

# 25th Annual Report 2011-12



**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 25<sup>th</sup> Annual General Meeting of the members of the Company will be held as per the schedule given below:

**Day** : Wednesday  
**Date** : 29<sup>th</sup> August 2012  
**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 31<sup>st</sup> March, 2012 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. Anil Goyal who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. Pradeep Kumar Mittal 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 : 25<sup>th</sup> May, 2012**

### 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 23<sup>rd</sup> August 2012 to 29<sup>th</sup> August 2012 (both days inclusive).

- Members / Proxies attending the meeting should bring in their Attendance Slips duly filled in while 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.

- 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](mailto: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, 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: INE550B01014 with National Security Depository Ltd.(NSDL) or Central Depository Services (India) Ltd. (CDSL) for which they may contact the Depository Participants of either of the above Depositories.
  - The Company is implementing the "Green Initiative" as per Circular 17/2011 dated April 21, 2011 and 18/2011 April 29, 2011 issued by Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices /documents and annual report to shareholders. Hence forth, email addresses indicated in your respective Depository Participants (DP) account 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 Sec 219 of the Companies act, 1956. The Notice of AGM and the copies of audited financial statement, directors' report, auditors report etc. shall be displayed on the website [www.hbstockholdings.com](http://www.hbstockholdings.com) of the Company and 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 Share 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

Name of the Director	Mr. Anil Goyal	Mr. Pradeep Kumar Mittal
DIN No:	00001938	00165315
Date of Birth	22-02-1959	10-08-1953
Brief Resume & Expertise in specific functional areas	A Fellow member of the Institute of Chartered Accountants of India with expertise in the fields of Finance, taxation, investment banking, corporate restructuring and strategic planning. He has good experience of Corporate and Legal matters including SEBI related Laws.	A Qualified Company Secretary and a Law graduate. He is a practicing Advocate and has varied experiences in the field of Corporate Laws, Corporate planning and business restructuring. He also has experiences in the area of financial management, management control system and administration.
Qualifications	B. Com , FCA	B Com, LLB, FCS
Other Public Ltd Companies in which directorship held as on 31.3.2012	HB Portfolio Limited HB Leasing & Finance Co. Limited HB Estate Developers Limited HB Prima Capital Limited HB Securities Limited Mount Finance Limited HB Corporate Services Limited RRB Securities Limited Bhasin Investments Limited AHL Hotels Limited HB Insurance Advisors Limited	Raunaq International Limited
Chairman / Member of the Committees of the Board of other Companies in which he is a director as on 31.3.2012	<u>Member of Shareholder / Investors Grievances Committee(s)</u> HB Portfolio Limited HB Leasing & Finance Ltd HB Estate Developers Ltd RRB Securities Limited  <u>Audit Committee</u> RRB Securities Limited- Chairman	Nil
Shareholding of Director as on 31.03.2012	NIL	NIL

**By the Order of the Board  
For HB STOCKHOLDINGS LTD.**

**ANIL KUMAR MITTAL  
Company Secretary**

**Place : Gurgaon  
Date : 25<sup>th</sup> May, 2012**



## HB STOCKHOLDINGS LIMITED

### DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 25<sup>th</sup> Annual Report and the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March 2012.

#### FINANCIAL RESULTS

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

PARTICULARS	(Amount Rs. in lacs)	
	Current Year Ended	Previous Year Ended
Total Revenue	1215.01	789.85
Total Expenses	438.12	428.50
Profit for the Year before Tax and exceptional items	776.89	361.35
– Tax Expenses	(4.78)	58.76
Exceptional items	141.63	0.00
Profit After tax and Exceptional Items	923.30	302.59
Earning per Equity Shares (Before exceptional items)		
– EPS Basic	3.29	1.27
– EPS Diluted	3.29	1.27
(After Exceptional Items)		
– EPS Basic	3.88	1.27
– EPS Diluted	3.88	1.27

#### PERFORMANCE REVIEW & OUTLOOK

The year was marked by high volatility in the stock market, and most asset classes remained subdued inspite of the domestic consumption theory remaining intact. Rising Crude oil and commodity prices and even higher prices of precious metals in the national and international market coupled with higher inflation through most of the year in the food sector have been a dampener for the investment climate on domestic bourses. GDP growth estimates for the year have shown a decline in its trend belying hopes of recovery of the economy. The BSE Index which was 19,420 at the start of the financial year 2011-12 made a low of 15,175 in December 2011 and finally recovered and settled at 17,404 on 31<sup>st</sup> March, 2012.

