

# 24th Annual Report 2010 - 11



**HB STOCKHOLDINGS LIMITED**

**BOARD OF DIRECTORS**

Mr. Lalit Bhasin	Chairman
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**

Mr. Mahesh Kumar Gupta

**COMPANY SECRETARY**

Mr. Anil Kumar Mittal

**AUDITORS****M/s. P. Bholusaria & Co.**Chartered Accountants  
26/11, Shakti Nagar,  
Delhi - 110 007**REGISTERED OFFICE**Plot No. 31, Echelon Institutional Area,  
Sector-32, Gurgaon - 122 001, Haryana  
Ph : 0124-4675500, Fax : 0124-4370985**WEBSITE**[www.hbstockholdings.com](http://www.hbstockholdings.com)**REGISTRAR & SHARE TRANSFER AGENT****M/s. RCMC Share Registry Pvt. Ltd.**B-106, Sector - 2,  
Noida - 201 301  
Ph : 0120-4015880, Fax : 0120-2444346  
E-mail : [shares@rcmcdelhi.com](mailto:shares@rcmcdelhi.com)**CONTENTS**

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## HB STOCKHOLDINGS LIMITED

### NOTICE

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of the Company will be held as per the schedule given below:

**Day** : Tuesday

**Date** : 30th August, 2011

**Time** : 11.00 A.M.

**Place** : GIA House I.D.C. Mehrauli Road, Opp. Sector 14 Gurgaon-122 001 Haryana to transact the following business:

### ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date including the notes to accounts together with the Reports of Directors and Auditors thereon.
- To appoint a Director in place of Mr. Gulshan Rai who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. Harbans Lal who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and to fix their remuneration.

By the Order of the Board  
For HB STOCKHOLDINGS LTD.

ANIL KUMAR MITTAL  
COMPANY SECRETARY

**Place** : Gurgaon

**Date** : 28th May, 2011

### NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF/ HER SELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
INSTRUMENT OF PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Register of Members and Share Transfer Books of the Company will remain closed from 24th August, 2011 to 30th August, 2011 (both days inclusive).

- Members / Proxies attending the meeting should bring in their Attendance Slips duly filled in for attending the meeting. They are also requested to 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.

### 4. Members are requested to:

- Notify any change in their address including Pin Code 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@rcmcdelhi.com Members whose shareholding in the Company 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.
  - Shareholders seeking any information with regard to Accounts of the Company are requested to write to the Company Secretary at the Registered Office address at least 7 days before the date of the meeting so as to enable the management to keep the information ready.
- The Equity Shares of the Company are in the list of securities for compulsory trading in dematerialized form and can be dematerialized by the Shareholders under ISIN No: with National Security Depository Ltd.(NSDL) or Central Depository Services (India) Ltd. (CDSL) for which they may contract the Depository Participants of either of the above Depositories.
  - The Company is implementing the "Green Initiative" as per Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/ documents and annual reports to shareholders. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be periodically downloaded from NSDL/ CDSL will be deemed to be your registered email address for serving notices/ documents including those covered under Section 219 of the Companies Act, 1956. The Notice of AGM and the copies of audited financial statements, directors report, auditors report etc. will also be displayed on the website [www.hbstockholdings.com](http://www.hbstockholdings.com) of the Company and the other requirements of the aforesaid MCA circular will be duly complied with.  
Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants.  
Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company at the address mentioned in 4(a) above quoting their folio number(s)

- Details of the Directors seeking reappointment at the ensuing Annual General Meeting. (pursuant to Clause 49, Code of Corporate Governance of the Listing Agreement) are as under:

