Mezzanine Floor), Okhla Industrial Area, Phase-2, New Delhi-110020 for the quarter ended 31<sup>st</sup> March, 2012 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This statement is the responsibility of the company's management and has been taken on record by the Board of Directors at their meeting held on 15<sup>th</sup> May, 2012. Our responsibility is to issue a report on these financial statements based on our review.

A review of interim financial information consists principally of applying analytical procedures for financial data and making enquiries of persons responsible for financial and accounting matters. It is substantially less in scope and assurance than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. We have not performed an audit and accordingly, we do not express an audit opinion.

We conducted our review in accordance with the standard on **Review Engagement (ISRI) 2400 on Engagement to Review Financial Statements** issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

Based on our review conducted as above subject to the notes given below nothing has come to our notice that causes us to believe that the accompanying statement of un-audited financial results prepared in accordance with accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of **Clause 41 of the Listing Agreement** including the manner in which it is to be disclosed, or that it contains any material misstatement.

### NOTES TO LIMITED REVIEW REPORT

**1. NON PROVISION OF INTEREST ON SECURED/UNSECURED LOANS**

The Company has not provided the interest on the following liabilities during year quarter ended 31<sup>st</sup> March, 2012.

- (a) Interest on debentures @ 10% as per offer letter on 19.5 % Debentures amounting to approx. Rs. 63.54 lacs (Rs 192.45 for nine months ending 31<sup>st</sup> March, 2012)



- (b) Interest on bills payable and fixed deposits amounting to approx. Rs. 140.80 lacs (Rs. 425.53 for nine months ending 31<sup>st</sup> March, 2012).
- (c) Interest of Inter Corporate deposits amounting to approx. Rs. 1.58 lacs (Rs. 4.74 lacs for nine months ending 31<sup>st</sup> March, 2012).

To the extent of non-provision of interests as stated above the Profit of the Company for three months ending 31<sup>st</sup> March, 2012 is overstated by Rs. 205.92 lacs (Rs. 622.72 lacs for nine months ending 31<sup>st</sup> March, 2012).

- 2. NON PROVISION OF DOUBTFUL DEBT AGAINST RENTAL RECEIVABLE**  
The total rent recoverable as at 30<sup>th</sup> June, 2011 was Rs 386.37 lacs and after considering rent of subsequent nine months period from July, 2011 to March, 2012 of Rs 74.84 Lacs (inclusive of Service Tax), and after net amount credited to Rs.10.00 lacs, recoverable amount comes to Rs. 451.21. The management anticipates that the balance amount recoverable of Rs 451.21 lacs which includes the rent of Rs 25.04 lacs (inclusive of service tax) for the quarter ending 31<sup>st</sup> March,2012 will be recovered in full. On the basis of the part recovery effected and assurance given by the management the rent receivable of Rs 451.21 has been treated as good for recovery.
- 3. OTHER MAJOR AUDIT OBSERVATIONS AS ON 30<sup>th</sup> JUNE, 2011 WHICH NEED TO BE READ WITH THIS REPORT**

- (i) **NON-PROVISION ON NON-PERFORMING ASSETS AS PER RBI NORMS**

As per Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 assets and receivables are required to be classified as NPA and provision for non-performing assets as prescribed is required to be made. As per audited financial as at 30<sup>th</sup> June, 2011, the provision for non-performing assets as per these Directions on hire purchase and lease receivables, inter-corporate deposits given, bills receivable, advances recoverable in cash or in kind and other receivables required to be provided amounted to approx. Rs. 2,685.99 lacs (Net of security received of Rs 601.93) but only provision of Rs.1,556.79 lacs has been made. To the extent of non-provision of approximately Rs. 1,129.2 lacs the cumulative net loss reflected is understated.

Further, current assets, loans and advances to which the above provision for NPA relates are required to be classified as good and doubtful. Such distinction has not been drawn and the entire amount has been shown as good for recovery.



(ii) **GOING CONCERN BASIS**

To comply with the directives of the Reserve Bank of India the company ceased to accept deposits from September 1997. Despite cessation of business, substantial accumulated losses, non-provision for full NPA's and interest payable, rejection of the "old scheme under review" and winding up petition filed by the Reserve Bank of India and various creditors of the company, the accounts of the company have been prepared on a "going concern" basis on an assumption & premises made by the management that

- (a) fresh scheme would be approved by Hon'ble Delhi High Court,
- (b) adequate finances and opportunities would be available in the foreseeable future to enable the company to start operating on a profitable basis and
- (c) the promoters of the Company have provided letter of support.

(iii) **NON PROVISION OF DEBENTURE TRUSTEE'S CLAIM**

The Central Bank of India, Mumbai, Trustees for the Non Convertible Debentures B Series have filed a suit for recovery of Rs. 4,423.86 lacs on 14<sup>th</sup> October, 1999 before the Hon'ble Mumbai High Court. As against the claim of Rs. 4,423.86 lacs by the Central Bank of India, Mumbai, Trustees for the Non Convertible Debentures B Series, Rs. 2,548.75 on account of principal and interest is reflected in the books as on date. In view of the fresh scheme seeking waiver of interest payable to debenture holders, no provision has been made for the differences between the claim made by Central Bank of India and the liability as per the books, hence to this extent the cumulative net losses of Rs. 1,875.11 lacs is understated.

(iv) **CONTINGENT LIABILITIES**

- (a) Claims lodged and contingent liability arising out of suits and winding up petitions filed against the company not acknowledged as debts amounts to Rs. 868.18 lacs. There are also other cases filed in Consumer and other courts against the company for which the company is contingently liable but for which the amount has not been ascertained.
- (b) 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.

- (c) 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 will be settled as per the fresh restructuring scheme and consequently no provision for the difference of Rs. 465.42 lacs has been made.
- (d) During the year ended 30<sup>th</sup> June, 2009, the Company had received Rs. 100.00 lacs from one of the Debtors and reduced the balance recoverable from the debtors account. Subsequently Hon'ble Punjab and Haryana Court deem this payment to be out of turn payment to the company and asked the company to deposit the amount. Company had filled SLP to the Hon'ble Supreme Court of India and the same has been dismissed by the Hon'ble Supreme Court. Company is liable to deposit the amount mentioned above which is yet to be deposited.
- (e) During the preceding financial year ended 30<sup>th</sup> June, 2010 the company's tenant has filled a claim of Rs.100.00 lacs against the company towards damages suffered by the tenants.
- (f) There is a disputed statutory due that have not been deposited on account of matters pending before appropriate authorities a demand of Rs 152.12 Lakh for payment of income tax under Income Tax Act , 1961.

For V. Sahai Tripathi & Co.  
Chartered Accountants  
Firm Registration Number : 000262N



(Manish Mohan)  
Partner  
Member Ship No.091607

Place : New Delhi  
Dated : 15<sup>th</sup> May, 2012