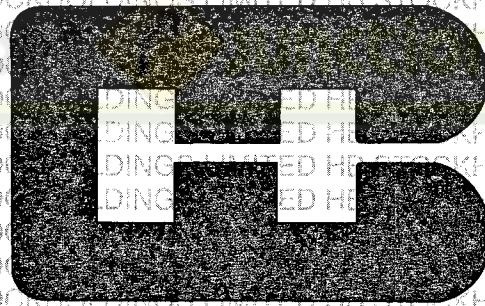


# 20th Annual Report 2006 - 07



**HB STOCKHOLDINGS LIMITED**



## HB STOCKHOLDINGS LIMITED

### BOARD OF DIRECTORS

Mr. Lalit Bhasin	Chairman
Mr. K. N. Malhotra	Director
Mr. Pradeep Kumar Mittal	Director
Mr. Gulshan Rai	Director
Mr. Harbans Lal	Director
Mr. Anil Goyal	Director
Mr. Vijay Sood	Managing Director
Mr. J.M.L. Suri	Executive Director

### CHIEF FINANCIAL OFFICER

Maresh Kumar Gupta

### AUDITORS

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

### REGISTERED OFFICE

Plot No. 31,  
Echelon Institutional Area,  
Sector-32, Gurgaon - 122 001  
Haryana

### WEBSITE

www.hbstockholdings.com

### REGISTRAR & SHARE TRANSFER AGENT

**RCMC Share Registry Pvt. Ltd.**  
B-106, Sector - 2,  
Noida - 201 301

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## HB STOCKHOLDINGS LIMITED

### NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Company will be held as per the schedule given below:

Day : Tuesday  
Date : 28th August 2007  
Time : 10:00 A.M.  
Place : GIA House I.D.C. Mehrauli Road  
Opp. Sector 14 Gurgaon-122001 Haryana

to transact the following business:

#### AS ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
- To appoint Director in place of Mr. Anil Goyal who retires by rotation and being eligible offers himself for reappointment.
- To appoint Director in place of Mr. Lalit Bhasin who retires by rotation and being eligible offers himself for reappointment.
- To appoint Auditors and to fix their remuneration.

#### AS SPECIAL BUSINESS:

- To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the Resolution passed by the Board of Directors in their meeting held on 27th October, 2006 and subject to the provisions of Sections 269, 198 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent, approval and permission of the members be and is hereby accorded to the revision in the terms of remuneration of Mr. Jag Mohan Lal Suri, Executive Director, with effect from 1st April, 2006, as approved by the Board of Directors at their meeting mentioned hereinabove and as set out in the Explanatory Statement accompanying this Notice."

**"RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to revise the remuneration payable to Mr. Jag Mohan Lal Suri at any time during his tenure in the office of Executive Director of the Company in accordance with the applicable provisions of the Companies Act, 1956 and also to do any other acts and deeds as may be necessary and incidental in the matter, including seeking of any approval, consent, permission from Central Government or such other authorities, as may be required."

- To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Vijay Sood, who was appointed as additional director on the Board of the company on 30th April, 2007 be and is hereby appointed as Director of the company liable to retire by rotation."

- To consider and if thought fit, to pass with or without modification(s) the following resolution

- Details of the Directors seeking appointment/reappointment in the ensuing Annual General Meeting. (Details pursuant to Clause 49 of the Listing Agreement):

#### DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT

Name of the Director	Mr. Anil Goyal	Mr. Lalit Bhasin
Date of Birth	22-02-1959	14-08-1969
Profile/Expertise in specific functional areas	Mr. Goyal is a fellow member of the Institute of Chartered Accountants of India. He brings with him more than 2 decades of expertise in the field of finance, taxation, investment, banking, corporate restructuring, and strategic planning.	An energetic and experienced entrepreneur having more than 18 years of rich experience in the field of Stock Market operations, Strategic investment and management.
Qualifications	Chartered Accountant	Bachelor of Commerce
List of other public companies in which directorship held as on 31.3.2007	<ul style="list-style-type: none"> <li>HB Leasing &amp; Finance Co. Ltd.</li> <li>HB Portfolio Ltd.</li> <li>HB Securities Ltd.</li> <li>HB Estate Developers Ltd.</li> <li>HB Prima Capital Ltd.</li> <li>HB Corporate Services Ltd.</li> <li>RRB Securities Ltd.</li> <li>Mount Finance Ltd.</li> <li>Bhasin Investments Ltd.</li> <li>AHL Hotels Ltd.</li> <li>HB Insurance Advisors Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>HB Leasing &amp; Finance Co. Ltd.</li> <li>HB Portfolio Ltd.</li> <li>HB Estate Developers Ltd.</li> <li>HB Securities Ltd.</li> <li>Taurus Asset Management Co. Ltd.</li> <li>HB Prima Capital Ltd.</li> <li>Har Sai Investments Ltd.</li> <li>RRB Securities Ltd.</li> <li>RRB Master Securities Delhi Ltd.</li> <li>AHL Hotels Ltd.</li> <li>Raja Ram Bhasin Share &amp; Stock Brokers Ltd.</li> <li>Bhasin Share &amp; Stock Brokers Ltd.</li> <li>CHL (South) Hotels Ltd.</li> <li>Indo Continental Hotels &amp; Resorts Ltd.</li> </ul>
Chairman/Member of the Committees of the Board of the other companies in which he is a director as on 31.3.2007	<p><u>Shareholder/Investors Grievance Committee</u></p> <ul style="list-style-type: none"> <li>HB Portfolio Limited</li> <li>HB Estate Developers Ltd.</li> <li>RRB Securities Ltd.</li> <li>HB Leasing &amp; Finance Co. Ltd.</li> </ul> <p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>RRB Securities Ltd.</li> </ul>	<p><u>Shareholder/ Investors Grievance Committee</u></p> <ul style="list-style-type: none"> <li>RRB Securities Ltd.</li> <li>HB Leasing &amp; Finance Co. Ltd.</li> </ul> <p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>HB Leasing &amp; Finance Co. Ltd.</li> </ul>