### DIRECTORS SEEKING REAPPOINTMENT AT THE ENSUING AGM (Refer Item No. 2 & 3 of the Notice of the AGM)

Name of the Director	Mr. Gulshan Rai	Mr. Harbans Lal
Date of Birth	01-04-1934	28-02-1942
Profile / Expertise in specific functional areas	Mr. Gulshan Rai is a practicing Chartered Accountant with more than 40 years of experience in the field of Financial Management, Tax Planning, Management Control Systems, Corporate Planning & Business Restructuring.  He has vast experience and expertise in International Business operations of Indian Companies abroad and in planning, restructuring and setting up of Branches, 100% owned subsidiaries of foreign entities in India and of Indian companies overseas.  He has been director of several private and public limited companies in a professional capacity.  He has been associated as Life member of ISCON Institute of Constitutional and Parliamentary Studies, National Forum of Tourism and Environment, India National Trust for Arts and Cultural Heritage, International Council of Consultants and Past President of Rotary Club of Delhi. He is also a regular Contributor to Ramakrishna Mission, CRY, Helpage India etc.	Joined State Bank of India as Probationary Officer in the year 1965. While working for State Bank of India he has held the following important assignment(s)  Chief General Manager, Delhi circle from March 2000 to February 2002,  Chief General Manager (Credit) at Central office, Mumbai (1998-2000) General Manager ( Commercial Banking) Ahmedabad Circle (1995-1998) Dy. General Manager, Pune Zonal Office (1992-1995) and Shillong Zonal Office ( 1990-92)  Vice President & Manager, SBI (Canada) Vancouver (1984-1988) Also associated with the Committee constituted by RBI for Working Group on Simplification of Procedures for Credit Delivery to Exporters (1998) and Working Group on Discounting of Bills by Banks in Dec 1999
Qualifications	B. Com(Hons) Shriram College of Commerce, Delhi , FCA	M.A. Public Administration and CAIIB
Public Ltd Companies in which directorship held as on 31.3.2011	NIL	NIL
Chairman / Member of the Committees of the Board of the other companies in which he is a director as on 31.3.2011	NIL	NIL
Shares held by the Director as on 31.03.2011	NIL	NIL

By the Order of the Board  
For HB STOCKHOLDINGS LTD.

ANIL KUMAR MITTAL  
Company Secretary

**Place** : Gurgaon

**Date** : 28th May, 2011



## HB STOCKHOLDINGS LIMITED

### Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 24<sup>th</sup> Annual Report and the Audited Accounts of your Company for the financial year ended 31st March 2011.

### FINANCIAL RESULTS

The Financial performance of the Company summarised for the year under review is as under:

PARTICULARS	(Amount in Rs.)	
	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>Gross Profit / (Loss)</b>	<b>37318536</b>	<b>178063634</b>
<b>Less :</b>		
(a) Depreciation and profit / (loss) on termination of leases	1183105	1195026
(b) Provision for Income-Tax (including deferred tax)	4200000	29000000
(c) Fringe Benefit Tax	—	—
<b>Net Profit/(Loss)</b>	<b>31935431</b>	<b>147868609</b>
<b>Add / (Less):</b>		
(a) Income Tax for earlier year	(1675757)	(22660)
(b) Transfer to Statutory Reserve Fund	(6051935)	(29569190)
(c) Effect of earlier period on account of accounting	—	—
<b>Net Amount available for appropriation</b>	<b>24207739</b>	<b>118276758</b>
<b>Accumulated Loss Brought forward</b>	<b>(318974941)</b>	<b>(437251699)</b>
<b>Balance carried to Balance Sheet</b>	<b>(294767202)</b>	<b>(318974941)</b>

### PERFORMANCE REVIEW & OUTLOOK

During the year, the BSE Sensitive Index which was 17,692 at the start of the financial year, made a low of 15,960 in May 2010 and a high of 21,108 in November 2010, ended at 19,445 on 31<sup>st</sup> March, 2011. The year was marked by volatility in the stock market, and most asset classes remained subdued inspite of the domestic consumption theory remaining intact. Rising Crude and commodity prices and exceptionally high prices of precious metals in the international market coupled with double digit inflation in the food sector have been a dampener in the investment climate in the domestic bourses. Volatile prices of fundamentally strong stocks have caused a fear in the minds of domestic investors. Outflow of funds by FII has also dampened the investor's confidence. Recent hike in interest rates by the Reserve banks to arrest the inflation has also been viewed negatively by the market resulting in fall in the prices of quoted shares.

During the year under review, Income of your Company aggregated Rs.789.86 Lakhs (previous year Rs.2187.81 Lakhs). Income of the Company comprises of Dividend Rs. 290.38 Lakhs (previous year Rs. 289.15 Lakhs) Securities Trading Loss was Rs. 44.97 Lakhs (Profit of Rs. 206.57 Lakhs in the last year), Profit booked on Sale of Investments was Rs. 544.97 Lakhs (previous year Rs.421.35 Lakhs) and Provisions for diminution in the value written back Rs. 0.90 Lakhs (previous year Rs. 1258.38 Lakhs). Net Profit for the year was Rs.302.60 Lakhs (previous year Rs. 1478.46 Lakhs)

With an improvement in the market sentiments, the management of your company expects to improve the financials of your company.

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

### DEMISE OF SHRI H.C. BHASIN, FOUNDER CHAIRMAN OF THE COMPANY

The Directors expressed their sorrow and deep sense of loss on the passing away on 7<sup>th</sup> December, 2010, of Sh. Harish Chander Bhasin, the Founder Chairman of the Company. Poignant and heartfelt tributes were paid to the extraordinary pioneer in the field of Financial Services, whose remarkable vision and keen interest in the affairs of the Company steered it to its illustrious position in the business world.

