

34th Annual Report

&

Accounts

2013 - 2014





CIN: L65993WB1980PLC033060

Board of Directors :

Mr. Prakash Kumar Jajodia	Whole-Time Director
Mr. Kishan Kumar Jajodia	Non-Independent/Promoter Director
Mr. Amit Jajodia	Non- Independent Director
Mr. Bijay Kumar Agarwal	Independent Director
Mr. Dinesh Kumar Pandey	Independent Director
Mr. Rabindra Kumar Hisaria	Independent Director

Audit Committee :

Mr. Rabindra Kumar Hisaria	Chairman
Mr. Bijay Kumar Agarwal	Independent Director
Mr. Dinesh Kumar Panday	Independent Director

Nomination And Remuneration Committee :

Mr. Bijay Kumar Agarwal	Chairman
Mr. Amit Jajodia	Non- Executive Non- Independent Director
Mr. Rabindra Kumar Hisaria	Independent Director

Stakeholder's Relationship Committee :

Mr. Bijay Kumar Agarwal	Chairman
Mr. Prakash Kumar Jajodia	Executive Director
Mr. Amit Jajodia	Non- Executive Non- Independent Director

Chief Financial Officer :

Mr. Rabindra Kumar Hisaria

Registered Office :

"Centre Point",
2nd Floor, Room No. 230,
21, Hemanta Basu Sarani
Kolkata – 700 001
Phone No.- (033) 3028 7790
E-Mail Id – investorsquestfinancial@yahoo.com
Website - www.questfinancial.in

Registrar and Transfer Agent :

Niche Technologies Pvt. Ltd.
D-511, Bagree Market,
71, B.R.B. Basu Road
Kolkata-700 001

Bankers :

Bank Of Baroda
Corporation Bank
State Bank of Hyderabad
State Bank of India
IDBI Bank

Auditors :

M/s. Arun Jain & Associates
Chartered Accountants
2B, Grant Lane, 2nd Floor,
Room No. 74, Kolkata – 700 012

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 34th Annual Report of the Company for the financial year ended 31st March, 2014.

FINANCIAL RESULTS :

Particular	Standalone		Consolidated
	2013-2014	2012-2013	2013-2014
Total Income	25,15,17,162	11,93,26,390	25,15,17,162
Total Expenditure	25,07,03,439	11,56,86,662	25,07,92,754
Profit before Tax	8,13,723	36,39,728	7,24,408
(Less) : Provision for Current Tax	(2,51,440)	(11,24,676)	(2,51,440)
Net Profit after tax	5,62,282	25,15,052	4,72,967
Income tax for prior year	-	-	-
(Less) : Unamortized Expenses written back	-	-	-
Add : Brought forward from previous year	21,61,435	1,49,393	21,61,435
Less : Adjustment with Provision for Income Tax	-	(5,03,010)	-
Less : Transfer to Special Reserve	(1,12,456)	-	(1,12,456)
Balance carried to Balance Sheet	26,11,261	21,61,435	25,21,946

FINANCIAL AND OPERATIONAL PERFORMANCE

Our Company has recorded a total income of ` 25,15,17,162/- for the current financial year as against ` 11,93,26,390/- recorded during the previous year, registering a growth of 110.78%.

The Profit Before Tax on a standalone basis amounted to ` 8,13,723/- during the current year as against ` 36,39,728 for the previous year.

The Profit After Tax on a standalone basis amounted to ` 5,62,282/- during the current year as against ` 25,15,052 for the previous year.

During the year, we have made investments in four newly owned subsidiary companies. We expect that the company will be benefited by these investments in long run, which will be seen from the forthcoming financial quarters.

The core financial activities of the Company which comprises of providing of business loan to corporate and individuals have witness a tough time in the past. However, the Company has diversified its financial business portfolio to stay competitive and focusing on the untapped financial needs of rural population.

Your Company has also diversified into the business of automatic computerized embroidery on various apparels, clothing, caps, leather garments, and other leather items. The embroidery unit of the Company is growing at a rapid pace on an excellent marketing exposure. Our products are mainly supplied to retailers based at Kolkata and adjacent territories.