Volatile prices of index stocks have caused a fear in the minds of FIIs and domestic investors that lead to outflow of funds by FIIs. Hikes in the interest rates by the Reserve Bank to curtail inflation has affected Industrial growth and also been viewed negatively by the market resulting in sharp volatility in the prices of shares of even fundamentally strong companies.

During the year under review, Income from operation was Rs.1205.48 Lakhs (previous year Rs. 788.56 Lakhs). Income of the Company comprises of Dividend Income Rs. 69.13 Lakhs (previous year Rs. 290.38 Lakhs) Securities Trading Loss was Rs. 25.66 Lakhs (Loss of Rs. 44.97 Lakhs in the last year), Loss booked on Sale of Investments was Rs. 609.81 Lakhs (previous year's Profit of Rs.544.97 Lacs) Provisions for diminution in the value of Investment written back Rs. 1770.63 Lakhs (previous year Rs. 8.99 Lakhs). Net Profit before Tax and exceptional items for the year was Rs.776.89 Lakhs (previous year Rs. 361.35 Lakhs)

Considering the volatility in Currency market and high cost of Crude oil in domestic and International market expectations for the current year are moderate across most sectors. With an improvement in the market sentiments, the management of your company expects to improve the financials of your company.

Securities and Exchange Board of India vide its Order dated 9th May 2012 restrained the Company from buying, selling or dealing in the securities market whatsoever or accessing the Securities market, directly or indirectly, for a period of two years from the date of the Order for having conducted few transactions in a listed scrip during the period August 2000 to December 2000. The Company has been advised that aforesaid order of SEBI is not legally sustainable on various grounds. The Company filed an Appeal against the aforesaid Order of SEBI with the Hon'ble Securities Appellate Tribunal (SAT). The Hon'ble SAT vide its order dated 17th May 2012 has stayed the aforesaid order of SEBI till disposal of the Appeal filed by the Company. The Management of the Company expects a favourable disposal of the Appeal.

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 order to conserve resources for the future and also due to accumulated and unabsorbed losses in the previous years, Director's of your company do not recommend any dividend for the year ended 31<sup>st</sup> March 2012.

#### STATUTORY STATEMENTS

##### PUBLIC DEPOSITS:

Your Company has neither invited nor accepted any 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 to Directors' Report.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA), your directors hereby states 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 there from. The directors had 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 had 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 had 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 & 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 that may be 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 in the enclosed pages. 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 New Delhi having FRN 000468N, the Statutory Auditors retires 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 issued by the 'Peer Review Board' of the ICAI.

#### AUDITOR'S REPORT

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

#### DIRECTORS

Mr. Anil Goyal and Mr. Pradeep Kumar Mittal Directors shall retire by rotation at the conclusion of the 25<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 25<sup>th</sup> Annual General Meeting.

#### ACKNOWLEDGEMENTS

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

For and on Behalf of The Board of Directors

Place : Gurgaon

Date : 25th May, 2012

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	31-03-2012	31-03-2012
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 2012		
(i) for the financial year of the subsidiary	17,311	(1,98,397)
(ii) for the previous financial periods of the subsidiary	3,23,664	(2,10,510)
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 2012		
(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 2012.

Name of Employee/ Age (Years)	Date of Employment	Qualifications	Designation/ Nature of job	Gross Remuneration (Rs.) during the year ended 31st March 2012	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 54 Yrs.	30-04-2007	AICWA, MBA from IIM Ahmedabad. Advance Management Programme from Wharton Business School, USA	Managing Director	Rs. 86,13,853/-	Group CFO, Renaissance Services SAOG, Oman	33	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 Total Revenue earned by the Company during the year was Rs. 1215.01 Lakhs as compared to Rs. 789.86 Lakhs in the previous year. Administrative expenses, Depreciation and amortization including provisions for sub-standard & doubtful assets and provision against standard assets were Rs. 394.04 Lakhs as compared to Rs. 311.21 Lakhs during the previous year. Interest and financial charges for the year under review were Rs. 44.07 Lakhs as compared to Rs. 117.29 Lakhs during the previous year.