### DIVIDEND

In order to conserve resources for the future and also due to accumulated and unabsorbed Losses incurred in the previous years, Directors of your company do not recommend any dividend for the year ended 31<sup>st</sup> March 2011.

### STATUTORY STATEMENTS

#### PUBLIC DEPOSITS:

Your Company has neither invited nor accepted any Fixed Deposits from the Public / shareholders during the year under review.

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

The particulars under The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on conservation of energy, technology absorption etc. are not applicable to the company.

During the year under review there have been no Earnings or outgo of Foreign Exchange.

#### PERSONNEL:

A list of Employee(s) under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are given in the enclosed statement forming part of this report as Annexure .

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA), your Directors hereby state that in the preparation of the Annual Accounts for the year under review, the applicable Accounting Standards have been followed and no departures have been made therefrom. 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 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities and further, that the Directors have prepared the annual accounts for the year under review on a going concern basis.

### SUBSIDIARIES OF THE COMPANY

In terms of the General Circular No. 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011 of Ministry of Corporate Affairs 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 Consolidated Balance Sheet of the Company. However the financial data of the subsidiaries have been furnished under "Summary of Financial Information of Subsidiary Companies" and forms part of this Annual Report. Annual accounts of the subsidiary companies will be made available upon request by any member of the Company interested in obtaining the same. Annual accounts of the subsidiary companies will also be kept for inspection by any member of the company at its registered office.

### CORPORATE GOVERNANCE REPORT

Your Company is fully compliant with the requirements of the applicable Corporate Governance Code and is committed to ensure due compliance of any modifications stipulated by the stock exchange(s) from time to time and well ahead of their timely implementation. Compliances of your Company with the requirements are presented below. A Corporate Governance Report in detail together with Certificate from the Statutory Auditor's in respect of compliance(s) of Clause 49 of the Listing Agreement is enclosed herewith forming part of this report.

### STATEMENT PURSUANT TO THE LISTING AGREEMENT

The Equity Shares of the Company are listed at Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange of India Ltd. (NSE) Mumbai.

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

### AUDITORS

M/s. P. Bholusaria & Co., Chartered Accountants, Delhi, the Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and eligible offers them selves for reappointment. As per the requirements of the Listing Agreement, Statutory Auditor's firm are holding a valid certificate of 'Peer Review Board'.

### AUDITOR'S REPORT

Auditor's observations in their report have been suitably explained, by way of appropriate notes to accounts wherever necessary.

### DIRECTORS

Mr. K N Malhotra, a Director on the Board, who was associated with the Company for the last two decades, expired on 13<sup>th</sup> December 2010. The Board condoles the death of Mr. K N Malhotra and appreciates the contributions made by him in guiding the affairs of the Company during his tenure as Director of the Company.

Mr. Gulshan Rai and Mr. Harbans Lal Director(s) shall retire by rotation at the 24<sup>th</sup> Annual General Meeting and being eligible, have offered themselves for re-appointment.

Information as per Clause 49 of the Listing Agreement is annexed with the Notice of the Annual General Meeting.

### ACKNOWLEDGEMENTS

Your Directors acknowledge the services rendered by the employees of the Company at all levels and express their gratitude for the assistance, co-operation and support extended by various stakeholders during all these years.

**For and on Behalf of The Board of Directors**

**Place : Gurgaon**  
**Date : 28th May, 2011**

**LALIT BHASIN**  
**Chairman**

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

(Amount in Rs.)

Name of the Subsidiary	HB Prima Capital Ltd.	Mount Finance Ltd.
Financial Year of the subsidiary ended on	31-03-2011	31-03-2011
No. of Equity Shares held by the Holding Company as on date (Face Value - Rs.10/- )	1000000	830006
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 2011 (in Rs.)		
(i) for the financial year of the subsidiary	323664	(267356)
(ii) for the previous financial periods of the subsidiary	56782	(286889)
The Net Aggregate of the Profit / (Loss) of subsidiary so far as they concern the members of the company and which are not dealt with the accounts of the company for the year 31st March 2011 (in Rs.)		
(i) for the financial year of the subsidiary	Nil	Nil
(ii) for the previous financial periods of the subsidiary	Nil	Nil



## HB STOCKHOLDINGS LIMITED

### 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 2011.

Name of Employee/ Age (Years)	Date of Employment	Qualifications	Designation/ Nature of job	Gross Remuneration (Rs.) during the year ended 31st March 2011	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 53 Yrs.	30-04-2007	AICWA, MBA from IIM Ahmedabad. Advance Management Programme from Wharton Business School, USA	Managing Director	Rs. 75,39,443/-	Group CFO, Renaissance Services SAOG, Oman	32	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.

