

14th Annual Report 1999-2000



HB STOCK HOLDINGS LIMITED

BOARD OF DIRECTORS	
Mr. H.C. Bhasin	Chairman
Mr. R.D. Thapar	Director
Mr. K.N. Malhotra	Director
Mr. P.S. Mathur	Director
Mr. P.K. Mittal	Director
Mr. Lalit Bhasin	Director
Mr. J.M.L. Suri	Executive Director

**VICE PRESIDENT (LEGAL)
& COMPANY SECRETARY**
Dr. Sanjeev Kumar

AUDITORS
P. Bholusaria & Company
Chartered Accountants
26/11, Shakti Nagar,
Delhi - 110 007.

REGISTERED OFFICE
199, Sector-7,
Urban Estate,
Gurgaon - 122 001.
Haryana

CORPORATE OFFICE
2nd Floor, Gopala Tower,
25, Rajendra Place,
New Delhi - 110 008.

REGISTRAR & SHARE TRANSFER AGENTS
RCMC Share Registry Pvt. Ltd.
1515, (1st Floor)
Bhisham Pitamah Marg,
Kotla Mubarakpur,
(Near South Extension),
New Delhi - 110 003.

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NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the Company will be held as follows:

Day : Wednesday
Date : 30.05.2001
Time : 10.00 A.M.
Place : GIA House, I.D.C., Mehrauli Road, Opp. Sector 14,
Gurgaon (Haryana) - 122 001.

to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th November, 2000 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint Director in place of Mr. K. N. Malhotra, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Mr. Lalit Bhasin, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Ordinary Resolution**:
"RESOLVED THAT Mr. P.K. Mittal, who was appointed as Additional Director and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Ordinary Resolution**:
"RESOLVED THAT Mr. P.S. Mathur, who was appointed as Additional Director and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Ordinary Resolution**:
"RESOLVED THAT subject to the approval of the Reserve Bank of India and/or Central Government under the Foreign Exchange Management Act, 1999 and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and subject to such other approvals, permissions and sanctions, as may be required and subject to the applicable provisions, if any, of the Companies Act, 1956 and subject to such conditions as may be prescribed by any of the authorities, while granting such approvals/permissions/sanctions, which the Board of Directors of the company (herein after referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising powers conferred by the Board) may accept, the consent of the company be and is hereby accorded to the Board to allow foreign institutional investors, including foreign institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers or their power of attorney holders (providing discretionary and non-discretionary portfolio management services) (hereinafter referred to as "FII's") and/or Non Resident Indians (hereinafter referred to as "NRIs") and Overseas Corporate Bodies (hereinafter referred to as "OCBs") predominantly owned by NRIs to acquire shares/debentures of the company through Stock Exchanges in India under Portfolio Investment Scheme and in accordance with all permissible modes, subject to the following conditions:
 - i) the total purchase by NRIs/OCBs both on repatriation and non repatriation basis be within the overall ceiling (subject to individual limits as may be applicable) prescribed:
 - a) 24% of the paid up Equity Capital of the company
 - b) 24% of the total paid up value of each series of convertible debentures of the company.
 - ii) investments made by FIIs shall not exceed the overall ceiling of (subject to individual limits as may be applicable) prescribed:
 - a) 40% of the paid up Equity Capital of the company
 - b) 40% of the total paid up value of each series of convertible debentures of the company
 "RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to accept investment by FIIs and/or OCBs in variation of the aforesaid ceilings, as may be permissible from time to time and to do all such acts, deeds and things and to execute such documents or writings, as may be necessary, proper or expedient for the purpose of giving effect to this resolution, connected therewith or incidental thereto."
8. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Special Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company be altered by adding a New Article 39 A after the existing Article 39:

39 A - Nomination of Securities:

"Subject to the provisions of Section 108A of the Companies Act, 1956 and any regulations made in that behalf, the Company shall be entitled to accept nominations from its holders of securities."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Ordinary Resolution**:
"RESOLVED THAT the donation of Rs. 10 Lacs made during the financial year 1999-2000 be and is hereby ratified and the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

