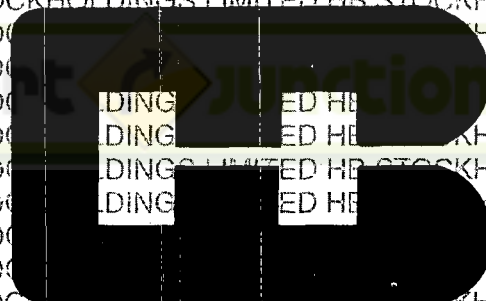


21st Annual Report 2007 - 08



HB STOCK HOLDINGS 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

Mahesh Kumar Gupta

COMPANY SECRETARY

Anil Kumar Mittal

AUDITORS

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

Report  junction.com

REGISTERED OFFICE

Plot No. 31, Echelon Institutional Area,
Sector-32, Gurgaon - 122 001, Haryana
Ph : 0124-4675500, Fax : 0124-4370985

WEBSITE

www.hbstockholdings.com

REGISTRAR & SHARE TRANSFER AGENT

RCMC Share Registry Pvt. Ltd.

B-106, Sector - 2,
Noida - 201 301
Ph : 0120-4015880, Fax : 0120-2444346

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HB STOCKHOLDINGS LIMITED

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the members will be held as per the schedule given below:

Day : Thursday
Date : 11th September, 2008
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, 2008 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. Gulshan Rai who retires by rotation and being eligible offers himself for reappointment.
- To appoint Director in place of Mr. Harbans Lal 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 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, consent, approval and permission of the members be and is hereby accorded to the revision in the remuneration payable to Mr. Jag Mohan Lal Suri, Executive Director, with effect from 1st April, 2007, to 30th June 2008 (end of his current tenure) as approved by the Board in their meeting held on 12th January 2008, 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 Executive Director 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."

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

"RESOLVED THAT pursuant to Section 269, 198, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of members of the Company be and is hereby given to the re-appointment of Mr. J M L Suri as the Executive Director of the company for a further period of 5 years w.e.f. 1st July 2008 on the terms and conditions including the payment of remuneration, as approved by the Board of Directors in their meeting held on 24th May 2008 as

mentioned in the Explanatory Statement accompanying this Notice, be and is hereby accorded and that during his tenure in the Office as Executive 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. J M L Suri at any time during his tenure in the office as 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."

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

Place : Gurgaon
Date : 24th May, 2008

**ANIL KUMAR MITTAL
COMPANY SECRETARY**

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 OF THE COMPANY.**

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 Business 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 6th September, 2008 to 11th September, 2008 (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 Secretary at their Gurgaon address 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 - 201 301. Phones : 0120-4015880. Fax: 0120-2444346. E-mail: shares@rcmdlhi.com Members whose shareholding is in electronic mode are requested to direct Change of Address notifications and bank particulars for receiving the dividend, if declared, through electronic credit under ECS, to their respective Depository participants.
 - 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.
- 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. Gulshan Rai	Mr. Harbans Lal
Date of Birth	01-04-1934	28th February 1942
Profile/Expertise in specific functional areas	A practicing Chartered Accountant having experience in the field of Financial Management, Management, Management Control Systems, Corporate Planning, Business Restructuring etc.	Sh. Harbans Lal is having enormous experience as a Banker and has been with State bank of India for 36 year. He retired as a Chief General Manager.
Qualifications	Chartered Accountant	M.A. Public Administration CAIIB
List of other private/public companies in which directorship held as on 31.3.2008	1. HB Stockholdings Ltd. 2. Unicom Services Pvt. Ltd. 3. Sai Beverages Pvt. Ltd.	• HB Stockholdings Ltd
Chairman/Member of the Committees of the Board of the other companies in which he is a director as on 31.3.2008	<u>Audit Committee (Chairman)</u> — HB Stockholdings Ltd. <u>Remuneration Committee (Member)</u> — HB Stockholdings Ltd.	<u>Audit Committee (Member)</u> — HB Stockholdings Ltd.