## Management's Discussion and Analysis

### 1. OPERATING RESULTS

The Company earned an Income of Rs.789.86 lakhs during the year compared to Rs. 2187.81 lakhs in the previous year. The administrative expenses during the year under review were Rs.-284.55 lakhs as compared to Rs.288.98 lakhs during the previous year. The interest and financial charges for the year under review have been Rs. 117.29 Lakhs as compared to Rs.118.19 lakhs during the previous year.

### 2. BUSINESS ANALYSIS DURING 2010-2011

During the year the stock market moved in the range of 17,700 to 21100 and closed at 19445 on 31st March 2011. Global economy has seen a revival across North America and Europe while growth continues to be strong in many Asian countries. However, they along with India have seen inflation rising and emerging as a threat to growth outlook in the medium term. To combat inflation, driven by economic recovery and rising commodity prices, in India the Reserve Bank has continuously raised interest rates which have affected the Capital market.

The Indian Equity markets are influenced by underlying corporate performance, flows from domestic investors and its attractiveness to Foreign Institutional Investors. In 2010-2011 due to high inflation and limited scope of appreciation in Indian market, FII funds moved to other emerging markets.

During the year under review, Net Profit was Rs. 302.60 Lakhs (Rs.1478.46 Lakhs in the previous year). Securities Trading including Equity derivative trading Loss of Rs. 44.97 Lakhs (Profit of Rs. 206.57 Lakhs in the last year), Profit booked on Sale of Investments during the year was Rs. 544.97 Lakhs (previous year Rs. 421.35 Lakhs), Provision for diminution in value of investment written back was Rs. 0.90 Lakhs during the year (previous year Rs. 1258.38 Lakhs).

### 3. FUTURE PROSPECTS AND OUTLOOK

While 2009-10 was a good year after 2008-09, the problems of the global economy after its meltdown in 2008 have not gone away. Overheating of the Chinese economy especially in the real estate and infrastructure sectors and concerns over runaway bank lending to support this coupled with the problem of the Eurozone are making the nascent global recovery look weak. Asia ex Japan continues to see growth though its composition varies across the region depending upon exposure to the export sector in different countries. Indian economy is expected to witness reasonable growth in the near term though inflation, interest rates, commodity prices and infrastructural bottlenecks remain areas of concern.

### 4. RISKS AND CONCERNS

The Company 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 helped it to mitigate the normal industry risk factors, which *inter-alia* include economic / business cycle, fluctuations in the stock prices in the market, besides the interest rate volatility, and credit risk.

The Company is confident of managing these risks by observing a conservative financial profile in investment and trading of securities business.

### 5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate and effective 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 gives strength to the internal control system of the organisation. Regular internal audits and checks ensure that responsibilities are executed effectively. Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of internal control systems and suggests measures for improvement of the existing control system and strengthen the control in view of changing business needs and safe guarding the assets of the Company against significant misuse or Loss from time to time.

### 6. 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 2011 stood

at Rs. 2433.54 lakhs (including Rs. 54.32 Lakhs towards the original amount paid up equity share forfeited.) comprised of 2,37,92,218 Equity Shares of Rs.10/- each.

**Reserves and Surplus:** During the year under review the Loss carried forward is Rs. 2947.67 Lakhs (previous year Rs. 3189.75 lakhs)

**Loans:** Secured Loan from Bank stood at Rs. 0.98 Lakhs (previous year Rs. 7.17 Lakhs). There is an Unsecured Loan from a body corporate Rs. 900 Lakhs as on the date of Balance Sheet under review (Rs. 900 Lakhs in the previous year)

**Current Assets & Current Liabilities:** The current assets and current liabilities at the end of the year under review stood at Rs.2180.89 lakhs and Rs. 3994.81 lakhs respectively against Rs. 2583.46 lakhs and Rs. 4234.08 lakhs for the last year.

### 7. HUMAN RESOURCES

Success of every business depends on proper human resource planning. . The Company has adequate and experienced professionals having varied experience related to the Industry to carry out its various operations. Effort are made to develop leadership capability in the available resources by sponsoring the team members to attend refresher courses, orientation programme and training sessions conducted by reputed management institutes to enhance their vision which reflects in the decision making process. These efforts have played a significant role in business development through personality development.