BY ORDER OF THE BOARD
For HB STOCKHOLDINGS LIMITED

DR. SANJEEV KUMAR
VICE-PRESIDENT (LEGAL)
& COMPANY SECRETARY

Place : New Delhi
Date : 7th March, 2001

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
2. Explanatory Statement(s) pursuant to Section 173(2) in respect of the Special Businesses herein are annexed hereto and form part of this notice.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 15.05.2001 to 17.05.2001 (both days inclusive).
4. Members/Proxies should bring Attendance Slips duly filled in for attending the meeting.
5. Shareholders seeking any information with regard to Accounts are requested to write to the Company at least 7 days before the date of the meeting so as to enable the management to keep the information ready.
6. All the material documents including the Memorandum and Articles of Association of the company together with the proposed alterations as referred to in the Notice and Explanatory Statement are available for inspection by the members of the company and its registered office during normal business hours on any working day.
7. Members are requested to:
 - (a) Notify any change in their address to the Company including PINCODE to the Registrar and Share Transfer Agent of the company namely, RCMC Share Registry Pvt. Ltd., 1515, (1st Floor), Bhisham Pitamah Marg, Kirti Mubarakpur, Near South Extension, New Delhi - 110 003. Phones: 4692346, 4601017 & 4649720. Fax 4692345. E-mail: rcmc@theoffice.net.
 - (b) Bring their copies of Annual Report with them to the meeting as the same will not be supplied again at the Meeting as a measure of economy.
8. The trading in the Equity Shares of the Company has come under compulsory dematerialisation w.e.f. 28th February, 2001 in terms of the SEBI-Notification No. SMDRP/ POLICY/CIR - 23 / 2000 dated, 29th May, 2000. The company has joined both the depository and the Equity (ISIN No. INE50B01014

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 5 & 6

Mr. P. K. Mittal and Mr. P.S. Mathur were appointed as Additional Director on the Board of Directors of the Company w.e.f. 07.03.2001. In accordance with Section 260 of the Companies Act, 1956 they hold office upto the date of forthcoming Annual General Meeting. The company has received notice Under Section 257 along with a deposit of Rs. 1000/- from shareholders signifying their intention to propose the candidature of Mr. P. K. Mittal and Mr. P.S. Mathur respectively for the office of Directors liable to retire by rotation. Mr. P.K. Mittal is a graduate in Commerce and Law and a Fellow Member of the Institute of Company Secretaries of India. He is a corporate and economic lawyer and practicing as Advocate for about 10 years at the High Court of Delhi. Prior to this he has worked in various capacities with the renowned corporate groups for over 15 years.

Mr. P.S. Mathur is a qualified senior Chartered Accountant and a Company Secretary. He has over 35 years corporate experience in various capacities. Lastly, he was Managing Director of Credit Capital Asset Management Company Ltd. He is director on the Board of Various Companies.

The Board recommends the appointment of Mr. P.K. Mittal and Mr. P.S. Mathur as Directors of the company liable to retire by rotation. None of the Directors, except Mr. P. K. Mittal and Mr. P.S. Mathur are, in any way, concerned or interested in the resolution.

Item No. 7

In terms of the provisions of the Foreign Exchange Management Act, 1999 read with Foreign Exchange Management (Transfer or Issue of Security by a

HB STOCKHOLDINGS LIMITED

person resident outside India) Regulations, 2000, the ceiling limits for the investment (individual as well as overall limits) by NRI's and OCB's & FI's can be enhanced by the shareholders in General Meeting. In the wake of globalisation, your Directors feel that the aforesaid ceiling limits may be enhanced to the maximum permissible limits, to provide for investment by NRIs/OCBs and FI's etc. The resolution is placed before the Members for necessary approval accordingly.

None of the Directors are, in any way, concerned or interested in the resolution.

Item No. 8

The provision for nomination by the holders of securities of the company has been introduced by way of insertion of new section 109A in the Companies Act, 1956. It is, therefore, proposed that the Company's Articles of Association be suitably amended, as set out in the resolution at Item No. 6 to reflect the provisions of Section 109A of the Companies Act, 1956.

A copy of the Memorandum & Articles of Association of the Company together with the proposed alteration is available for inspection by the members of the company at its Registered Office during the normal business hours on any working day.

None of the Directors are, in any way, concerned or interested in the resolution.

Item No. 9

The company has made donations to the tune of Rs. 10 Lacs during the financial year 1999-2000 to various charitable and other funds not directly related to the business of the company, in its commitment towards social obligations. In terms of section 293(1)(e) of the Companies Act, 1956 the approval/ ratification by the members is sought herewith.

None of the Directors, except Mr. H.C. Bhasin, Mr. Lalit Bhasin and Mr. J.M.L. Suri, who are also the office bearers in the aforesaid charitable institution(s) are, in any way, concerned or interested in the resolution.

BY ORDER OF THE BOARD
For HB STOCKHOLDINGS LIMITED

DR. SANJEEV KUMAR
VICE-PRESIDENT (LEGAL)
& COMPANY SECRETARY

Place : New Delhi
Date : 7th March, 2001

DIRECTORS' REPORT

To the Members,

Your directors are pleased to present the 14th Annual Report together with the Audited Statements of Accounts for the year ended 30th November 2000.