EXPLANATORY STATEMENT PUSUANT 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 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 first revision has been made in his remuneration from 1st April, 2006.

In view of the general increase in remuneration level across industry, the matter for revision of remuneration payable to Mr. J.M.L. Suri, Executive Director with effect from 1st April 2007 was considered and recommended by the Remuneration Committee and approved by the Board of Directors in the meeting held on 12th January 2008.

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

- BASIC SALARY:** Rs.75,000/- (Rupees Seventy Five Thousand only) per month

b) PERQUISITES:

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



HB STOCKHOLDINGS LIMITED

- 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 en cashed 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.

None of the Directors of the Company except Mr. Jag Mohan Lal Suri, are in any way concerned or interested in this resolution.

ITEM NO:6

The Board of the Company at their meeting held on 24th May 2008 have re-appointed Mr. J M L Suri as the Executive Director of the Company for a further period of 5 years with effect from 1st July 2008 up to 30th June 2013 upon the consideration and recommendations of the Remuneration Committee of the Board.

Re-appointment and remuneration payable to Mr. J M L Suri requires the approval of the Shareholders of the Company in Annual General Meeting by Special Resolution pursuant to Schedule XIII of the Companies Act, 1956 read with Section 269, 198, 309 and 310 of the said Act. The terms and conditions of the re-appointment of Mr. J M L Suri as Executive Director of the company has been approved by the Board of Directors at their meeting and detailed as under:-

- a) **BASIC SALARY:** Rs.75,000/- (Rupees Seventy Five 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 months basic salary (Rs. 75,000/-) in a year.
 - iii) **Leave Travel Concession:** Expenses incurred for self and family subject to a ceiling of one months basic salary (Rs. 75,000/-) 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 en cashed 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 the minimum remuneration to the Executive Director in the event of absence / inadequacy of profits in any of the financial years in which his terms of office continues.
- h) As per Provisions of Schedule XIII, since Mr. J M L Suri has completed 70 years of age hence his reappointment shall be made either with the approval of Central Government or by passing a Special resolution. Hence, the company proposes to pass Special resolution while reappointing them as Executive Director.
- i) 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.

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

Place : Gurgaon
Date : 24th May, 2008

**ANIL KUMAR MITTAL
COMPANY SECRETARY**



HB STOCKHOLDINGS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 21st Annual Report with Audited Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

The summarised financial results for the year under review are as under: (Amount in Rs.)

PARTICULARS	Year Ended 31.03.2008	Year Ended 31.03.2007
Gross Profit/(Loss)	12,03,46,654	1,65,30,784
Less :		
(a) Depreciation and profit/(loss) on termination of leases	10,24,038	8,22,305
(b) Provision for Income-Tax (including deferred tax)	1,10,00,000	2,50,000
(c) Fringe Benefit Tax	2,25,000	1,40,000
Net Profit/(Loss)	10,80,97,616	1,53,18,479
Add/(Less):		
(a) Income Tax for earlier year	(51,393)	6,55,357
(b) Transfer to Statutory Reserve Fund	(2,16,19,523)	(30,63,696)
(c) Transitional effect on accounts of AS-15	(7,21,971)	—
Net Amount available for appropriation	8,57,04,729	1,29,10,140
Accumulated Loss Brought forward	(48,99,01,372)	(50,28,11,512)
Balance carried to Balance Sheet	(40,41,96,643)	(48,99,01,372)

PERFORMANCE REVIEW & OUTLOOK

The BSE Sensitive Index which was 13072.10 at the start of the financial year, went up to 20873.33 in the month of January 2008; however ended the year at 15644.44 on 31st March 2008. The year was marked by high volatility in the stock market. During the year under review your Company posted a Gross Profit of Rs.1203.46 Lakhs (Rs. 165.30 Lakhs in the previous year) Net Profit after tax was Rs. 864.27 Lakhs which shows a substantial improvement over the previous year figure of Rs. 129.10 Lakhs.