### 8. 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, credit appraisal and monitoring system, Notifications and guidelines issued by Reserve Bank of India, economic developments and other factors such as litigation etc.



## REPORT ON CORPORATE GOVERNANCE

### 1. Corporate Governance philosophy

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 shareholders wealth. The Corporate Governance is a continuing exercise.

### 2. Size & Composition of the Board

The Board of your Company presently comprises of 7 directors, out of whom 5 directors are Non-executive and 4 Directors are Independent. Mr. Lalit Bhasin is Non-Executive Chairman of the Board and holds his 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 Corporate finance, Taxation, Legal matters, Securities market operations, Corporate

affairs and management. Mr. Vijay Sood Managing Director and Mr. J.M.L. Suri, Executive Director, both the working Director(s) have to their credit over three and four decades of corporate experience(s) respectively in Foreign Banks, Indian and Foreign Companies including Multinational Companies. These two working executives among themselves share the overall responsibility of the day to day business affairs of the company and implement Board's plan and policies. The Composition of the present Board is in conformity of the amended Clause 49 of the Listing Agreement.

#### a. Number of Board Meetings

During the year under review, Five (5) meetings of the Board of Directors of the Company were held (from 1.04.2010 to 31.03.2011) i. e. on 27<sup>th</sup> May 2010; 12<sup>th</sup> August 2010; 7<sup>th</sup> September, 2010, 3rd November 2010; and on 29<sup>th</sup> January 2011 respectively. The gap between the two Board meeting(s) was not more than 4 months.

#### b. Directors Attendance & Directorships

Composition of the present Board of Directors' and attendance of the members in the Board with shareholdings and Status of attendance in the last AGM 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
	Director	Chairman	Member	Chairman	Held	Attended		
Mr. Lalit Bhasin Promoter & Non-Executive	14	4	7	Nil	5	5	Yes	11822317(49.69%)
Mr. K. N. Malhotra @ Independent & Non Executive	1	Nil	Nil	Nil	5	—	No	130(Not Significant)
Mr. P. K. Mittal Independent & Non Executive	1	Nil	Nil	Nil	5	4	No.	NIL
Mr. Gulshan Rai Independent & Non Executive	Nil	Nil	Nil	Nil	5	5	Yes	NIL
Mr. Anil Goyal Independent & Non Executive	11	Nil	5	1	5	5	Yes	NIL
Mr. Harbans Lal Independent & Non Executive	Nil	Nil	Nil	Nil	5	5	Yes	NIL
Mr. J.M.L. Suri Executive Director	11	Nil	5	2	5	5	Yes	1000(Not Significant)
Mr. Vijay Sood Managing Director	1	Nil	2	Nil	5	4	Yes	Nil

@ Since demised on 13<sup>th</sup> December 2010.

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

### 3. Board Committee(s)

As per the provisions of Clause 49 of the Listing Agreement, all mandatory committee's of the Board of the Company are in place and their Constitution meets the requirements as stipulated and as per provisions amended from time to time. The Board of Director's in its meeting held on 7th March, 2001, Constituted two Board Committee(s) namely; the Audit Committee in due compliance with Section 292A of the Companies Act, 1956 read with clause 49 of the Listing Agreement and Shareholders / Investors Grievance Committee. Further to that, a Remuneration Committee was constituted in the meeting of Board of Directors held on October 30, 2004 to meet the requirements of the Listing Agreement and Schedule XIII of the Companies Act, 1956.

#### (A) Audit Committee:

The Audit Committee of the Board presently comprises of the following members:

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 invitees at the Audit Committee Meetings in addition to the Internal and Statutory Auditor's. The Audit Committee shall review mandatory the following information: Management discussion and analysis of financial condition, 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 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 respectively on 27-05-2010, 12-08-2010, 3-01-2010 and on 29-01-2011.

All Audit Committee meeting(s) were attended by the members of the Committee(s).

#### (B) Shareholders / Investors Grievance Committee:

The reconstituted Shareholders / Investors Grievance Committee of the Board comprises of Mr. P.K. Mittal (Chairman of the Committee), Mr. Harbans Lal and Mr. J.M.L. Suri as members. The Secretary of the Company acts as Secretary to the Committee. The functions of the Committee, inter alia, include approval / rejection of Transfers, transmission of shares, issue of fresh / duplicate certificates upon split / consolidation / renewal / mutilation / remat / 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.

In order to quickly process the requests of Share Transfers and dispatch the same to the shareholders, Mr. J.M.L. Suri, Executive Director of the Company has been empowered by the Board of Directors to approve the Transfer of 10,000 Equity shares under one folio at a time when such requests accumulates in between the two Investors Grievances Committee meeting(s).