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

##### ITEM NO. 5

Mr. J.M.L Suri was re-appointed as Executive Director of the Company w.e.f. 1st July 2003 for

as a Special Resolution:

**"RESOLVED THAT** pursuant to the Resolution passed by the Board of Directors of the company at their meeting held on 30th April 2007 and to the provisions of Section 269, 198, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of members to the appointment of Mr. Vijay Sood as the Managing Director of the company for a period of 3 years w.e.f. 30th April 2007 on the terms and conditions including the payment of remuneration, as approved by the Board of Directors at their meeting mentioned hereinabove and as set out in the Explanatory Statement accompanying this Notice, be and is hereby accorded and that during his tenure in the Office as Managing Director, he shall not be liable to retire by rotation."

**"RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to revise the remuneration payable to Mr. Vijay Sood at any time during his tenure in the office of Managing Director of the Company in accordance with the applicable provisions of the Companies Act, 1956 and also to do any other acts and deeds as may be necessary and incidental in the matter, including seeking of any approval, consent, permission from Central Government or such other authorities, as may be required."

**BY THE ORDER OF THE BOARD  
FOR HB STOCKHOLDINGS LTD.**

**SANTOSH KUMAR MENON  
COMPANY SECRETARY**

Place : New Delhi  
Date : 30th April 2007

#### NOTES:

- 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.**
- Explanatory Statement(s) pursuant to Section 173(2) in respect of the Special Businesses herein are annexed hereto and form part of this notice.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 21st August, 2007 to 28th August, 2007 (both days inclusive).
- Members/Proxies should bring Attendance Slips duly filled in for attending the meeting.
- 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.
- Members are requested to:
  - Notify any change in their address including PINCODE to the Company or to the Registrar and Share Transfer Agent of the company namely, RCMC Share Registry Pvt. Ltd., B-106, Sector-2, Noida- 201301. Phones: 0120-4015880. Fax: 0120-2444346. E-mail: rcmc@dimension1.net.
  - 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.

a further period of 5 years and his current term expires on 30th June 2008. However the current remuneration drawn by him was fixed on 1st July 1998 and since then no revision has been made in his remuneration.

In view of the general increase in remuneration level across industry, the matter for revision of





## HB STOCKHOLDINGS LIMITED

remuneration payable to Mr. J.M.L. Suri, Executive Director with effect from 1st April 2006 was considered and recommended by the Remuneration Committee and approved by the Board of Directors in the meeting held on October 27, 2006.

The revised terms of remuneration as recommended by the Remuneration Committee and approved by the Board of Directors is as follows:

a) **Basic Salary:** Rs.50,000/- (Rupees Fifty Thousand only) per month

b) **Perquisites:**

i) **Housing :** Either one of the following:

- The expenditure by the company on hiring accommodation for the Executive Director will be subject to the ceiling of 60% of the salary of the Executive Director, or
- In case the accommodation provided to the Executive Director is owned by the Company, the company shall deduct 10% of the salary of the Executive Director, or
- In case no accommodation is provided by the company to the Executive Director, House Rent Allowance @ 60% shall be paid by the company to the Executive Director.

ii) **Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one month's basic salary (Rs. 50,000/-) in a year.

iii) **Leave Travel Concession:** Expenses incurred for self and family subject to a ceiling of one month's basic salary (Rs. 50,000/-) in a year.

iv) **Club Fees:** Fees of clubs, subject to a maximum of two clubs, with admission and life membership fees not allowed.

v) **Personal Accident Insurance:** Premium subject to a maximum of Rs.4, 000/- per annum.

vi) **Provident Fund:** Company's contribution towards Provident Fund, subject to a ceiling, as prescribed under the provisions of law applicable in this regard.