The economic scenario at present is not very positive due to rise in inflation as a result of increase in prices of food and other commodities coupled with the rising prices of Crude oil in the international market. With the turmoil in the International financial and Credit market, an uninspiring Government of India Budget for the current year and declining growth in profitability of the Indian corporate sector, there is a reduced risk appetite for Indian equities from domestic and International investors. The current year is therefore likely to be a challenging one for primary and secondary markets.

Industry Trends and its future prospects have been summed up in the Management Discussion and Analysis Report which forms part of this report.

DIVIDEND

In view of resources being required to invest in future business opportunities to sustain growth, and due to accumulated and unabsorbed losses suffered during the previous years, your Director's do not recommend any dividend for the year ended 31st March 2008.

STATUTORY STATEMENTS

PUBLIC DEPOSITS:

Your Company has not accepted any Fixed 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 etc. are not applicable to your company.

During the year under review there has been no earnings or outgo in Foreign exchange.

PERSONNEL:

A list of Employee(s) who are in receipt of remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed with the 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. That 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, that 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 & 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 shall be made available upon request by any member of the Company interested in obtaining the same.

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 Auditor's in compliance with Clause 49 of the Listing Agreement is enclosed forming part of this report.

STATEMENT PURSUANT TO LISTING AGREEMENT

The Company's Equity shares are listed at Bombay Stock Exchange, Mumbai and National Stock Exchange of India, Mumbai (NSE).

The Listing fees to both the Stock Exchange(s) has been paid in time for the current financial year.

AUDITOR AND AUDITOR'S REPORT

The Auditor M/s. P. Bholusaria & Co., Chartered Accountants, Delhi, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. A certificate under section 224(1B) of the Companies Act, 1956 has been received from the Statutory Auditors. Necessary resolution relating to their reappointment has been included in the Notice of the Annual General meeting.

Auditors Report is enclosed herewith, observations made by the Auditors in their report has been suitably explained, wherever necessary, by way of appropriate notes to accounts.

DIRECTORATE

The Board of Directors in the meeting held on 12th January, 2008 considered and revised the terms of the remuneration of Mr. J.M.L. Suri w. e. f 1st April 2007 subject, however, to the approval of shareholders in the General Meeting, and necessary resolution is forming part of the Notice. Further to that Mr. J.M.L. Suri, Executive Director were reappointed in the meeting of the Board held on 24th May 2008 for a further term of Five years w.e.f. 1st July 2008 to 30th June 2013, subject to the approval of the members, by Special resolution in the ensuing Annual General Meeting.

Mr. Gulshan Rai and Mr. Harbans Lal Director(s) of the Company being longest in office as Director shall be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the services rendered by the employees of the Company at all levels. Your Directors also thank the assistance, co-operation and support extended by various stakeholders during all these years.

FOR AND ON BEHALF OF THE BOARD

Place : Gurgaon

Dated : 24th May, 2008

Lalit Bhasin

Chairman

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary	HB Prima Capital Ltd. 31-03-2008	Mount Finance Ltd. 31-03-2008
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 31st March 2008 (in Rs.)		
(i) for the financial year of the subsidiary	93,631.81	(306,281.12)
(ii) for the previous financial periods of the subsidiary	(496,260.18)	(4,333,158.62)
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 31st March 2008 (in Rs.)		
(i) for the financial year of the subsidiary	Nil	Nil
(ii) for the previous financial periods of the subsidiary	Nil	Nil

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 31st March 2008.

Name of Employee/ Age (Years)	Date of Employment	Qualifications	Designation/ Nature of job	Gross Remuneration (Rs.) during the year ended 31st March 2008	Particulars of previous Employment (Designation & Name of the Employer)	Experience (No. of years)	Whether relative of any Director or Manager of the Company
Mr. Vijay Sood 50 Yrs.	30-04-2007	AICWA, MBA from IIM Ahmedabad. Advance Management Programme from Wharton Business School, USA	Managing Director	Rs. 74,16,436/-	Group CFO, Renaissance Services SAOG, Oman	29	No

Note: Remuneration includes salary, Cost of leased accommodation, Company's contribution to Provident Fund, wherever applicable and other sums & allowances actually received by the employee during the financial year and the Perquisites are valued in accordance with the Income Tax Act, 1961 and Rules made there under. The appointment is contractual.