During the year under review, 4 meetings of the Shareholders / Investors Grievances Committee were held respectively on 27-05-2010, 12-08-2010, 03-11-2010 and on 29-01-2011. Mr. P.K. Mittal and Mr. J.M.L. Suri attended all the meetings of the Committee whereas Mr. K.N. Malhotra, Chairman of the Committee could not attend any meetings and leave of absence was granted to him in respect of all the Committee meeting(s) during the period he was a member.

In addition to above, under the delegated power enjoyed by the Executive Director to sign the request of Share Transfers put up before him in between the two committee meeting.

#### (C) Remuneration Committee:

The 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 remuneration structure and composition, to deal with any other matter related or incidental to the above or as may be delegated by the Board from time to time.

During the year under review, a meeting of the Remuneration Committee was held on 27<sup>th</sup> May 2010 to consider and approve the change in the policy of Leave

encashment for managerial personal and consequently revision in the remuneration payable to Mr. J M L Suri, Executive Director. In the same meeting, the Committee also considered the reappointment of Mr. Vijay Sood Managing Director for a further period of Three years w. e. f. 30<sup>th</sup> April 2010, and for payment of remuneration and also approved the increment payable each in the second and third years of his reappointment.

In the Board meeting held on 29<sup>th</sup> January 2011, the Remuneration Committee was reconstituted due to demise of Mr. K N Malhotra, Chairman of the Committee. Mr. Harbans Lal was inducted a member of the Remuneration committee and also nominated as the Chairman of the Remuneration Committee. No meeting of the Remuneration Committee took place since it was reconstituted in January 2011. The Non-Executive directors are paid Sitting fees for each meeting of the Board of Directors and the Committees thereof attended by the members. During the year under review, Director(s) of the Company were paid remuneration as mentioned hereunder during the period (01.04.2010 to 31.03.2011) under review:

Director (s)	Relationship with other Director(s)	Sitting Fees (Rs.)	Salary & Perks (Rs.)	Commission, if any
Mr. Lalit Bhasin	—	50,000	Nil	Nil
Mr. Gulshan Rai	—	92,000	Nil	Nil
Mr. K N Malhotra	—	0.00	Nil	Nil
Mr. P K Mittal	—	90,000	Nil	Nil
Mr. Harbans Lal	—	90,000	Nil	Nil
Mr. Anil Goyal	—	90,000	Nil	Nil
Mr. J M L Suri	—	—	18,32,946	Nil
Mr. Vijay Sood	—	—	75,39,443	Nil

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

Salary and perquisites paid in aggregate value for the year ended March 31, 2011 to Mr. Vijay Sood Managing Director and Mr. J.M.L. Suri, Executive Director are as under:

**Mr. Vijay Sood**

Salary Rs.48,50,308/- and Perquisites Rs.26,89,135/- Lakhs respectively.

**Mr. J M L Suri**

Salary Rs.9,00,000/- and Perquisites Rs. 9,32,946/- Lakhs respectively. Besides, the remuneration mentioned herein above, Mr. J M L Suri, the Executive Director is also entitled to Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, and Mr. Vijay Sood Managing Director is entitled to Gratuity and encashment of Leave at the end of tenure, as per rules of the Company.

**4. General Body Meetings:**

Details of Annual General Meeting(s) held during the last three years are summarised hereunder:-

Year	Type	Location	Date	Time
2009-10	23 <sup>rd</sup> AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	07-09-10	11.00 A.M.
2008-09	22 <sup>nd</sup> AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	25-08-09	10.30 A.M.
2007-08	21 <sup>st</sup> AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	11-09-08	10.00 A.M.

Details of Special Resolution(s) passed in the previous 3 AGMs of the Company

S. No.	Subject Matter(s)	Reference and Date of passing at the AGM
1.	Reappointment of Mr. Vijay Sood as the Managing Director of the Company	23 <sup>rd</sup> AGM 07-09-2010
2	No Special Resolution passed	22 <sup>nd</sup> AGM 25-08-2009
3.	Re-appointment of Sh. J M L Suri as Executive Director for a period of Five years and payment of remuneration	21 <sup>st</sup> AGM 11-09-2008

During the year under review, no resolution is proposed to be passed through Postal Ballot, and no Special Resolution(s) were put through Postal Ballot process in the previous year(s).