vii) **Superannuation Fund:** Company's contribution towards superannuation fund, which together with the Company's contribution towards provident fund shall be subject to the provisions of law applicable in this regard.

viii) **Gratuity:** Half month's salary for each completed year of service.

ix) **Car and Telephone:** The Company shall provide car for use on company's business and telephone at the residence of the Executive Director. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

c) **Leave:** Earned / Privilege leave, not exceeding one month for every eleven months of service, on full salary and allowance. Leave accumulated and not availed of during his tenure as Executive Director will be allowed to be encashed at the time of his ceasing to be the Executive Director of the Company.

d) Apart from the aforesaid salary, perquisite, allowances and benefits, the Executive Director will be entitled to reimbursement of expenses incurred in connection with business of the company.

e) No sitting fees will be paid to the Executive Director for attending the meetings of the Board of Directors of the company or committees thereof.

f) The appointment may be terminated by three months notice on either side or in lieu thereof three months full salary, allowances, perquisites and benefits.

g) The above remuneration shall be payable as minimum remuneration to the Executive Director in the event of absence/inadequacy of profits in any financial year.

h) The terms and conditions of the above appointment may be altered, enhanced or varied from time to time by the Board of Directors as it may, in its discretion, deem fit, within the maximum amount payable to the Executive Director, in accordance with the provisions of Schedule XIII to the Companies Act, 1956 or any amendments made thereof hereafter.

The above may also be deemed to be the Notice under Sec 302 of the Companies Act, 1956 to the Shareholders of the Company.

None of the Directors, except Mr. Jag Mohan Lal Suri, are in any way concerned or interested in this resolution. Your Directors, there fore, recommend the resolution for your approval.

### ITEM NO.6

Mr. Vijay Sood was appointed as the President of the Company from 01<sup>st</sup> March, 2007.

He was appointed as Additional Director on the Board of Directors on 30th April 2007 under the provisions of Section 260 of the Companies Act, 1956 and also appointed as Managing Director of the Company. In accordance with the provisions of Section 260 he holds the office of directorship only up to the date of the ensuing Annual General Meeting of the company. The Company has received notice under Section 257 of the Companies Act, 1956 from a shareholder together with requisite fee proposing him to be appointed as the Director of the company liable to retire by rotation.

Mr. Vijay Sood is a Management Graduate from Indian Institute of Management, Ahmedabad, the premier Business School of India and has also completed an advanced Management Programme from Wharton Business School, USA. Besides he is also a member of Institute of Cost & Works Accountants of India. Mr. Vijay Sood brings with him more than 28 years of experience in the fields of funds management, investment banking and corporate finance and has held senior and top positions in MNCs and foreign Banks. The Board commends the resolution for his appointment as Director for consideration of the members.

As declared by Mr. Vijay Sood, he does not hold any equity shares in the company.

None of the directors except Mr. Vijay Sood is in any way concerned or interested in the above resolution.

### ITEM NO.7

Mr. Vijay Sood was appointed as the President of the Company from 01<sup>st</sup> March, 2007 at remuneration as detailed herein below.

The Board of Directors of the Company at their meeting held on 30th April 2007 have appointed Mr. Vijay Sood as the Managing Director of the Company for a period of 3 years with effect from 30-04-2007 upon the consideration and recommendations of the Remuneration Committee of the Board.

The appointment and the remuneration payable to Mr. Vijay Sood requires the approval of the Company in General Meeting by Special Resolution pursuant to Schedule XIII of the Companies

Act, 1956 read with Section 269, 198 and 309 of the said Act and also the approval of Central Government. The terms and conditions of the appointment of Mr. Vijay Sood as Managing Director of the company approved by the Board of Directors at their meeting as mentioned hereinabove are as under: -

a) **Basic Salary:** Rs.3,75,000/- (Rupees Three Lakhs Seventy Five Thousand only) per month.

b) **Perquisites:**

i) **House Rent Allowance:** Rs.2,10,000/- (Rupees Two Lakhs Ten Thousand only) per month

ii) **Medical Reimbursement:** Rs.1,20,000/- (Rupees One lakh twenty thousand only) per annum

iii) **Leave Travel Concession:** Expenses incurred for self and family subject to a ceiling of one month basic salary (Rs.3,75,000/-) in a year.

c) **Leave:** As per the rules of the company from time to time

d) Apart from the aforesaid salary, perquisite, allowances and benefits, the Managing Director will be entitled to reimbursement of expenses incurred in connection with business of the company.

e) The appointment may be terminated by a three months notice on either side or three months full salary, allowances, perquisites and benefits in lieu thereof.

f) No sitting fees will be paid to the Managing Director for attending the meetings of the Board of Directors of the company or committees thereof.

g) The above remuneration shall be payable as minimum remuneration to the Managing Director in the event of absence/inadequacy of profits in any financial year during his tenure

The Additional disclosures mentioned in Para 1(B)(iv) of Section II of Part I of Schedule XIII to the Companies Act, 1956 is as under:

#### 1. GENERAL INFORMATION:

1. Nature of Industry : Financial Services/NBFC
2. Date or expected date of Commence of Production : Existing Company. The company is not engaged in any manufacturing activities and is engaged in making proprietary investments and financing.
3. In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus. : Not Applicable
4. Financial Performance based on given indicators : As give below

Particulars	2006-2007	2005-2006
Total Sales and other Income	320.80	1262.11
Profit before Depreciation & Tax	165.31	1142.33
Depreciation	8.22	7.91
Provision for Taxation	3.90	56.75
Net Profit	153.18	1077.67

5. Export performance and net foreign Exchange collaborations. : Not Applicable
6. Foreign investments or collaborators, if any : The company has no foreign investments or foreign collaborations. The company has not made any foreign investments or has any collaboration overseas.

#### II. INFORMATION ABOUT THE APPOINTEE

1. Background details : Mr. Vijay Sood is a Management Graduate from Indian Institute of Management, Ahmedabad, the premier Business School of India and has also completed an advanced Management Programme from Wharton Business School, USA. Besides he is also a member of Institute of Cost & Works Accountants of India. Mr. Vijay Sood brings with him more than 28 years of experience in the fields of funds management, investment banking and corporate finance and has held senior and top positions in MNCs and foreign Banks.
2. Past remuneration : Same as is being proposed.
3. Recognition or awards : None
4. Job profile and his suitability : Being top level position, the job profile essentially requires a leader who is innovative, self motivated and result oriented. The appointee has experience in conceptualizing, planning, directing and implementing business and financial strategies and translate them in terms of business growth.
5. Remuneration proposed : Mentioned above in the Explanatory Statement.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin.) : Though the exact latest data of the comparative profile with remuneration of the CEO/MD/Key Personnel of Financial Services Companies is not available, however generally the CEOs/MDs/Key Managerial personnel of financial services/ NBFC companies of comparable status are



## HB STOCKHOLDINGS LIMITED

7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.
- III. OTHER INFORMATION
1. Reasons of loss or inadequate profits : 1. Provisioning requirements under Reserve Bank's Prudential Norms applicable to Non Banking Financial Companies.
2. Loss on account of sudden crash in the stock indices and also on account of loss in the Futures & Options segment due to high Intra-day volatility in the stock market during May 2006.
2. Steps taken or proposed to be taken for improvement : The following steps are proposed to be carried out over the next 6 - 12 months
- Professionalise the management of operations
  - Additional recruitment of staff in areas of investment management, research, operations and new business development
  - Review current HR & compensation policies and bring them in line with market practice
  - Separate all operations from those of the other associate companies while keeping cost benefit in mind of shared services
  - Review and modify current accounting and investment management systems,

generally receiving remuneration above Rs.100 lakhs per annum.

He does not have any other pecuniary relationship with the company nor is he related to or has pecuniary relationship with any of the directors of the company.

processes and controls as well as the IT systems supporting them

- Reduce concentration risk of the investment portfolio, exit from all non remunerative investments except where there is a strategic intent and also appoint professional outside money managers for a part of the portfolio to inject completion and external benchmarking
- Assess growth possibilities outside the current scope of activities
- Bring the Company back on the dividend list
- Each asset class to be benchmarked against an externally vetted "index" to evaluate performance
- Evaluate the status for the Company after a period of 18 months or so

3. Expected increase in productivity and profits in measurable terms

### IV. DISCLOSURES

Remuneration package payable to Mr. Vijay Sood, Managing Director of the company has been disclosed in the commencing paragraph of this Explanatory Statement.

All elements of remuneration package to all directors is disclosed in the Corporate Governance Report.

The particulars set out hereinabove may be treated as the abstract of the terms and conditions of appointment of Mr. Vijay Sood as Managing Director of the Company, to be sent to the shareholders under section 302 of the Companies Act, 1956.

None of the Directors except Mr. Vijay Sood is concerned or interested in this resolution. The Directors recommend the resolution for approval by the members.

BY THE ORDER OF THE BOARD  
FOR HB STOCKHOLDINGS LTD.

SANTOSH KUMAR MENON  
COMPANY SECRETARY

Place : New Delhi  
Date : 30th April 2007

### DIRECTORS' REPORT

To the Members,  
Your Directors have pleasure in presenting the 20th Annual Report with Audited Accounts for the year ended 31st March 2007.