HB STOCKHOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Operating Results

The Company earned an operational income of Rs.1652.84 lakhs during the year compared to Rs.320.80 lakhs in the previous year. The administrative expenses during the year under review were Rs. 355.33 lakhs as compared to Rs.138.93 lakhs during the previous year registering an increase on expected lines and in proportion to the increase in the volume of operations. The interest and financial charges for the year under review have been Rs.94.04 Lakhs as compared to Rs.16.57 lakhs during the previous year.

The sharp correction in the stock market in the last quarter of the FY 2007-08 had a dent on the profitability though the Company has been able to post improved results for the year under review as compared to the previous year.

2. Industry Trends and Business Analysis

During the year under review 2007-08, Indian stock market was volatile and the BSE Sensex after reaching a record high of 21206.77 in January'2008 plunged to a low of 14677.24 in March'2008 triggered by slowdown in US Economy and as fallout of the sub-prime crisis in US Market. The BSE Sensex however, staged a modest recovery to close at 15644.44 at the end of the year under review. Thus for the FY 2007-2008 the BSE Sensex registered an overall rise of 19.67%.

3. Opportunities and Threats

Inflation which has reached the 7% plus level due to surging crude oil price and sharp rise in food grains and other commodities, presents one of major challenges to the domestic economy. With the attention of Government focussed in containing the inflation to a tolerable level, the economic growth for the current year may see a deceleration with corporates turning in moderate growth in their financial results. Added to the above, the recession in US economy will also have its impact on the performance in the rest of world also affecting Indian exports.

It is however believed that the Indian growth story is intact inspite of all these odds over the long term. Current year may still see a growth rate of around 8%.

4. Future Prospects and Outlook

Activity of loan against the shares which was started by the Company on a small scale was in the year under review as it required substantial commitment in terms of financial as well as human resources. The company has decided to continue with and focus on its core area of business i.e. Investment in Securities. This is being supplemented through more research and qualitative techniques for investment decision making. The recent developments in the stock markets appears to have dampened the earlier buoyancy and optimism in the economy, still the overall outlook of the company, however, continues to be positive.

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 prudent business and risk management practices followed by the company over the years 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.

6. Internal control system and their adequacy

The Company has adequate system of internal controls for business processes, with regard to operations, financial reporting, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibility for all managerial positions. 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 the existing control system in view of changing business needs from time to time.

7. Financial performance

- a) **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 31st March 2008 stood at Rs. 2433.54 lakhs comprised of 2,37,92,163 Equity Shares of Rs.10/- each (including Rs. 54.32 Lakhs towards the Share forfeited account).
- b) **Reserves and Surplus:** During the year under review the reserves and surplus [net of accumulated loss amounting to Rs.4041.97 lakhs (previous year Rs. 4899.01 lakhs)] stood at Rs.6489.20 lakhs as against Rs. 5407.76 lakhs respectively during the previous year.

- c) **Loans:** Secured Loan from Bodies Corporate stood at Rs. 1500.00 Lakhs (previous year Rs. 600.00 Lakhs. There is an Unsecured Loan of Rs. 600.00 Lakhs in the Balance Sheet of the Company in the year under review (Nil in the previous year).

- d) **Current Assets & Current Liabilities:** The current assets and current liabilities at the end of the year under review stood at Rs.1409.51 lakhs and Rs.4092.14 lakhs respectively against Rs. 1087.45 lakhs and Rs. 2521.85 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. -2682.63 Lakhs compared to Rs. -1434.40 Lakhs.