FINANCIAL RESULTS

The financial results of the Company during the year under review are summarized as under:

PARTICULARS	Year Ended 30.11.2000 (Rs. In Lakhs)	Year Ended 30.11.1999
Gross Profit/(Loss)	(23,88,47,134)	37,47,75,730
Less :		
(a) Depreciation and profit loss on termination of leases	12,89,591	47,70,702
(b) Miscellaneous Expenses Written Off	20,13,949	20,13,949
(c) Provision for Income Tax	Nil	Nil
(d) Provision for Sub-Standard and doubtful Assets	Nil	8,43,23,990
(e) Provision for diminution in value of investments	15,45,61,676	Nil
Net Profit/(Loss)	(39,67,12,350)	28,36,67,089
ADD/(Less):		
(a) Surplus Brought Forward	(10,76,84,266)	(39,12,19,144)
(b) Income/Expenses relating to previous year	60,740	(1,32,211)
Net Amount available for appropriation	(50,43,35,876)	(10,76,84,266)
Balance Transferred to Balance Sheet	(50,43,35,876)	(10,76,84,266)

DIVIDEND

Your directors do not recommend dividend for the year under review.

PERFORMANCE REVIEW

During the year under review the capital market remained volatile. Your company, with its endeavour for consolidation and restructuring of its investment portfolio, managed to remain unaffected of the fluctuations in the stock market, though in the process, the dead stocks have been cleared resulting into loss to the Company. The New Budget for 2001-2002 of the Government of India has brought out new hopes for accelerated growth of the capital market and if the contemplation and policies remain cohesive, remarkable improvement may be witnessed in the Indian capital market during the year. During the current year your company is expected, barring unforeseen circumstances, to perform better and your directors envisage that the accumulated losses of the company may be recovered.

DEMATERIALIZATION OF EQUITY SHARES

The Shares of your Company were dematerialised, pursuant to the Company joining CDSL w.e.f. 15th July 2000 and NSDL w.e.f. 18th July, 2000. The ISIN No. allotted to the Equity Shares of your Company is INES550B01014. More than 40% of the Equity Shares of your Company have been dematerialised till date. Now, the Equity Shares of the Company shall be compulsorily traded in Demat Segment w.e.f. 26th February, 2001 in terms of the SEBI-Notification No.SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000.

CORPORATE GOVERNANCE

Your company has always been committed to the best practices in the governance of its affairs. The new policy and provisions laid down in the Companies Act, 1956 and the Clause 49 of the Listing Agreement are a welcome move on the part of SEBI as well as the Government to bring uniformity in these practices. Your company has taken appropriate steps, not only to conform the practices provided for, but to endeavour to come more closure to its shareholders during the forthcoming days. A separate report, covering all information on corporate governance is annexed hereto.

SUBSIDIARIES OF THE COMPANY

As required under section 212 of the Companies Act, 1956 the Audited Balance

Sheet and Profit & Loss Account together with the Reports of the Directors and Auditors thereon of subsidiaries namely, M/s HB Prima Capital Limited and M/s Mount Finance Limited are annexed hereto.

STATUTORY STATEMENTS

Your Company has not accepted any deposits from the public during the year. The particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to your company.

The provisions of to Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are not applicable, as there is no such employee.

Pursuant to Section 217(2AA) it is hereby stated that in the preparation of the Annual Accounts, the applicable accounting standards have been followed. The Director's have selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period. The Director's have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. Further, the Director's have prepared the annual accounts on a going concern basis.

STATEMENT PURSUANT TO LISTING AGREEMENT(S)

The Company's securities are listed at Delhi, Mumbai, Chennai, Calcutta, Ahmedabad and National Stock Exchanges and the Company has paid Annual Listing Fee to all the Stock Exchanges.

AUDITORS REPORT

Regarding that observation of Auditors that the method of valuation of 'investments' has been changed from 'cost price' basis to 'cost or market price, whichever is lower basis', your Directors have to state that the change has been made keeping in view two important factors. Firstly, that the diminution in the value of most of the scrips that the company holds has shown almost a permanent trend. Secondly, that the steep fall, besides volatility and fluctuations in the stock market, in the Sensex from 4415 points as on 1st December, 1999 to 3998 points on 30th November, 2000 reflected that further improvements are not likely. Therefore, it was prudent to show the investments at cost or market price, whichever is lower, to present true and fair view of the assets of the company.

AUDITORS

The Auditors, M/s P. Bholusaria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

DIRECTORATE

Mr. K. N. Malhotra and Mr. Lalit Bhasin are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Mr. P. K. Mittal and Mr. P. S. Mathur were appointed as Additional Director on the Board of Directors of the Company on 07.03.2001. The Board is of the opinion that in view of their experience and expertise they be appointed as director of the company liable to retire by rotation.