#### FINANCIAL RESULTS

The summarised financial results for the year under review are as under:

PARTICULARS	Year	Previous Year
	Ended 31.03.2007	Ended 31.03.2006
Gross Profit/(Loss)	1,65,30,784	11,42,33,373
Less :		
(a) Depreciation and profit/(loss) on termination of leases	8,22,305	7,91,383
(b) Provision for Income-Tax (including deferred tax)	2,50,000	55,00,000
(c) Fringe Benefit Tax	1,40,000	1,75,000
Net Profit/(Loss)	1,53,18,479	10,77,66,990
Add/(Less):		
(a) Income Tax for earlier year	6,55,357	(2,07,154)
(b) Transfer to Statutory Reserve Fund	(30,63,696)	(2,15,53,398)
Net Amount available for appropriation	1,29,10,140	8,60,06,438
Accumulated Loss Brought forward	(50,28,11,512)	(58,88,17,950)
Balance carried to Balance Sheet	(48,99,01,372)	(50,28,11,512)

#### DIVIDEND

In view of need to conserve liquid resources of the company and having regard to the accumulated and unabsorbed losses your directors regret their inability to recommend dividend for the year ended 31-03-2007.

#### PERFORMANCE REVIEW & OUTLOOK

The BSE Sensex at close of financial year on 31<sup>st</sup> March 2007 was 13072.10 compared to 11342.96 on 1<sup>st</sup> April 2006 showing a rise of 15%. The high of BSE Sensex during the year was 14723.88 and of low was 8799.01. The year was marked by the high volatility in the stock market which adversely affected the profitability of operations. On account of above the profits for the year under review have declined.

The outlook of current economic scenario is positive. Overall economy is expected to grow @ 7-8%. Growing confidence level among foreign and domestic investors and the industry, broadening of investors base and increased flow of FDIs, stable fiscal and economic policies, are giving more impetus for continuous and steady growth. The rising inflation and the consequent pressure on interest rates is a major cause of concern. However, the company hopes that the government would be successful in its efforts to tame inflation without impacting the growth.

Your Company continues to emphasise on consolidating its position in the market with in bound activities of cost minimisation and efficiency and productivity development and out bound activities of market exploration and strategic investments and profit maximisation. With this your directors are hopeful that the company would be able to maintain the trend of turnaround.

The industry trends and future prospects are more elaborately given in the Management Discussion and Analysis.

#### STATUTORY STATEMENTS

##### PUBLIC DEPOSITS:

Your Company has not accepted any deposits from the public during the year under review.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

The particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on conservation of energy, technology absorption are not applicable to your company. During the year under review there were no earnings or outgo in foreign exchange.

#### PERSONNEL:

The particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are furnished in a separate statement annexed to and forming part of this report.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA), it is hereby stated that in the preparation of the Annual Accounts for the year under review, the applicable accounting standards have been followed. The Directors' 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 Directors' 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 Directors' have prepared the annual accounts on a going concern basis.

#### SUBSIDIARIES OF THE COMPANY

In terms of the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of Directors and Auditors of the subsidiaries namely HB Prima Capital Ltd. and Mount Finance Ltd. have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same.

#### SHIPPING OF REGISTERED OFFICE

The registered office of the Company has been shifted from 199, Sector-7, Urban Estate, Gurgaon-122001 to Plot No. 31, Echelon Institutional Area, Sector-32, Gurgaon-122001 (Haryana) with effect from 1<sup>st</sup> April 2007.

#### CORPORATE GOVERNANCE

Your company is fully compliant with the requirements of the prevailing and applicable Corporate Governance Code and is committed to ensuring compliance with any proposals for modifications well ahead of their implementation timeliness. Your Company's compliance with requirements are presented in sections below. A detailed Corporate Governance Report together with a certificate from Statutory Auditors in compliance with Clause 49 of the Listing Agreement is attached forming part of this report.

#### STATEMENT PURSUANT TO LISTING AGREEMENT (S)

The Company's equity shares are listed at The Bombay Stock Exchange Ltd., Mumbai and National Stock Exchange Ltd., Mumbai (NSE). The listing fees to BSE and NSE have been paid.

#### AUDITORS REPORT

Observations of the Auditors have been explained, wherever necessary, by way of appropriate notes to accounts.

#### AUDITORS

The Auditors, M/s. P. Bholusaria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. A certificate under section 224(1B) of the Companies Act, 1956 has been received from them.

#### DIRECTORATE

The Vijay Sood was appointed as president of the company w.e.f. 1st March, 2007. However, in order to broad base the Board Mr. Vijay Sood, was appointed as the Managing Director of the company for 3 years by the Board of Directors in their meeting held on 30<sup>th</sup> April 2007 subject to the approval of the members in the General Meeting.

The Board of Directors in the meeting held on 27<sup>th</sup> October 2006 considered and revised the terms



## HB STOCKHOLDINGS LIMITED

of the remuneration of Mr. J.M.L. Suri w.e.f 1st April 2006 subject, however, to the approval of shareholders in the General Meeting. The terms of revision of remuneration of Mr. J.M.L. Suri, Executive Director has been dealt with in detail in the explanatory statement to the notice to the Annual General Meeting. Mr. Anil Goyal and Mr. Lalit Bhasin being longest in Office retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.