### 2. BUSINESS ANALYSIS DURING 2011-2012

During the year, the stock market remained volatile and the index moved in the range of 15,175 to 19,702 during the year. While the year started well, there have been frequent bouts of sharp volatility and downward trend with a low in December 2011. During the year global economy has not seen any major revival across North America and Europe and growth continues to remain moderate in Asian emerging economies. India has seen inflation and rising oil prices as a threat to the growth outlook in the medium to long term. To combat inflation, the Reserve Bank continuously raised interest rates which have dampened the spirit in the Indian capital market during the year.

Any equity market is influenced by underlying corporate performance, inflows from domestic investors and its attractiveness to foreign investors. In 2011-2012 in India, outflows by FII due to high inflation and depreciation of rupee against major currencies and steep import bill on account of Gold and Crude oil, left a very limited scope for appreciation in Indian market and funds moved to other emerging markets.

During the year under review, Income was at Rs. 1215.01 Lakhs (Rs. 789.86 Lakhs in previous year) and Net Profit after exceptional items was Rs. 923.29 Lakhs (Rs. 302.60 Lakhs in the previous year). Securities Trading including Equity derivative trading resulted in a Loss of Rs. 25.66 Lakhs (Loss of Rs. 44.97 Lakhs in the previous year). Loss booked on Sale of Investments during the year was Rs. 609.81 Lakhs (previous year's profit of Rs. 544.97 Lakhs.) Provision for diminution in the value of investment written back was Rs. 1770.63 Lakhs during the year (previous year Rs. 8.99 Lakhs).

### 3. FUTURE PROSPECTS AND OUTLOOK

While 2011-12 was not a good year for investors in India and several other markets, the problems of the global economy after its meltdown in previous 2-3 years have not gone away. Chinese economy which was a strong growth engine has shown signs of slowing down especially in the housing and infrastructure sectors. The problems of 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 will see a reasonable growth in the near term though inflation, oil prices, budget deficits, 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 help it to manage the normal industry risk factors, which inter-alia includes economic / business cycle, fluctuations in the stock prices in the market, besides the interest rate volatility, and credit risk.

The 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 2012 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. 2204.27 Lakhs (previous year Rs. 2947.67lakhs)
- Fixed Assets stood at Rs. 62.28 Lakhs (Rs. 59.22 Lakhs in the previous year.)
- Non Current Investments stood at Rs. 8069.89 Lakhs (previous year Rs. 8298.69 Lakhs)
- Current Assets stood at Rs. 4550.46 Lakhs (previous year Rs. 6196.73 Lakhs)

### 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 business operations. Effort are made to develop leadership capability in the team members 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.





## HB STOCKHOLDINGS LIMITED

### REPORT ON CORPORATE GOVERNANCE

#### 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 benefits to the greatest number of stakeholders. The accountability of the personal and corporate funds in a company in a more transparent and equitable manner and the essence of Corporate Governance which ensures investor protection and maximization of shareholders wealth. The Corporate Governance is a continuing exercise and the company would constantly endeavour to improve on these aspects.

#### Composition of the Board

The Board of Directors of your Company presently comprises of 7 directors, out of whom 5 directors are Non-executive and 4 directors are Independent. Mr. Lalit Bhasin a Promoter and is Non-Executive Chairman of the Board since 30th June 2004. The number of independent directors is more than half of the total strength of the Board composition. 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 expertise, 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 Director(s) among themselves share the overall responsibility of all the day to day business affairs of the company and implement Board's plan and policies. The Composition of the present Board is totally in conformity of the Clause 49 of the Listing Agreement as amended from time to time.