ACKNOWLEDGMENTS

Your Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Company's Bankers, the Shareholders and by the Employees of the Company.

For and on behalf of the Board of Directors
for HB STOCKHOLDINGS LIMITED

Place : New Delhi
Date : 7th March, 2001

H.C. BHASIN
Chairman



REPORT ON CORPORATE GOVERNANCE

Company's philosophy on Corporate Governance

Corporate Governance refers to a combination of laws, rules, regulations, procedures and voluntary practices that enable your company to attract best human and financial capital and perform efficiently to maximise the long-term value for the shareholders. Your Company is committed to upholding corporate governance values and has been practicing the principles of good governance over the years. It has always endeavoured to be transparent and accountable corporate citizen. Your Directors feel, assume and recognise that it is 'your company' and hence you must know what is happening all around.

Size and Composition of the Board

The Board of Directors of your Company comprises of 7 directors, out of whom 6 directors are non-executive directors and 4 directors are independent professionals. Mr. H.C.Bhasin is the Promoter of your Company and its Chairman. The non-executive directors are proficient in their own fields and bring with them decades of experience in the areas of finance, legal, corporate affairs and management. Mr. J.M.L. Suri, the Executive Director of your Company, has to his credit over 40 years of corporate experience in renowned Indian and multinational companies. He is responsible for the overall management of the company. The composition of the Board is in conformity with the amendments in the listing agreement.

The Particulars regarding composition of the Board of Directors and its Meetings held during the financial year (1-12-1999 to 30-12-2000) are given hereunder:

Name of the Director	Category	No. of Other Directorships held*	No. of Board Meetings during the year	Attended	Attended Last AGM
Mr. H. C. Bhasin	Non-Executive	15	5	5	No
Mr. K. N. Malhotra	Independent	5	5	5	No
Mr. R. D. Thapar	Independent	3	5	3	No
Mr. Lalit Bhasin	Non-Executive	15	5	5	Yes
Mr. P. K. Mittal	Independent	Nil	-	-	No
Mr. P. S. Mathur	Independent	5	-	-	No
Mr. J.M.L. Suri	Executive	5	5	5	Yes

* Appointed as Additional Director on the Board of the company w.e.f. 07.03.2001.

* Committees not included

In terms of the provisions of the Articles of Association of the Company, one-third directors of the Company retire at every Annual General Meeting. Accordingly, Mr. K. N. Malhotra and Mr. Lalit Bhasin would retire by rotation at the ensuing Annual General Meeting and being eligible they offer themselves for reappointment. Mr. P. K. Mittal and Mr. P. S. Mathur were appointed as Additional Director on the Board of Directors of the Company on 07.03.2001. The Board is of the opinion that in view of their experience and expertise, they may be appointed as director of the company liable to retire by rotation.

Board Committees

The Board of Directors of your Company has, in its Meeting held on 7th March, 2001, constituted 2 Committees namely; the Shareholders Committee and the Audit Committee in due compliance with Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement. Each of these committees has its own charters duly approved by the Board.

(A) **Shareholders Committee:** The Shareholders Committee comprises of Mr. K. N. Malhotra, Mr. P. K. Mittal and Mr. J. M. L. Suri, Directors, as its Members and Dr. Sanjeev Kumar Vice-President (Legal) & Company Secretary as the Secretary to the Committee. The Shareholders committee has been empowered, inter-alia, to carry out the following functions:

1. To consider and approve the transfer, transmission and issue of fresh/duplicate share certificates.
2. To review the status of dematerialisation of company's shares and matters incidental thereto.
3. To review and monitor the approval to the transfers and transmissions made by the Executive Director, under executive authority delegated to him from time to time.
4. To monitor the matters of litigation related to shareholders and take decisions relating thereto.
5. To consider, review and monitor the matters related to the shareholders grievances.
6. To consider and finalise the Report on Corporate Governance to be annexed with the Annual Report of the company.
7. To deal with any other matters related and/or incidental to the shareholders. The Executive Director has, however, been empowered to approve transfer upto 10,000 Equity Shares under one folio at a time.