DIVIDEND

Considering the future prospects and to strengthening the financial position of the Company, your Directors do not recommend any dividend for the financial year under review.

DIRECTORS

In accordance with the provisions of the Companies Act, 2013 Mr. Kishan Kumar Jajodia, Non-Executive Non-Independent Director of the Company, will retire by rotation at the ensuing 34th Annual General Meeting and being eligible, seeks reappointment. The Board of Directors recommends his re-appointment.

As per the Companies Act, 2013, the Company is required to appoint Independent Directors, including existing independent directors, for a fixed term and their office shall not be liable to be determined by retirement of directors by rotation. Our Independent Directors Mr. Bijay Kumar Agarwal, Mr. Rabindra Kumar Hisaria and Mr. Dinesh Kumar Pandey, are liable to retire by rotation under the erstwhile Companies Act, 1956.

Accordingly, in compliance of Section 149, 150, 152 read with Schedule IV of the Companies Act, 2013, Mr. Bijay Kumar Agarwal, Mr. Rabindra Kumar Hisaria and Mr. Dinesh Kumar Pandey, Directors of the Company, are proposed to be appointed as Independent Directors of the Company for a period of five consecutive years to hold the office till the conclusion of 39th AGM and their offices shall not be liable to retire by rotation of directors.

Separate notices have been received from members proposing candidatures of Mr. Kishan Kumar Jajodia, Mr. Bijay Kumar Agarwal, Mr. Rabindra Kumar Hisaria and Mr. Dinesh Kumar Pandey for their respective appointments.

Based on the confirmations received, none of the Directors proposed to be appointed are disqualified for appointment under the Companies Act, 2013. Further, the Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement with the stock exchange.

Further, Mr. Prakash Kumar Jajodia, who was appointed as a Whole-Time Director of the Company at the Annual General Meeting of the Company held on September 30, 2013, with effect from 1st October 2013 for a period of 5 years ending on 30th September, 2018 and as per the terms of his appointment, he is not liable to retire by rotation. However, whole-time directors who were earlier not liable to retire by rotation as per the provisions of the Companies Act, 1956, are now liable to retire by rotation as per the provisions of Section 152(6) of the Companies Act, 2013. Accordingly, it is proposed that the terms of appointment of Mr. Prakash Kumar Jajodia be amended to provide that he shall be liable to retire by rotation as per the provisions of Section 152(6) of the Companies Act, 2013. The other terms and conditions of his appointment including remuneration approved by the members of the Company shall remain unchanged.

AUDITORS

M/s. Arun Jain & Associates, Chartered Accountants of 2B, Grant Lane, 2nd Floor, Room No-74, Kolkata – 700 012, Statutory Auditor of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint M/s. Arun Jain & Associates, Chartered Accountants as Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the 39th AGM, subject to ratification of their appointment at every AGM.

The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

INDEPENDENT AUDITORS' REPORT

The Financial Statement, as referred to in the Independent Auditor's Report are self-explanatory and hence does not require any further explanations.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms that:

- (i) in the preparation of the annual accounts for the financial year 2013-14, the applicable accounting standards have been followed and there are no material departures;
- (ii) they have selected such accounting policies and 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 year and of the profit of the Company for the financial year;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis

CORPORATE GOVERNANCE REPORT

Your Company has been complying with all the requirements of the code of Corporate Governance, as specified by SEBI.

A separate report on Corporate Governance is furnished as a part of the Directors' Report and the certificate from the Statutory Auditor regarding compliance of condition of Corporate Governance is annexed to the said Report.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard (AS) – 21 on Consolidated Financial Statements, the audited consolidated financial statements form a part of the Annual Report 2014.