### ACKNOWLEDGEMENT

Since its inception, your Company has grown on the foundations of dedicated and qualitative

services. Your Directors gratefully acknowledge the co-operation, assistance and support extended by various stakeholders during these years. Your Directors also thank all the Company's Bankers, Shareholders and its Employees for their continued support to your Company during the year and look forward for their continued support.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi  
Date : 30<sup>th</sup> April 2007

Lalit Bhasin  
Chairman

### ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31<sup>st</sup> March 2007.

S. No.	Name of Employee/ Age (Years)	Date of Employment	Qualifications	Designation/ Nature of job	Gross Remuneration (Rs.)(For The Month of March, 07)	Particulars of previous Employment (Designation/ Name of the Employer)	Experience (No. of years)	Whether relative of any Director or Manager of the Company
1	Mr. Vijay Sood 49 Yrs.	01.03.2007	MBA from IIM, Ahmedabad. Advanced Management Programme from Wharton Business School, USA	President	5,95,000/-	Group CFO, Renaissance Services SAOG, Oman	28	No

Note: Remuneration includes salary, House Rent Allowance, Company's contribution to Provident Fund, wherever applicable and other sums actually received by the employee during the part of financial year and the Perquisites are valued in accordance with the Income Tax Act, 1961 and Rules made thereunder. The appointment is contractual.

### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary	HB Prima Capital Ltd. 31-03-2007	Mount Finance Ltd. 31-03-2007
Financial Year of the subsidiary ended on		
No. of Equity Shares held by the Holding Company as on date (Face Value - Rs.10/-)	10,00,000	8,30,006
Extent of Holding (%)	100	100
The Net Aggregate of the Profit/(Loss) of subsidiary so far as they concern the members of the company for the year 31 <sup>st</sup> March 2007 (in Rs.)		
(i) for the financial year of the subsidiary	42715.57	(432499.87)
(ii) for the previous financial periods of the subsidiary	(538975.75)	(4761290.28)
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 31 <sup>st</sup> March 2007 (in Rs.)		
(i) for the financial year of the subsidiary	NII	NII
(ii) for the previous financial periods of the subsidiary	NII	NII

a risk management system and policy to fight against any sort of contingency. The future outlook/business prospects are closely linked with the variations in the stock market and also in the government policy.

The Reserve Bank of India has been continually strengthening the supervisory framework for NBFCs in order to ensure sound and healthy functioning and avoid excessive risk taking. In furtherance to these objectives, RBI had issued several guidelines like "Know Your Customer Guidelines", Anti Money Laundering Standards and "Guidelines on classification, monitoring and reporting of frauds".

### 5. Risks and concerns

Company, being associated with capital market is mainly exposed to market risk (including liquidity risk), interest risk and credit risk. However conservative policies and prudent business and risk management practices followed by the company helps it to manage the threats imposed by the normal industry risk factors, which inter-alia includes economic/ business cycle, fluctuations in the stock prices in the market, besides the interest rate volatility, and credit risk. The policies and procedures established by your Company are in tune with some of the best practices in the Financial Services Sector and are in the interest of shareholders' wealth.

### 6. Internal control system and their adequacy

The Company has a proper and adequate system of internal controls for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibility down the line for all managerial positions have been institutionalised. All operating parameters are monitored and controlled. Regular Internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

### 7. Financial performance

- Share Capital: The Company's issued and subscribed share capital consists of Equity Share capital only. The paid-up share capital of the company as at 31<sup>st</sup> March 2007 stood at Rs. 2431.66 lakhs comprised of 2,54,43,257 Equity Shares of Rs.10/- each (excluding allotment money receivable of Rs. 112.66 lakhs).
- Reserves and Surplus: During the year under review the reserves and surplus [net of accumulated loss amounting to Rs.4899.01 lakhs (previous year Rs. 5028.11 lakhs)] stood at Rs. 5407.76 lakhs as against Rs. 5248.02 lakhs during the previous period.
- Loans: There are no unsecured loans in the Balance Sheet of the Company since they have been repaid in full during the year prior to previous year itself.
- Current Assets & Current Liabilities: The current assets and current liabilities at the end of the year under review stood at Rs.1087.44 lakhs and Rs. 2539.62 lakhs respectively against Rs. 1825.02 lakhs and Rs. 1203.99 lakhs for the last year. The net current assets/(current liabilities) [Current Assets less Current Liabilities] as at the end of the year stood at Rs. -1452.17 lakhs compared to Rs. 621.03 lakhs.

### 8. Human Resources

The company is having adequate and experienced industry professionals to carry out its operations and follows good man management practices. These are basically its human resources assets and are integral to the Company's ongoing success. They have played a significant role and enabled the Company to deliver superior performance year after year.

### 9. Cautionary Statement

Statements in this "Management's Discussion and Analysis" describing the Company's objectives, 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. Important factors that could make a difference to the Company's operations include interest rates and changes in the Government regulations, tax regimes, economic developments and other factors such as litigation etc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. Operating Results

The company earned an operational income of Rs.320.80 lakhs during the year under review compared to Rs.1262.11 lakhs in the previous year. The administrative expenses during the year under review were Rs.138.92 lakhs as compared to Rs.118.93 lakhs during the previous period registering a moderate increase which has been on the expected lines and is in proportion to the increase in the volume of operations. The interest and financial charges for the year under review has been Rs.16.56 lakhs as compared to Rs.0.84 lakhs during the previous year.