#### Number of Board Meetings

During the year under review (1-04-2011 to 31-03-2012), the Board of Directors of your Company meet Six ( 6 ) times respectively on 28<sup>th</sup> May 2011; 05<sup>th</sup> August 2011; 30<sup>th</sup> August, 2011, 20<sup>th</sup> October 2011, 9<sup>th</sup> November 2011; and on 28<sup>th</sup> January 2012 respectively. The gap between two Board Meetings did not exceed 120 days, as stipulated in the Listing Agreement..

#### Directors Attendance & their Directorships

Composition of the Board of Directors and Attendance of the Board members with their shareholding in the Company and status of presence 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		
<b>Mr. Lalit Bhasin</b> Promoter & Non-Executive	14	4	7	Nil	6	5	No	11822317 (49.69%)
<b>Mr. P. K. Mittal</b> Independent & Non Executive	1	Nil	Nil	Nil	6	6	Yes	NIL
<b>Mr. Gulshan Rai</b> Independent & Non Executive	Nil	Nil	Nil	Nil	6	6	Yes	NIL
<b>Mr. Anil Goyal</b> Independent & Non Executive	11	Nil	5	1	6	6	Yes	NIL
<b>Mr. Harbans Lal</b> Independent & Non Executive	Nil	Nil	Nil	Nil	6	6	Yes	NIL
<b>Mr. J.M.L. Suri</b> Executive Director	11	Nil	5	2	6	6	Yes	1000 (Not Significant)
<b>Mr. Vijay Sood</b> Managing Director	1	Nil	2	Nil	6	6	Yes	Nil

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. Anil Goyal and Mr. Pradeep Kumar Mittal Directors being longest in their respective offices shall retire by rotation at the ensuing Annual General Meeting to be held in 2012 and they being eligible offer them selves for reappointment. In terms of clause 49(IV)(G) of the Listing agreement, a brief resume of directors, proposed to be reappointed, nature of their expertise in specific functional areas, their other directorships and committee memberships. Their shareholdings and their relationships with other directors are provided in the Notice convening the ensuing Annual General Meeting of the Company.

#### Board Committee(s)

As per Clause 49 of the Listing Agreement, all mandatory Board committee's are in place and their Constitution meets the requirements as stipulated in the Listing Agreement and as per provisions amended from time to time. The Board of Director's in its meeting held on 7th March, 2001, constituted two 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 Board Meeting 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 primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. 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, both are the permanent invitees at the Audit Committee Meetings in addition to the Internal and Statutory Auditor's of the Company. The Audit Committee in their meetings shall review 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 in the existing system of operations; 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 of the Board has been empowered, inter-alia, to carry out the following functions:

- 1) To lays 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) Audit Committee meeting(s) were held respectively on 28-05-2011, 05-08-2011, 09-11-2011 and on 28-01-2012. Audit Committee meeting(s) were attended by all the members of the Committee(s) as well as Internal and Statutory Auditors of the Company.

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

The Shareholders / Investors Grievance Committee of the Board was reconstituted and presently comprises of three members viz. Mr. P K Mittal (Chairman of the Committee), Mr. Harbans Lal and Mr. J.M.L. Suri as Committee Members. The Company Secretary acts as Secretary to the Committee. The functions of the Committee, inter alia, include approval / rejection of Transfers and transmission of shares, Issue of fresh / duplicate certificates upon split / consolidation / renewal / mutilation / remat / loss or otherwise of equity share Certificate(s), 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 Complaints related to the Investors in respect of various grievances.

During the year under review, Shareholders / Investors Grievances Committee meet 4 (Four) times respectively on 28-05-2011, 05-08-2011, 09-11-2011 and on 28-01-2012. Mr. Harbans Lal, Mr. P K Mittal and Mr. J.M.L. Suri attended all the Committee Meetings.

In order to quickly process the requests of Share Transfers within 14 days of receipt and also dispatch the same to the small shareholders, Mr. J.M.L. Suri, Executive Director has been empowered by the Board of Directors to approve the Transfer up to 10,000 Equity Shares under one folio at a time when such requests accumulates for processing between the two Investors Grievances Committee meeting(s).

- (C) **Remuneration Committee:** The Remuneration Committee of the Board comprises of all independent directors on the Board, viz. Mr. Harbans Lal, 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 payable to 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 of Directors from time to time.