(B) **Audit Committee:** The Audit Committee comprises of Mr. P.S. Mathur, Director, as its Chairman, Mr. P. K. Mittal and Mr. Lalit Bhasin, Directors, as its Members and Dr. Sanjeev Kumar, Vice President (Legal) & Company Secretary

of the Company as the Secretary to the Committee. The Audit Committee has been empowered, inter-alia, to carry out the following functions:

1. To lay down, review and revise the accounting policies of the company.
2. To review the financial operations and performance of the company.
3. To review the half yearly and annual financial accounts and other financial reports and statements, before placement thereof before the Board of Directors.
4. To consider and constitute sub-committees, wherever necessary for carrying out and/or monitoring the financial operations of the company.
5. To appoint whenever deemed expedient, an independent internal auditor to carry out continuous audit of the accounts and systems of the company, and also consider and/or review the appointment and removal of auditors of the company.
6. To consider and set up adequate internal control systems and review and monitor the same in consultation with the internal auditors and the auditors of the company and ensure compliance of the same.
7. To receive, discuss and consider the observations and reports of the internal auditors and auditors of the company time to time.
8. To review and investigate on the matter of financial nature, as and when deemed necessary and expedient.
9. To give report and/or recommendations to the Board on the matters concerning financial operations of the company.
10. To invite and summon any executive of the company and/or appoint experts, wherever necessary, and discuss with them the matters relating to the finance, audit and internal control system etc.
11. To obtain legal and professional advice wherever found necessary and expedient.
12. To consider and act on any matters as or included Under Clause 49 of the Listing Agreement and/or as may be so included from time to time, whether provided here in above or not.
13. To deal with any other matters related and/or incidental to the above or as may be assigned, in addition to the aforesaid, by the Board from time to time.

(C) No Remuneration Committee has been formed since there is no proposal either to fix or revise the remuneration to Directors. The Directors' Remuneration paid during the financial year ended 30th November, 2000 is as under:

Director	Relationship with other Director(s)	Sitting Fees	Salary & Perks	Commission, If any
Mr. H. C. Bhasin	Father of Mr. Lalit Bhasin	12,000	Nil	Nil
Mr. K. N. Malhotra	—	16,000	Nil	Nil
Mr. R. D. Thapar	—	16,000	Nil	Nil
Mr. P. S. Mathur	—	Nil	Nil	Nil
Mr. P. K. Mittal	—	Nil	Nil	Nil
Mr. Lalit Bhasin	Son of Mr. H. C. Bhasin	12,000	Nil	Nil
Mr. J. M. L. Suri	—	Nil	7,24,934	Nil

Shareholders' Information

(A) Details of Annual General Meetings:

Year	Type	Location	Date	Time
1998-99	AGM	GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon (Haryana) - 122 001.	05.05.2000	10.00 A.M.
1997-98	AGM	GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon (Haryana) - 122 001.	31.05.1999	10.00 A.M.
1996-97	AGM	GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon (Haryana) - 122 001.	27.05.1998	11.00 A.M.

- (i) Whether Special Resolutions were put through postal ballot last year No
- (ii) Are polls proposed to be conducted through postal ballot this year No
- (B) No dividend has been paid by the company since the Financial year 1995. All the dividends paid by the company prior to 1995 but remaining unclaimed have been transferred to the Registrar of Companies NCT of Delhi & Haryana, Paryavaran Bhawan, Lodi Road, NEW DELHI-110 003.
- (C) The Register of Members and Share Transfer Books of the Company shall remain closed from 14.05.2001 to 16.05.2001 (both days inclusive). The previous Book Closure remained w.e.f. 25th April, 2000 to 28th April, 2000 (both days inclusive).
- (D) There are no transactions with related parties, which require separate disclosure. However, during the year ended 30th November, 2000, your Company has given a donation of Rs. 10 Lacs to the charitable trust(s), in which the directors were office bearers.
- (E) No penalty has been imposed by the Stock Exchanges or SEBI or any other Statutory Authority nor any strictures have been passed by them during the last three years.

HB STOCKHOLDINGS LIMITED

(F) Means of Communication

1. Half yearly reports sent to each household of shareholder No
2. Quarterly Results Sent to each shareholder No
3. In which newspaper the results are normally published in The Pioneer & Veer Arjun No
4. Any Website, where results are displayed No
5. Whether MD&A are part of Annual Report No
6. Whether shareholders information system is part of AR Yes

(G) Your company is contemplating to place all shareholders information on its website, for which efforts are being made.

(H) Registrar and Share Transfer Agent of the company; RCMC Share Registry Pvt. Ltd., 1515, (1st Floor), Bhisham Pitamah Marg, Kotla, Mubarakpur, Near South Extension, New Delhi - 110 003. Phones: 4692346, 4601017 & 4649720. Fax 4692345. E-mail: rcmc@theoffice.net.