8. Human Resources

The company has adequate and experienced industry professionals to carry out its operations and are integral to the Company's ongoing success. They have played a significant role and enabled the Company to deliver an improved performance.

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, direct tax regimes, economic developments and other factors such as litigation etc.

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

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. 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 and equitable manner is the essence of Corporate Governance which ensures investor protection and maximization of their wealth. The Corporate Governance is a continuing exercise.

2. Size and Composition of the Board

The Board of your Company comprises of 8 directors, out of whom 6 directors are non-executive and 5 Directors are independent. Mr. Lalit Bhasin is a Non-executive Chairman

of the Board and holds the position since 30th June 2004. The other non-executive director(s) are proficient in their respective fields and bring with them tremendous experience in the areas of finance, tax, legal, securities market operations, corporate affairs and management. Mr. Vijay Sood Managing Director and Mr. J.M.L. Suri, the Executive Director, both these executive(s) has to their credit decades of corporate experience in Foreign Banks, Indian and Foreign Companies including multinational companies. Both these full time working directors are sharing the overall responsibility of the day to day management of the company. The present composition of the Board is in conformity of Clause 49 of the Listing Agreement.

6 (six) Meetings of the Board of Directors of the Company were held during the year under review (i.e. from 1.04.2007 to 31.03.2008) on 30th April 2007; 26th July 2007; 28th August 2007; 19th October 2007; 13th November 2007 and 12th January 2008. 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	Chairman	Total	Chairman	Held	Attended		
Mr. Lalit Bhasin <i>Promoter & Non-Executive</i>	14	3	3	Nil	6	5	Yes	4,84,799 (2.037%)
Mr. K. N. Malhotra <i>Independent & Non Executive</i>	1	Nil	Nil	Nil	6	6	Yes	130 (Not Significant)
Mr. P. K. Mittal <i>Independent & Non Executive</i>	2	Nil	Nil	Nil	6	4	No	5000 (0.02%)
Mr. Gulshan Rai <i>Independent & Non Executive</i>	Nil	Nil	Nil	Nil	6	6	Yes	NIL
Mr. Anil Goyal <i>Independent & Non Executive</i>	11	Nil	4	1	6	6	Yes	NIL
Mr. Harbans Lal <i>Independent & Non Executive</i>	Nil	Nil	Nil	Nil	6	5	Yes	NIL
Mr. J.M.L. Suri <i>Executive Director</i>	7	Nil	3	2	6	6	Yes	1000 (Not Significant)
Mr. Vijay Sood <i>Managing Director</i>	1	Nil	Nil	Nil	6	5	Yes	Nil

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, one-third of the rotational directors of the Company shall retire at every Annual General Meeting. Accordingly, Mr. Gulshan Rai & Mr. Harbans Lal Director(s) being longest in their respective office(s) would retire by rotation at the ensuing Annual General Meeting and being eligible offer them selves for reappointment.

3. Board Committees

As per the provisions of Clause 49 of the Listing agreement mandatory Committee's of the Board are in place and their Constitution meets fully the requirements as stipulated in the provisions. The Board of Director(s) in its Meeting held on 7th March, 2001, constituted 2 (two) Committees namely; the Audit Committee also in due compliance with Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and Shareholders/ Investors Grievance Committee. In order to comply with other requirements a 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 Kumar Mittal, Member
3. Mr. Anil Goyal, Member
4. Mr. Harbans Lal, Member

Mr. Vijay Sood, Managing Director and Mr. J. M. L. Suri, Executive Director, are the two permanent invitee at the meeting of Audit Committee. The Audit Committee shall mandatory 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 pointed out by the statutory auditors; Internal audit reports relating to internal control 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 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 (Four) meeting(s) of the Audit Committee were held on 30-04-2007, 26-07-2007, 19-10-2007 and on 12-01-2008. Mr. Gulshan Rai, Mr. Anil Goyal has attended all the meetings of the Audit committee whereas, Mr. Harbans Lal and Mr. P.K. Mittal attended three meeting each of the Audit Committee held during the year 2007-08..