SUBSIDIARIES

The Company has four subsidiaries as on March 31, 2014, namely QFS Papers Limited, QFS Gems & Jewelleries Limited, QFS Textiles Limited and QFS Real Estate Limited. All these four subsidiaries were incorporated in March, 2014. A Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies, is attached to the Accounts. In terms of General Exemption, under Section 212(8) of the Companies Act, 1956 granted by Ministry of Corporate Affairs vide its circular no. 02/2011 dated 8th February, 2011 and in compliance with the conditions enlisted therein, the Audited Statements of Accounts, Auditor's Reports thereon and the Reports of the Board of Directors of the Company's subsidiaries for the financial year ended 31st March, 2014, have not been Annexed. The Annual Accounts and related documents of the Subsidiary Companies shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with the listing requirement, the Management's Discussion and Analysis is presented in a separate section forms part of the Annual Report 2014.

PUBLIC DEPOSIT

The Company has neither accepted during the year nor held at the end of the year any Public Deposit.

PARTICULARS OF EMPLOYEES

The Company does not have any employee of the category indicated under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has no activity relating to conservation of energy and technical absorption. The Company has no foreign exchange earnings and outgo during the year.

LISTING FEES

The Company's shares are listed in the Calcutta Stock Exchange Limited and the listing fees have been paid up-to-date.

ACKNOWLEDGEMENT

Your Directors would like to express their appreciation for the continued co-operation and support by the banks, customers and business associates. Your directors take this opportunity to place on record their deep sense of appreciation for the total commitment, dedication and hard work put in by the employees of the Company. Lastly, your directors are deeply grateful for the continuous confidence and faith shown by the members of the Company.

Place : Kolkata
Dated : 30.05.2014

ON BEHALF OF THE BOARD OF DIRECTORS
For Quest Financial Services Ltd.

Sd/-
Bijay Kumar Agarwal
Chairman
DIN-00634259

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC AND INDUSTRY OVERVIEW

In the past few years, the increased competition from banks in the retail finance segment has created thrust for diversification by NBFCs from their core business activities. The sector has witnessed introduction of various innovative products such as used vehicles financing, small personal loans, three-wheeler financing, IPO financing, finance for tyres & fuel, asset management, mutual fund distribution and insurance advisory, etc. Besides these, NBFCs are aspiring to emerge as a one-stop shop for all financial services.

Given the significant slowdown in the Indian economy, NBFCs were encountering structural challenges such as increased refinancing risk, short-term asset-liability mismatch leading to decelerating growth and declining margins. This is expected to have a bearing on the profitability of NBFCs in the medium term.

Credit requirements of rural population are primarily met by banks from organized sector or local money lenders. Though, in recent years there has been some penetration of NBFCs in this segment, the market still remains largely untapped. There is a large section of rural population which does not have access to credit either because of their inability to meet the lending covenants of banks or due to high interest rates of local money lenders. This provides a huge opportunity for NBFC sector to spread their business in the rural & semi-urban markets.

BUSINESS OVERVIEW

The core financial activities of the Company which comprises of providing of business loan to corporate and individuals have witness a tough time in the past. However, the Company has diversified its financial business portfolio to stay competitive and focusing on the untapped financial needs of rural population.

Your Company has also diversified into the business of automatic computerized embroidery on various apparels, clothing, caps, leather garments, and other leather items. The embroidery unit of the Company is growing at a rapid pace on an excellent marketing exposure. Our products are mainly supplied to retailers based at Kolkata and adjacent territories.

FINANCIAL PERFORMANCE

Notwithstanding difficult financial market conditions, your Company concluded yet another year of growth in its business. The financial performance of the Company for the year ended 31st March, 2014 is satisfying as it has been achieved in the wake of several challenges confronting your Company's business.

During the year under review your Company has recorded a total income of ` 25,15,17,162/- as compared to the previous year's income of ` 11,93,26,390/-. The profit before tax during the year is ` 8,13,723 as compared to the profit of ` 36,39,728/- in the previous year and profit after tax has been recorded at ` 5,62,282/- in the current year compared to profit of ` 25,15,052/- in the previous year.

DEBT STRUCTURE

During the year under review your Company has not raised any amount.

OUTLOOK

The overall performance for the year under review was better than performance of the previous corresponding year. Company is now focusing on financing conservatively to the customers after closely assessing their profile. The Company is trying to explore new areas which can be developed and marketed to leverage its performance and growth.

The markets will continue to grow and mature leading to differentiation of products and services. Each financial intermediary will have to find its niche in order to add value to consumers. The company is cautiously optimistic in its outlook for the year 2014-15.