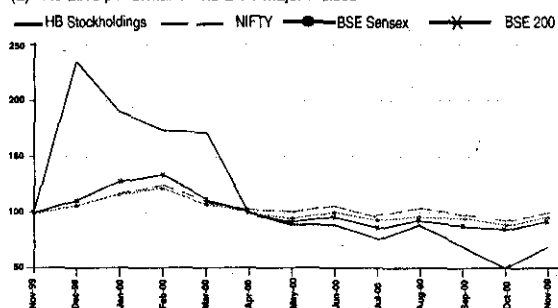
(I) The trading in the Equity Shares of the Company has come under compulsory dematerialisation w.e.f. 28th February, 2001 in terms of the SEBI-Notification No. SMDRP/ POLICY/CIR - 23 / 2000 dated, 29th May, 2000.

(J) The company has joined the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The ISIN No. allotted to the Company is INE550B01014.

(K) The Stock Market Data and Performance Indicators of HB Stockholdings Ltd. are summarised as under:

Month	BSE				NSE			
	High	Low	Close	Volume	High	Low	Close	Volume
Dec-99	14.5	4.4	11.95	54650	17.5	3.25	11.15	487800
Jan-00	12.3	9.4	9.45	18850	15	8	8.35	169950
Feb-00	9.1	7.4	8.75	15700	12.2	6.85	10.6	116350
Mar-00	11.4	5.5	8.65	21750	15.9	6.55	9.85	158850
Apr-00	10.4	4.65	5	13700	9.95	6.3	6.95	57700
May-00	5.9	3.6	4.5	4700	8	3.25	4.75	14150
Jun-00	5.5	3.5	4.5	5050	6	4.1	4.65	7300
Jul-00	5	3	3.6	8100	5.1	3.5	3.75	10150
Aug-00	4.45	3.1	4.45	3250	5.25	3	3.45	8200
Sep-00	4.35	3.25	3.6	5250	5	3.05	3.15	4400
Oct-00	2.8	1.85	2.6	1650	4	1.75	2.05	3700
Nov-00	3.45	2	3.15	5150	4.1	2.55	3.75	3800

(L) Relative performance vis-a-vis major indices



(M) Stock Performance-Absolute returns

	1 year	3 year
HB Stockholding Ltd.	-27.88%	7.14%
BSE Sensex	-13.45%	12.29%
BSE 200	-15.67%	27.25%
NIFTY	-7.85%	23.85%

(N) The Company's Scrip Codes at Various Stock Exchanges are as under:

HB Stockholding Ltd.	Scrip Code
BSE, Mumbai	32216
NSE, Mumbai	HBSTOCK
DSE, Delhi	8010
MSE, Chennai	HBL
CSE, Kolkata	18086
ASE, Ahmedabad	HBSTOCK/23788

(O) The Dematerialisation of Shares and Liquidity : 41.92%

(P) Dr. Sanjeev Kumar, Vice-President (Legal) & Company Secretary is the Compliance Officer.

(Q) The distribution of shareholdings of the company as on 28.2.2001 is as under:

No of Shares	No of Shareholders	% of Shareholders	No of Shares held	% of Shareholdings
1-100	1128048	84.538	7868718	30.927
101-200	15865	10.474	2484726	9.788
201-500	6214	4.103	1918798	7.541
501-1000	896	0.592	536963	2.503
1001-5000	362	0.239	686041	2.696
5001-10000	26	0.017	177602	0.699
10001 And Above	58	0.037	11670409	45.868
TOTAL	151467	100.00	25443257	100.00

(R) The category-wise distribution of Shareholders as on 28.2.2001 is as follows:

Category	Shareholders	% of Shareholders	No of Shares held	% of Shareholding
Individuals	149920	98.98	14969778	58.95
Corporate	284	0.19	8907598	35.01
Financial Institution	1	0.00	150000	0.59
FIs	0	0.00	0	0.00
NRI/OCBs	1240	0.82	351254	1.38
Banks	22	0.01	1034627	4.07
TOTAL	151467	100.00	25443257	100.00

(S) Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The authority for share transfer has been delegated to the Executive Director for transfer of shares up to a fixed number beyond which the matters are placed before the shareholders Committee, which meets as and when required. The statistics of Share transfer during the year including demat shares are as under:

Transfer Period	No of Shares Transferred	No of Shares	Percentage
1-15	1007	419904	36.34
16-20	181	69028	5.97
* 21-30	132	354284	30.66
* 31 & Above	130	312309	27.03

(T) The status of Investor's Grievance Redressal during 1-12-1999 to 30-11-2000 is as under:

Nature of Grievance	Received	Cleared
Relating to Transfer, Transmission, Change of Address, Nomination, Loss of Securities, Dividend, Interest etc.	2036	2036
Others	202	202

* 15 days notice was issued in these cases.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