### 2. Industry Trends and Business Analysis

During the year under review 2006-07, Indian Capital Market continued its upward trend. The Bombay Stock Exchange (BSE) Sensex registered a rise of 15.24% as it opened at 11342.96 in April 2006 and closed at 13072.10 in March 2007 recording its highest at 14723.88 in February 2007.

Similar trend has been registered by NSE Nifty, which opened at 3403.15 in April 2006 closed at 3827.55 in March' 2007 registering an overall growth of 12.5% during the year under review.

### 3. Opportunities and Threats

The Indian Capital Market during the period under review marched from strength to strength buoyed by strong inflows from Foreign Institutional Investors (FIIs), good corporate results besides robust performance by the overall economy and the buoyant investment climate. The bullish trend in the capital market has brought in greater opportunities and is likely to continue in the medium to long term and offers good future growth potential.

The year (2006-07) under review also witnessed many IPOs, however most of the IPOs set investors back in 2006-07. Out of 75 IPOs that hit the market during the 2006-07 and have been listed so far, 29 issues (38.66 percent of those listed) have given positive returns, while 46 of them (61.33 percent) have given negative returns on their issue prices.

The Company with its inherent strength, strong fundamentals, continuous stress on operational excellence and effective financial management shall be in a position to take advantage of the growth in the economy.

### 4. Future Prospects and Outlook

In the year 2006-2007, the company has taken up with the activity of granting loan against the shares that has yielded rich dividends. In the year 2007-2008 also the company will make optimum use of its resources for profit and wealth maximization of shareholders.

The company being a NBFC and engaged predominantly in the business of investment in securities always searches for better investment options. The company has also developed



**HB STOCKHOLDINGS LIMITED****REPORT ON CORPORATE GOVERNANCE****1. Company's philosophy on Corporate Governance:**

Corporate Governance is the acceptance by the Management of the inalienable rights of shareholders as the real owners of the corporation and of their own role as trustees on behalf of the stakeholders. Corporate Governance deals with conducting the affairs of the company in such a manner as to ensure that there is fairness to all the stakeholders and action benefit the greatest number of stakeholders. The accountability of the personal and corporate funds in a company in a more transparent manner is the essence of Corporate Governance which ensures investor protection.

**2. Size and Composition of the Board:**

The Board of your Company comprises of 8 directors, out of whom 5 directors are non-executive and independent. Mr. Lalit Bhasin is a non-executive director and holds the position of the Chairman with effect from 30th June 2004. The other non-executive directors are proficient in

their fields and bring with them vast experience in the areas of finance, tax, legal, securities market operations, corporate affairs and management. Mr. Vijay Sood, who was co-opted as additional director and also appointed as the Managing Director of the Company at the Board Meeting held on 30th April, 2007, has substantial experience in banking, investment management and other parts of the financial sectors. Mr. J.M.L. Suri the Executive Director of your Company, has over 45 years of corporate experience in renowned Indian and multinational companies. The Managing Director and Executive Director of the Company are responsible for overall management of the Company. The composition of the Board is in conformity with the Clause 49 of the listing agreement.

5 Meetings of the Board of Directors of the Company were held during the year under review (i.e. from 1.04.2006 to 31.03.2007) on 19th May 2006; 22nd July 2006; 8th September 2006; 27th October 2006; and 29th January 2007. The particulars regarding composition of the Board of Directors and their attendance in the Meetings held during the year under review are given hereunder:

Name of the Director & Category	Directorships in other public companies@		Committee Membership held in other public companies@		No. of Board Meetings during the year		Attended Last AGM	Shares held in the company & % to the subscribed capital
	Total	as Chairman	Total	as Chairman	Held	Attended		
Mr. Lalit Bhasin <i>Promoter &amp; Non-Executive</i>	14	3	3	Nil	5	4	Yes	4,84,799 (1.90%)
Mr. K. N. Malhotra <i>Independent &amp; Non Executive</i>	1	Nil	Nil	Nil	5	4	No	130 (Not Significant)
Mr. P. K. Mittal <i>Independent &amp; Non Executive</i>	1	Nil	Nil	Nil	5	3	No	NIL
Mr. Gulshan Rai <i>Independent &amp; Non Executive</i>	Nil	Nil	Nil	Nil	5	5	Yes	NIL
Mr. Anil Goyal* <i>Independent &amp; Non Executive</i>	11	Nil	5	1	5	5	Yes	NIL
Mr. Harbans Lal <i>Independent &amp; Non Executive</i>	3	Nil	4	Nil	5	5	No	NIL
Mr. J.M.L. Suri <i>Executive</i>	7	Nil	5	2	5	5	Yes	1000 (Not Significant)
Mr. Vijay Sood# <i>Executive</i>	1	Nil	Nil	Nil	N.A	N.A	N.A	Nil

\* Appointed against the casual vacancy casual by death of Dr. K. Srinivasan.