RISK MANAGEMENT

NBFCs are exposed to credit and market risks in view of Asset Liability transformation. Intense competition for business involving both the assets and liabilities has brought pressure on the management of NBFCs to maintain a good balance among spreads, profitability and long term viability. NBFCs are exposed to major risks in the course of their business viz; credit risk, interest rate risk, liquidity risk and operational risk. The Company is guarding itself against these risks by laying down appropriate strategy for product positioning which is supplemented by business plans, review mechanism and action plans.

The Risk Management policies of the Company aim to identify, analyze and manage the risk faced by the Company, to set appropriate risk limits & controls, and to continuously monitor risk levels and adherence to limits.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Control and Audit is an important procedure and the Audit Committee of your Company reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

The Company has put in place an adequate internal Control System to safeguard all assets and ensure operational excellence. The system also meticulously records all transaction details and ensures regulatory compliance. The reports are reviewed by the Audit Committee of the Board. Wherever deemed necessary, internal control system are strengthened and corrective actions initiated.

HUMAN RESOURCE DEVELOPMENT

Employees' relations continued to be harmonious throughout the year with the management

The Company has been working towards institutionalizing a Performance Oriented Culture. The Entire HR system including recruitment, performance management system, reward and recognition has been aligned with the business objectives. The total employee's strength of the Company was 5 as on March 31, 2014.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis Report describing company's objectives, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that would make a difference to the Company's operation include demand supply conditions, change in government regulations, tax regimes, economic development within the country and abroad and such other factors over which Company does not have any direct control.



Arun Jain & Associates
Chartered Accountants
2B, Grant Lane,
2nd Floor, Room No.74
Kolkata-700 012

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members of
Quest Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by **Quest Financial Services Limited** for the year ended on **31st March, 2014** as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange, with relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained and certified by the Company.

We further state that such compliance is neither an assurance as to future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Arun Jain & Associates
Chartered Accountants
Registration No. : 325867E

Sd/-
Arun Jain
Proprietor
Membership No. : 053693
Place : Kolkata
Dated : The 30th Day of May, 2014

CORPORATE GOVERNANCE REPORT

1. Brief Statement on Company's Philosophy on Code of Corporate Governance:

Corporate Governance is a value based framework to manage our Company affairs in a fair and transparent manner. The Governance process should ensure that these resources are utilized in a manner that meets stakeholder's aspirations and societal expectations.

Your Company also believes that the practice of each of these creates the right corporate culture that fulfils the true purpose of Corporate Governance.

2 Board of Directors

The Company's Board of Directors as on **31st March, 2014** comprises of One Executive Director and Five Non-Executives Directors.

Five Meetings of the Board of Directors of the Company were held during the financial year 2013-2014 i.e. on 29/04/2013, 30/05/2013, 14/08/2013, 14/11/2013 and 11/02/2014.

As is evident, the maximum time gap between any two Board Meetings was not more than four months.

The composition of the Board of Directors and their attendance at the Board Meetings held during the year and at the last Annual General Meeting and also the number of Directorship and Committee Membership /Chairmanship held by them in other Companies are given below :-

Name of Director	Category	No. of Board Meetings Attended	Whether last AGM Attended	No. of other Directorship		No. of other Committee(s) Membership/ Chairmanship	
				Public	Private	Member	Chairman
Mr. Dinesh Kumar Pandey	Independent Director	5	Yes	-	8	-----	
Mr. Rabindra Kumar Hisaria	Independent Director	5	Yes	-	-	-----	
Mr. Bijay Kumar Agarwal	Independent Director	5	Yes	-	2	-----	
Mr. Kishan Kumar Jajodia	Non-Executive Promoter Director	5	Yes	9	4	1	-
*Mr. Prakash Kumar Jajodia	Promoter and Executive Director	5	Yes	9	4	2	-
Mr. Amit Jajodia	Non-Executive Non-Independent Director	5	Yes	4	2	-----	

*Mr. Prakash Kumar Jajodia was appointed as Whole-Time Director w.e.f. 1st October 2013.