During the year under review, Remuneration Committee meeting was held once on 05<sup>th</sup> August 2011. The Committee discussed and approve the annual increments payable to Sh Vijay Sood, Managing Director as per the terms of his reappointment.

#### Remuneration to Non Executive Directors

All the non-executive directors of the Company are remunerated by payment of sitting fees for each meeting of the Board and Committees thereof attended by the members. During the year 01-04-2011 to 31-03-2012, Directors of the Company were paid remuneration as detailed hereunder:

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	—	1,02,000	Nil	Nil
Mr. P K Mittal	—	1,10,000	Nil	Nil
Mr. Harbans Lal	—	1,10,000	Nil	Nil
Mr. Anil Goyal	—	1,10,000	Nil	Nil

Sitting fee for each meeting of the Board and the Committee thereof payable to the Directors has been fixed and revised by the Board of Directors within the overall ceiling laid down under the Companies Act from time to time.

#### Remuneration to Whole Time Directors

Salary and perquisites paid for the year ended March 31, 2012, in aggregate value to Mr. Vijay Sood Managing Director and Mr. J.M.L. Suri, Executive Director are as under:

Mr. Vijay Sood Managing Director  
Rs.86,13,853/-

Mr. J M L Suri Executive Director  
Rs.18,32,681/-

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.

#### SHARE HOLDERS INFORMATION:

##### General Body Meetings:

Location and time where the Annual General Meeting(s) were held during the last three years:-

Year	Type	Location	Date	Time
2010-11	24 <sup>th</sup> AGM	GIA House, I.D.C., Mehrauli Road, Opp.: Sector 14, Gurgaon -122 001.	30-08-11	11.00 A.M.
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.

Special Resolution(s) passed if any, in the previous 3 AGMs of the Company

S. No.	Subject Matter(s)	Reference and Date of passing at the AGM
1.	• No Special Resolution passed	24 <sup>th</sup> AGM 30-08-2011
2.	• Reappointment of Mr. Vijay Sood as the Managing Director of the Company	23 <sup>rd</sup> AGM 07-09-2010
3.	• No Special Resolution passed	22 <sup>nd</sup> AGM 25-08-2009

No resolution is proposed to be passed through Postal Ballot during the year and no Special Resolutions were put through Postal Ballot process in the previous year.

##### 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 31-03-2012 (Refer Notes to Accounts – No.21.1 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 any other Statutory Authority on any matter related to capital market during the last three years. In a matter relating to the alleged violations in the trading in a listed security carried out by the Company at stock exchanges in the year 2000, Securities Exchange Board of India restrained the Company from buying, selling or dealing in the securities market whatsoever or accessing the securities market, directly or indirectly, for a period of two years from the date of the Order 9<sup>th</sup> May 2012. The Hon'ble Securities Appellate Tribunal (SAT) vide its Order dated 17<sup>th</sup> May, 2012, in an Appeal filed by the Company has stayed the aforesaid order of SEBI till the disposal of Appeal filed by the Company.

- 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 /or 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 31.03.2012 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.

##### Means of Communication:

- Quarterly & Annual Results(audited and/or un-audited: Dissemination through Stock Exchanges announcements and also through Company's website soon after the conclusion of Board Meeting for Adoption of Audited / Unaudited Financial Results, and through publication of Financial Results in Newspapers as per Clause 41 of the Listing Agreement.
- Newspapers wherein results are normally published – Business Standard, English and Hindi Edition.
- Results (Unaudited & Audited) are promptly uploaded at [www.hbstockholdings.com](http://www.hbstockholdings.com) for display and for the information of the members of the company.
- Company's website displays official news releases and also 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.