# Appointed with effect from 30-04-2007

@ As on 31.03.2007.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, one-third directors of the rotational directors of the Company retire at every Annual General Meeting. Accordingly, Mr. Anil Goyal & Mr. Lalit Bhasin being longest in the office would retire by rotation at the ensuing Annual General Meeting and being eligible they have offered themselves for reappointment.

**3. Board Committees:**

The Board of Directors in its Meeting held on 7th March, 2001, has constituted 2 Committees namely; the Audit Committee in due compliance with Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and Shareholders/ Investors Grievance Committee. The Remuneration Committee has been constituted in the meeting of Board of Directors held on October 30, 2004 as required under the Listing Agreement and the Companies Act, 1956 (Schedule XIII).

**(A) Audit Committee:** The Audit Committee of the Board stands as follows:

1. Mr. Gulshan Rai, Chairman
2. Mr. Pradeep Mittal, Member
3. Mr. Anil Goyal, Member
4. Mr. Harbans Lal, Member

Mr. J. M. L. Suri, Executive Director, shall be the permanent invitee of the meeting. The Audit Committee shall mandatorily review the following information: Management discussion and analysis of financial condition and results of operations; Statement of significant related party transactions (as defined by the audit committee), submitted by the management; Management letter/ letters of internal control weaknesses issued by the statutory auditors; Internal audit reports relating to internal control weaknesses and the appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit 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 from 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 consider and act on any matters as are included under Clause 49 of the Listing Agreement and/or as may be so included from time to time.

During the year under review, 4 meetings of the Audit Committee were held on 19-05-2006; 22-07-2006; 27-10-2006 and 29-01-2007. Mr. Gulshan Rai, Mr. Anil Goyal and Mr. Harbans Lal attended all the meetings of the committee. Mr. P.K. Mittal attended meetings held on 19-05-2006 and 22-07-2006.

**(B) Shareholders/Investors Grievance Committee:** The Shareholders/Investors Grievance Committee of the Board comprises of Mr. K.N. Malhotra (Chairman of the Committee), Mr. P. K. Mittal and Mr. J.M.L. Suri. The Company Secretary acts as Secretary to the Committee. The functions of the Committee, inter-alia, includes approval/rejection of transfers, transmission of shares, issue of fresh/duplicate certificates upon split/consolidation/ renewal/mutilation/ loss or otherwise, review the status of dematerialisation of company's shares and matters incidental thereto, monitor the matters of litigation related to shareholders and take decisions relating thereto, consider, review and monitor the matters related to the shareholders' grievances.

Mr. J.M.L. Suri, Director has been empowered to approve transfers up to 10,000 Equity Shares under one folio at a time.

During the year under review, 4 meetings of the Shareholders Committee were held on 19-05-2006; 22-07-2006; 27-10-2006; and 30-01-2007. Mr. K.N. Malhotra and Mr. J.M.L. Suri attended all the meetings of the Committee. Mr. P.K.Mittal attended three meetings. Leave of absence was granted to him on the meeting held on 27-10-2006.

**(C) Remuneration Committee:** The present Remuneration committee of the Board comprises of Mr. K.N. Malhotra, Chairman, Mr. P. K. Mittal and Mr. Gulshan Rai. The functions of the Committee, inter-alia, includes to lay down, review and revise the remuneration of the managerial personnel, to give recommendations to the Board of Directors on the matters concerning the managerial remuneration, to deal with any other matter related or incidental to the above or as may be delegated by the Board from time to time.

A meeting of Remuneration Committee was held on 27th October 2006 to consider and recommend revision / increase in the remuneration of Mr. J.M.L. Suri, Executive Director w.e.f. 01st April 2006.

Remuneration paid to Directors during the year (01.04.2006 to 31.03.2007) is as under:

Director	Relationship with other Director(s)	Sitting Fees (Rs.)	Salary & Perks (Rs.)	Commission, if any
Mr. K. N. Malhotra	—	48,000	Nil	Nil
Mr. P. K. Mittal	—	47,000	Nil	Nil
Mr. Lalit Bhasin	—	40,000	Nil	Nil
Mr. J. M. L. Suri	—	Nil	12,22,000	Nil
Mr. Gulshan Rai	—	62,000	Nil	Nil
Mr. Anil Goyal	—	62,000	Nil	Nil
Mr. Harbans Lal	—	62,000	Nil	Nil

The non-executive directors are paid sitting fees for attending each meeting of the Board of Directors and the Committees constituted by the Board.

The sitting fee for each meeting of Board of Directors and the Committee of Directors is fixed by the Board of Directors within the overall ceiling laid down under the Companies Act.