**5. Disclosures:**

- There were no materially significant related party transactions, pecuniary transactions or relationships other than those disclosed in the financial statements for the year ended 31-03-2011 (Refer Note No.11 of Notes to Accounts – Schedule12 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 market during the last three years.
- The company has adopted a Code of Conduct applicable to all the Directors and Senior Management personnel of the company and the same has been posted on the company's website [www.hbstockholdings.com](http://www.hbstockholdings.com). During 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 on behalf of all the directors of the Company has been furnished by the Managing Director of the Company and the same is given at the end of Corporate Governance 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 Clause 49 of the Listing Agreement. However, the financial results and the investments (as and when made) are regularly placed before the Audit Committee meeting of the company for their review.
- The Managing Director, the CEO and the CFO have given their Certification on the review of financial statements, including cash flow, for the year ended 31.03.2011 to the Board of Directors for review.
- Whistle Blower Policy being a Non Mandatory Requirement has not been adopted by the company.
- 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:**

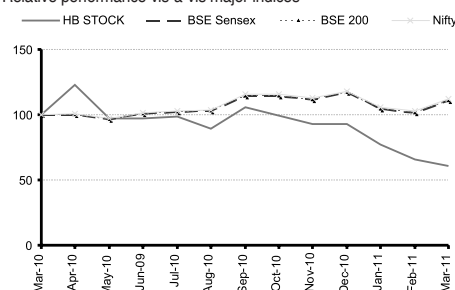
- Quarterly Results: Dissemination through Stock Exchange(s) announcements and Company's website soon after the Board Meeting for Adoption of Results, and through publication of Results in Newspapers as Clause 42 of the Listing Agreement.
- Newspapers wherein results are normally published – Business Standard, English and Hindi Edition.
- Results (Unaudited & Audited) are uploaded at [www.hbstockholdings.com](http://www.hbstockholdings.com) for display.
- Company's website also displays official news releases and important communications sent to Stock Exchanges. As per the Listing Agreement, any presentations made to institutional investor's etc. shall be communicated to the stock exchange(s) in advance and also to be uploaded on the Company's website.

**7. GENERAL SHAREHOLDER INFORMATION:**

- Ensuing Annual General Meeting Day, Date, time and venue:  
Date : Tuesday, 30, August, 2011  
Time : 11:00 A.M.  
Venue : GIA House, I.D.C., Mehrauli Road, Opp. Sector-14, Gurgaon- 122 001 (Haryana)
- Financial Year : 1<sup>st</sup> April 2010- 31<sup>st</sup> March 2011
- Date of Book Closure : 24<sup>th</sup> August, 2011 to 30<sup>th</sup> August, 2011 (both days inclusive)
- Dividend Payment Date : No dividend has been recommended for the year.
- Listing on Stock Exchange(s)  
Bombay Stock Exchange Ltd., Mumbai  
National Stock Exchange of India Ltd. Mumbai.
- Stock Code : The Company's Scrip Code is as follows:  
• BSE, Mumbai 532216  
• NSE, Mumbai HBSTOCK
- Dematerialisation of Share and Liquidity  
The trading in the Equity Shares of the Company has come under compulsory dematerialisation w.e.f. 27<sup>th</sup> November 2000 in terms of the SEBI-Notification No. SMDRP/ POLICY/CIR - 23 / 2000 dated 29<sup>th</sup> 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 on 31-03-2011; 1,95,81,921 Equity Shares constituting 82.30% of the Company's Subscribed and Paid Up Share capital are held in dematerialised form.
- Market Price Data: The monthly High, Low and Close price of Company's shares during each month in the last financial year at BSE & NSE are as under:

Months	BSE				NSE			
	High	Low	Close	Volume	High	Low	Close	Volume
Apr-10	38.80	25.60	31.55	1383246	38.80	24.50	31.50	2387286
May-10	31.95	23.25	25.00	201413	32.30	22.60	25.00	277955
Jun-10	27.80	23.10	25.10	266313	28.95	20.30	25.25	235096
Jul-10	28.00	23.65	25.35	251097	28.20	24.05	25.50	190385
Aug-10	28.00	22.40	22.90	279227	27.00	22.30	22.65	183841
Sep-10	30.20	22.20	27.20	449106	30.40	22.60	27.00	447553
Oct-10	28.50	25.45	25.50	256234	28.55	25.20	25.50	189672
Nov-10	29.60	22.00	23.95	253864	30.70	22.70	23.70	266143
Dec-10	27.10	20.10	23.90	85602	26.80	21.00	23.25	117675
Jan-11	25.00	19.65	19.95	71497	25.05	19.80	20.35	82906
Feb-11	21.00	15.50	16.90	45992	23.00	14.20	17.05	58869
Mar-11	18.45	11.85	15.60	332520	18.85	13.00	15.45	170700