##### General Shareholder Information:

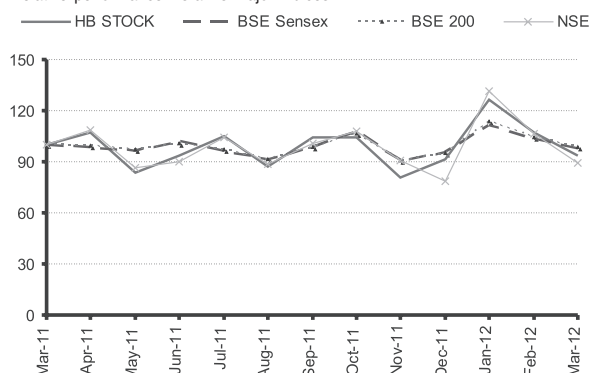
- Ensuing Annual General Meeting Day, Date, time and venue:  
Date : 29<sup>th</sup>, August 2012  
Time : 11.00 A. M.  
Venue : GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon- 122 001 (Haryana)
- Financial Year : 1<sup>st</sup> April 2011- 31<sup>st</sup> March 2012
- Date of Book Closure: 23<sup>rd</sup> August, 2012 to 29<sup>th</sup> August, 2012 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 31-03-2012; 1,96,84,064 Equity Shares constituting 82.73% 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 and volume of shares traded 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-11	18.55	15.60	16.70	34582	18.70	15.35	16.80	56717
May-11	17.45	12.60	14.00	39038	17.45	12.05	14.50	29109
Jun-11	14.90	12.50	13.10	58069	15.90	11.70	13.05	37353
Jul-11	15.40	12.55	13.74	86243	15.50	12.10	13.60	51081
Aug-11	13.98	10.05	12.00	121197	13.80	9.50	12.00	29242
Sep-11	14.74	11.75	12.55	36457	15.50	11.30	12.10	15782
Oct-11	14.00	11.50	13.06	17732	14.50	11.00	13.05	12485
Nov-11	14.20	10.50	10.53	39925	14.00	10.50	11.85	32253
Dec-11	11.20	9.11	9.61	21082	12.35	9.10	9.30	10196
Jan-12	12.57	9.94	12.16	54597	12.35	9.35	12.20	47329
Feb-12	14.69	11.64	13.02	74231	14.25	12.00	13.00	29712
Mar-12	15.40	11.50	12.20	1068307	14.70	11.20	11.65	22793



## HB STOCKHOLDINGS LIMITED

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



(X) Stock Performance-Absolute returns vis-à-vis Major Indices during the year under review  
 HB Stock : (-) 36.88 %  
 BSE Sensex : (-)9.95 %  
 BSE 200 : (-)9.53 %

XI. The distribution of shareholdings of the company as on 31st March 2012 is as under:

No of Shares	Shareholders		Shareholding	
	Nos.	% to total	Shares	% to total
1-500	73423	98.31	6000598	25.22
501-1000	713	0.95	544963	2.29
1001-2000	280	0.37	408071	1.71
2001-3000	88	0.12	222879	0.94
3001-4000	36	0.05	128855	0.54
4001-5000	28	0.04	125875	0.53
5001-10000	52	0.07	360669	1.52
10001 and above	67	0.09	16000308	67.25
<b>TOTAL</b>	<b>74687</b>	<b>100.00</b>	<b>23792218</b>	<b>100.00</b>

The category-wise distribution of Shareholding as on 31st March, 2012 is as follows:

Category	No. of Shares held	% of Shareholding
<b>A. PROMOTERS HOLDING</b>		
1. Indian Promoter	12555621	52.77
2. Foreign Promoters	0	0.00
<b>B. PUBLIC SHAREHOLDING</b>		
1. Institutional	28790	0.12
2. Non- Institutional	11207807	47.11
<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	211	22,794	100
31 & Above	—	—	—

Demat Period	No of cases	No of Shares	% to Shares
1-15	949	102143	100
16 & Above	—	—	—

XIV The status of Investor's Grievance Redressal during the year 1-04-2011 to 31-03-2012 is as under:

Grievance / Query received from	Received	Disposed off
Investors	77	77
Stock Exchange(s)	03	03
SEBI	04	04
NSDL	00	00
<b>Total</b>	<b>84</b>	<b>84</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.**

"HB House" 31, Echelon Institutional Area

Sector-32, Gurgaon- 122 001 (Haryana)

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

**For HB STOCKHOLDINGS LIMITED**

Place : Gurgaon  
 Date : 25th May, 2012

**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 2012, 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, 2012 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 : 25th May, 2012