NAME OF THE SUBSIDIARY	HB PRIMA CAPITAL LTD.	MOUNT FINANCE LTD.
The Financial Year of the subsidiary ended on	30.09.2000	30.09.2000
No. of Equity Share held by the Holding Company as on date	10,00,000 Equity Shares	8,30,000 Equity Shares
Extent of Holding	of Rs. 10/- each	of Rs. 10/- each
	100%	100%
The Net Aggregate of the profit/(loss) of subsidiary so far as they concern the members of the company for the year ended 30th November, 2000		
(i) for the financial year of the subsidiary	3,22,400	8,84,790
(ii) for the previous financial periods of the subsidiary	(82,122)	(7,99,357)
The net aggregate of the profit/(loss) of subsidiary so far as they concern the members of the company and which are dealt with the accounts of the company for the year ended 30th November, 2000		
(i) for the financial year of the subsidiary	Nil	Nil
(ii) for the previous financial periods of the subsidiary	Nil	Nil



AUDITOR'S REPORT

TO THE MEMBERS OF HB STOCKHOLDINGS LIMITED

We have audited the attached Balance Sheet of M/s. HB STOCKHOLDINGS LIMITED as at 30th November, 2000 and also the Profit and Loss Account for the year ended as on that date annexed thereto.

1. As required by Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that: -
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the company so far, as appears from our examination of the said books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Profit & Loss Account and Balance Sheet complies with the accounting Standards referred to in Sub Section (3C) of section 211 of the Companies Act, 1956 except (1) Investments have been valued at Scrip wise "Lower of cost or market price" which is not in accordance with Accounting Standard - 13(AS-13) issued by the Institute of Chartered Accountant of India as a result of which loss for the year is higher by Rs.15,45,61,676.51

with corresponding impact on the 'Investments' as shown in the Balance Sheet.

- e) As informed and explained to us, none of the directors is disqualified from being appointed as director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the accounts subject to: -
 - i) Our remarks given in Point No. d (1) above and Note No. 8 of Schedule '15' regarding Investments being valued at Scrip wise lower of cost or market price as a result of which loss for the year is higher by Rs 15,45,61,676.51 with corresponding impact on the 'Investments' as shown in the Balance Sheet.
 - ii) Note No.9 of Schedule '15' regarding change in the method of valuation of Closing Stock of Shares as a result of which loss for the year is higher by Rs.87,50,890.07 with consequential impact on 'Stock in Trade' and 'Profit & Loss Account' as shown in the Balance Sheet, and read together with significant accounting policies and notes on accounts and annexures thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
- a) In the case of the Balance Sheet of the State of Affairs of the Company as at 30th November, 2000 and
- b) In the case of the Profit & Loss account of the Loss for the year ended on that date.

For P. BHOLUSARIA & COMPANY
Chartered Accountants
(AMIT GOEL)
Partner

Place : New Delhi
Dated : 07th March, 2001

ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF HB STOCKHOLDINGS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 30TH NOVEMBER, 2000 (Referred to in paragraph 1 thereof)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. We have been informed that most of the assets have been physically verified by the Management as per verification program which in our opinion is reasonable and no material discrepancies were noticed on such verification carried out during the year.
2. None of the Fixed Assets have been revalued during the year.
3. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate but needs further strengthening in relation to the size of the Company and the nature of its business, the discrepancies noticed on such verification as compared to book records were not material and have been dealt with in the books of account.
4. The valuation of stock is fair and proper in accordance with the normally accepted accounting principles. There is however change in the method of valuation of Closing Stock (Refer Note No.9 of Schedule '15') as compared to previous year.
5. According to the information and explanations given to us, the Company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In term of Section 370(6) of the Companies Act, 1956, provisions of Section 370 are not applicable to the company on or after 31st October, 1998.
6. According to the information and explanations given to us, the company has not granted loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In term of Section 370(6) of the Companies Act, 1956, provisions of Section 370 are not applicable to the company on or after 31st October, 1998.
7. Loans and advances to employees are interest free from whom installments, wherever stipulated are being generally recovered. Loans & Advances to subsidiary Companies are interest free. Advances have also been granted to various parties, interest free.
8. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of leased and other assets and for the sale and purchase of shares and debentures.
9. The Company has entered into transactions for sale and purchase of shares/debentures with firms, companies, and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 aggregating to more than Rs. 50,000/- during the year. These transactions have taken place at prevailing market prices.
10. As per the information and explanations given to us, the Company has not accepted any deposits from the Public during the year.
11. In our opinion the Company has an internal audit system commensurate with the size of the company and the nature of its business, but it needs further strengthening.
12. According to the records of the Company, it has been generally regular in depositing the Provident Fund dues with the appropriate authorities during the year.
13. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty as at 30th November, 2000 for a year of more than six months from the date they became payable.
14. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice nor have we been informed of any such expenses by the management.
15. The service activities of the Company are such that the question of allocation of man-hours to the relative job does not arise. Consequently the authorization and control on the allocation of labour to jobs is not applicable.
16. In respect of its dealings in shares/debentures, the company has maintained proper records of the transactions and timely entries have been made. All the shares and debentures are held by the company in its own name or are under transfer at the close of the year or the company is holding valid transfer deeds or the documents for getting the shares dematerialised.