(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 two members. 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, Executive Director of the Company has been empowered to approve transfer of Equity Shares up to 10,000 Equity Shares under one folio at a time.

During the year under review, 4 meetings of the Shareholders/ Investors Grievances Committee were held respectively on 30-04-2007, 26-07-2007, 19-10-2007 and on 12-01-2008. Mr. K.N. Malhotra and Mr. J.M.L. Suri attended all the meetings of the Committee whereas Mr. P.K. Mittal attended only three meetings. Leave of absence was granted to him in respect of the Committee meeting held on 12-01-2008.

(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 two members. 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.

Two meeting(s) of Remuneration Committee were held on 30th April 2007 and on 12th January 2008 to revision / increase in the remuneration payable to Mr. J.M.L. Suri, Executive Director w. e. f. 01st April 2007.



HB STOCKHOLDINGS LIMITED

Remuneration paid to Director(s) during the period (01.04.2007 to 31.03.2008) is as under:

Director	Relationship with other Director(s)	Sitting Fees (Rs.)	Salary & Perks (Rs.)	Commission, if any
Mr. K. N. Malhotra	—	72,000	Nil	Nil
Mr. P. K. Mittal	—	57,000	Nil	Nil
Mr. Lalit Bhasin	—	50,000	Nil	Nil
Mr. J. M. L. Suri	—	Nil	15.53 Lakhs	Nil
Mr. Gulshan Rai	—	98,000	Nil	Nil
Mr. Anil Goyal	—	92,000	Nil	Nil
Mr. Harbans Lal	—	79,000	Nil	Nil
Mr. Vijay Sood	—	Nil	74.16 Lakhs	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.

The aggregate value of Salary and perquisites paid for the year ended March 31, 2008 to Mr. Vijay Sood Managing Director and Mr. J.M.L. Suri, Executive Director are as follows:-

Mr. Vijay Sood: Salary Rs.45,00,000/- and Perquisites Rs. 29,16,436/- Lakhs respectively.

Mr. J M L Suri: Salary Rs.9,00,000/- and Perquisites Rs. 6,53,255/- Lakhs respectively. Besides, that both are also entitled to Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent not taxable and Gratuity and encashment of leave at the end of tenure, as per rules of the Company and to the extent not taxable.

4. General Body Meetings:

(i) Location and time where the last 3 AGM's were held

Year	Type	Location	Date	Time
2006-07	AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	28.08.07	10.00 A.M.
2005-06	AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	08.09.06	10.00 A.M.
2004-05	AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	17.08.05	10.00 A.M.

(ii) List of Special Resolutions passed in the previous 3 AGMs

S. No.	Subject Matter	AGM Reference and Date of passing
1.	• Appointment of Sh. Vijay Sood as Managing Director for a period of Three years and towards payment of Remuneration to him.	20 th AGM 28-08-2007
2.	• Approval for investment by FIIs in the shares of the Company by purchase or acquisition from market under Portfolio Investment Scheme. • Approval to remunerate non-executive directors by way of commission commencing from the financial year 2007-08 onward	19 th AGM 08-09-2006

(iii) No Special Resolutions were put through postal ballot in the previous year

(iv) No Special Resolution is proposed to be conducted through postal ballot.

5. Disclosures:

- There have been no materially significant related party transactions, pecuniary transactions or relationships other than those disclosed in the financial statements for the year ended 31-03-2008 (Refer Note No. 11 of Notes to Accounts – Schedule 11 forming part of the Balance Sheet & Profit & Loss Account). Accordingly the same have not been reproduced here.
- No penalty has been imposed or any strictures have been passed by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to capital markets during the last three years.
- The company has adopted a Code of Conduct applicable to all Directors and Senior Management personnel of the company and the same has been posted on the website of the company www.hbstockholdings.com. For the year under review, all directors and senior management personnel have confirmed their adherence to the provisions of said Code. A declaration to this effect from Executive Director of the Company is also given to this effect at the end of this report.
- Risk Assessment and Minimisation procedures are in existence and are reviewed periodically.
- None of the company's subsidiaries viz., HB Prima Capital Limited and Mount Finance Limited falls under "Material Non Listed Subsidiary" in terms of revised Clause 49 of the Listing Agreement. However, the financial results and the investments (as and when made) are placed regularly for review before the Audit Committee of the company.
- The Executive Director (discharging the function of CEO during the year under review) and the CFO have, as required under clause 49 of the Listing Agreement,