**IX Relative performance vis-à-vis major indices**





## HB STOCKHOLDINGS LIMITED

X Stock Performance-Absolute returns vis-à-vis Major Indices during the year under review

HB Stock : (-) 35.33 % BSE Sensex : 9.72%  
BSE 200 : 7.06%

XI The distribution of shareholdings of the company as on 31st March 2011 is as under:

No of Shares	Shareholders		Shareholding	
	Nos.	% to total	Shares	% to total
1-500	74690	98.28	6118642	25.72
501-1000	738	0.97	564436	2.37
1001-2000	300	0.39	445492	1.87
2001-3000	89	0.12	227030	0.95
3001-4000	36	0.05	129538	0.54
4001-5000	33	0.04	150354	0.63
5001-10000	48	0.06	333634	1.40
10001 and above	66	0.09	15823092	66.52
<b>TOTAL</b>	<b>76000</b>	<b>100.00</b>	<b>23792218</b>	<b>100.00</b>

The category-wise distribution of Shareholding as on 31st March, 2011 is as follows:

Category	No. of Shares held	% of Shareholding
<b>A. PROMOTERS HOLDING</b>		
1. Indian Promoter	12447359	52.32
2. Foreign Promoters	0	0.00
<b>B. PUBLIC SHAREHOLDING</b>		
1. Institutional	28790	0.12
2. Non- Institutional	11316069	47.56
<b>GRAND TOTAL</b>	<b>23792218</b>	<b>100.00</b>

XII The Company has no GDR's / ADR's / Warrants or any other instruments outstanding for Conversion into Equity Shares.

XIII Share Transfer System

Share Transfers are recorded in the Registers and returned to the investors within a period of 30 days from the date of lodgement if the documents are complete in all respects and found to be in order. The authority for transfer of shares has been delegated to the shareholders'/ investors grievance Committee, which meets as and when, required. However, when no meetings are in the offing then Executive Director exercises his power for transfer of shares up to a fixed number beyond which the matters are placed before the Committee. The statistics of share transfers during the period under review as well as request for Demat of shares are as under:

Transfer Period	No of cases	No of Shares	% to Shares
1-30	550	57658	100%
31 & Above	—	—	—

Demat Period	No of cases	No of Shares	% to Shares
1-15	2113	202073	100%
16 & Above	—	—	—

XIV The status of **Investor's Grievance Redressal** during the year 1-04-2010 to 31-03-2011 is as under:

Grievance / Query received from	Received	Disposed off
<b>Investors</b>	<b>125</b>	<b>125</b>
Stock Exchange(s)	03	03
SEBI	07	07
NSDL	00	00
<b>Total</b>	<b>135</b>	<b>135</b>

XV Sh. Anil K. Mittal- Company Secretary is the Compliance officer of the company.

XVI Registrar and Share Transfer Agent of the company:

**RCMC Share Registry Pvt. Ltd.,**  
B-106, Sector-2, Noida-201301  
Phones: -0120- 4015880, 0120-4015886  
Fax: - 0120- 2444346  
E-mail:- shares@ rcmcdelhi.com .

XVII Address for Correspondence:

The Company Secretary  
**HB Stockholdings Ltd.**  
Plot No. 31, Echelon Institutional Area  
Sector-32, Gurgaon- 122 001  
(Haryana)

### Managing Director's Declaration on Code of Conduct

To

The Members of

**HB Stockholdings Limited**

Gurgaon

I, Vijay Sood, Managing Director of the Company declare that all the members of the Board of Directors; and Senior Management of the Company has affirmed compliance with the Code of Conduct.

**FOR HB STOCKHOLDINGS LIMITED**

**Place : Gurgaon**  
**Date : 28th May, 2011**

**VIJAY SOOD**  
**Managing Director**

## Auditors' Certificate on Corporate Governance

The Company has obtained a Certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges.

To the Members of  
**HB Stockholdings Limited**  
Gurgaon

We have examined the compliance of conditions of Corporate Governance by **HB STOCKHOLDINGS LIMITED** for the year ended on 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

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

As required by the guidance notes issued by the Institute of Chartered Accountants of India, we have to state that the Registrar and Share Transfer Agent of the Company has maintained records to show Investors' Grievance against the Company and have certified that as on 31st March, 2011 there were no Investors' Grievances remaining unattended/pending for a period exceeding one month.

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

**FOR P. BHOLUSARIA & CO.**  
**Chartered Accountants**  
**FRN : 000468N**

**Place : Gurgaon**  
**Date : 28th May, 2011**

**AMIT GOEL**  
**Partner**  
**(Membership No. 92648)**