For P. BHOLUSARIA & COMPANY
Chartered Accountants

Place : New Delhi
Dated : 07th March, 2001

(AMIT GOEL)
Partner

HB STOCKHOLDINGS LIMITED**BALANCE SHEET AS AT 30TH NOVEMBER, 2000**

	Schedule	As at 30th November, 2000 (Rs.)	As at 30th November, 1999 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share Capital	1	243,166,259.00	243,166,259.00
Reserves & Surplus	2	999,344,163.22	999,344,163.22
LOAN FUNDS			
Secured Loans	3	87,272,193.71	46,514,933.03
Unsecured Loans	4	30,000,000.00	130,000,000.00
Total		<u>1,359,782,615.93</u>	<u>1,419,025,355.25</u>
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		36,968,996.60	47,186,873.47
Less : Depreciation		<u>32,627,375.47</u>	<u>41,326,685.49</u>
Net Block		<u>4,341,621.13</u>	<u>5,860,187.98</u>
INVESTMENTS	6	665,471,728.50	56,869,023.66
CURRENT ASSETS, LOANS & ADVANCES	7		
Stock in Trade	8	5,292,495.20	347,79,245.09
Sundry Debtors		13,639,039.61	390,107,402.35
Cash & Bank Balances		13,168,648.24	14,553,970.27
Loans and Advances		<u>186,646,290.54</u>	<u>346,061,129.03</u>
		<u>341,497,826.59</u>	<u>785,501,746.74</u>
LESS : CURRENT LIABILITIES & PROVISIONS	9		
Liabilities		124,609,235.30	15,493,203.81
Provisions		<u>38,088,261.55</u>	<u>142,064,882.92</u>
		<u>162,697,496.85</u>	<u>157,558,086.73</u>
NET CURRENT ASSETS		<u>178,800,329.74</u>	<u>627,943,660.01</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off/adjusted)	10	6,833,060.42	8,847,009.42
PROFIT & LOSS ACCOUNT (As per annexed Account)		504,335,876.14	107,684,266.05
Total		<u>1,359,782,615.93</u>	<u>1,419,025,355.12</u>
SIGNIFICANT ACCOUNTING POLICIES	14		
NOTES ON ACCOUNTS	15		

As per our Report of even date annexed thereto
For **P. BHOLUSARIA & COMPANY**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

AMIT GOEL
Partner

Dr. SANJEEV KUMAR
Vice President (Legal)
& Company Secretary

J.M.L. SURI
Executive Director

LALIT BHASIN
Director

Place : New Delhi
Date : 07th March, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH NOVEMBER, 2000

	Schedule	Year Ended 30th November, 2000 (Rs.)	Period Ended 30th November, 1999 (Rs.)
INCOME			
Income from Operations	11	(185,015,417.41)	410,001,415.51
Other Income		3,750,220.70	1,839,781.06
Total		<u>(181,265,196.71)</u>	<u>411,841,196.57</u>
EXPENDITURE			
Administration & Other Expenses	12	19,364,117.47	17,779,313.32
Interest & Financial Charges	13	38,217,819.23	19,286,153.09
Total		<u>57,581,936.70</u>	<u>37,065,466.41</u>
Profit/Loss(-) before Depreciation		(238,847,133.41)	374,775,730.16
Depreciation		1,289,591.50	4,770,702.57
Miscellaneous Expenditure Written off		2,013,949.00	2,013,949.00
Provision for diminution in Investments		154,561,676.51	—
Bad and Doubtful debts Written Off/Provision		—	84,323,990.00
Profit/Loss(-) for the Year		<u>(396,712,350.42)</u>	<u>283,667,088.59</u>
Prior period adjustments		60,740.33	(132,210.85)
Loss brought forward from last year		<u>(107,684,266.05)</u>	<u>(391,219,143.79)</u>
Balance carried to Balance Sheet		<u>(504,335,876.14)</u>	<u>(107,684,266.05)</u>
SIGNIFICANT ACCOUNTING POLICIES	14		
NOTES ON ACCOUNTS	15		

As per our Report of even date annexed thereto
For **P. BHOLUSARIA & COMPANY**
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

AMIT GOEL
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Director

Place : New Delhi
Date : 07th March, 2001