given their certification on the review of financial statements, including cash flow, for the year ended 31.03.2008 to the Board of Directors.

VII. Whistle Blower Policy being a Non Mandatory Requirement has not been adopted by the company.

VIII. All the mandatory requirements under Clause 49 (relating to Corporate Governance norms) of the Listing Agreement are being adhered to/complied with. Non mandatory requirement relating to Remuneration Committee has been adopted by the company.

6. Means of Communication:

- Quarterly Results: Dissemination through stock exchange and company's website and through publication in newspapers as required under Listing Agreement.
- Newspapers wherein results normally published – Financial Express and Jansatta
- Financial Results where displayed at – www.hbstockholdings.com
- The Website also displays official news releases and important communications made to Stock Exchanges. As and when any presentations are made to institutional investors the same would be simultaneously uploaded on the company's website.

7. General Shareholder Information:

- Ensuing Annual General Meeting Date, time and venue:
Date : 11th September, 2008
Time : 10.00 A.M.
Venue : GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon- 22 001 (Haryana)
- Financial Year : 1st April 2007- 31st March 2008
- Date of Book Closure : 6th September, 2008 to 11th September, 2008 (both days inclusive)
- Dividend Payment Date:
No dividend has been recommended for the year under review.
- Listing on Stock Exchange(s)
Bombay Stock Exchange Ltd., Mumbai
National Stock Exchange of India, Mumbai.
- Stock Code
The Company's Scrip Code is as follows:
BSE , Mumbai **532216**
NSE, Mumbai **HBSTOCK**

VII. Dematerialisation of Share and Liquidity

The trading in the Equity Shares of the Company has come under compulsory dematerialisation w.e.f. 27th November 2000 in terms of the SEBI-Notification No. SMDRP/ POLICY/CIR - 23 / 2000 dated 29th May 2000.

The company has joined the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

The ISIN No. allotted to Equity Shares of the Company is **INE550B01014**.

As at 31-03-2008; 1,89,86,344 Equity Shares of the company are held in dematerialised form constituting 79.80% of the Company's subscribed share capital.

VIII. Market Price Data: The monthly High, Low during each month in the last financial year at BSE & NSE are as under:

Month	BSE				NSE			
	High	Low	Close	Volume	High	Low	Close	Volume
Apr-07	26.40	21.05	23.15	117014	25.90	20.75	23.45	46748
May-07	28.65	20.85	26.05	195679	28.70	20.75	26.05	74589
Jun-07	26.95	22.00	23.75	188831	27.35	23.05	25.80	49594
Jul-07	31.35	22.50	26.75	407441	32.90	22.60	29.90	157229
Aug-07	30.90	24.20	30.20	182172	30.50	24.50	30.50	53499
Sep-07	45.40	28.10	40.45	866097	45.50	30.00	40.10	473101
Oct-07	52.40	36.60	48.40	1131139	53.20	36.10	48.50	582342
Nov-07	77.00	44.20	73.10	823933	75.50	42.00	72.25	418055
Dec-07	129.90	72.25	113.00	1346404	127.0	72.00	112.50	494942
Jan-08	143.70	72.65	74.05	1648365	148.4	73.30	74.45	1804568
Feb-08	86.50	63.55	64.452	278519	86.05	61.70	64.65	161929
Mar-08	64.50	38.30	45.10	265323	64.00	40.85	44.50	73411

(IX) Relative performance vis-à-vis major indices