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





## HB STOCKHOLDINGS LIMITED

### AUDITOR'S REPORT

#### THE MEMBERS OF HB STOCKHOLDINGS LIMITED

We have audited the attached Balance Sheet of **M/s. HB STOCKHOLDINGS LIMITED** as at 31<sup>st</sup> March, 2012, the statement of Profit and Loss and the cash flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the company so far, as appears from our examination of the said books;
  - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the accounting Standards referred to in Sub Section (3C) of section 211 of the Companies Act, 1956.
  - e) As informed and explained to us, none of the directors of the company is disqualified as on 31<sup>st</sup> March, 2012 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and notes thereon (particularly Note No.9.8 and Note No.31) give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
    - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March, 2012 and
    - b) In the case of the Statement of Profit & Loss of the Profit for the year ended on that date and
    - c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

(AMIT GOEL)  
PARTNER  
(Membership No. 92648)

Place : Gurgaon  
Dated : 25th May, 2012

#### ANNEXURE TO AUDITORS' REPORT

##### Re: HB Stockholdings Ltd.

Referred to in Paragraph 1 of our report of even date for the year ended 31<sup>st</sup> March, 2012

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. As explained to us, the management during the year has physically verified the fixed assets in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year that would affect going concern status of the Company.
2. a. As explained to us, inventories (Investments) have been physically verified by the management at reasonable intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories (Investments) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventories. As explained to us the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the accounts.
3. a. The company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. However advances in the nature of Loans amounting to ₹ 5,18,19,436/- is outstanding recoverable as at the year end from two companies, both wholly owned subsidiaries of the company. The amount granted during the year is ₹ 1,51,32,511/- and maximum amount outstanding during the year was ₹ 5,18,19,436/-
- b. The aforesaid advances granted by the Company are interest free. In our opinion and according to the information and explanations given to us, other terms and conditions of aforesaid advances are not prima facie prejudicial to the interest of the Company.
- c. There are no stipulations in writing as to the repayment of aforesaid advances.
- d. In respect of aforesaid advances given by the Company, as explained to us, there are no overdue amounts.
- e. During the earlier year the company had taken loan of ₹ 9, 00,00,000/- from one company listed in the register maintained under section 301 of the Companies Act, 1956, which has been repaid back during the year. The maximum amount involved during the year was ₹ 9,00,00,000/- and outstanding as at the year-end is ₹ NIL/-.
- f. The rate of interest and other terms and conditions of this loan are, in our opinion,

prima facie not prejudicial to the interest of the company

- g. The payment of principal amounts and interest in respect of such loan had been regular/as per stipulation.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and sale of goods. During the year there was no sale of services. During the course of our audit, we have neither come across nor we have been informed of any instance of major weakness in the aforesaid internal control system.
5. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into in the register required to be maintained under that section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the market price prevailing at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion the internal audit system of the Company is commensurate with its size and nature of its business.
8. The nature of the company's business/activities is such that Clause 4(viii) of the Companies (Auditor's Report) Order 2003 regarding maintenance of Cost Records is not applicable to the company.
9. a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues to the extent and as applicable to the company have been generally regularly deposited by the company during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2012 for a period of more than six months from the date of becoming payable.
- b. The disputed statutory dues aggregating to ₹ 82,53,941/- that have not been deposited on account of matters pending before appropriate authorities are as under:

Sr. No.	Name of the statute	A.Y.	Nature of the Dues	Forum where Dispute is pending	Amount (Rs.)
1.	Income Tax Act, 1961	2001-02	Income Tax	Commissioner of Income Tax (Appeal)	38,55,091/-
2.	Income Tax Act, 1961	2002-03	Income Tax (Penalty)	Commissioner of Income Tax (Appeal)	24,10,470/-
3.	Income Tax Act, 1961	2005-06	Income Tax (Penalty)	Commissioner of Income Tax (Appeal)	8,94,298/-
4.	Income Tax Act, 1961	2006-07	Income Tax (Penalty)	Commissioner of Income Tax (Appeal)	10,94,082/-
			<b>TOTAL</b>		<b>82,53,941/-</b>

10. The accumulated losses of the company at the end of financial year are less than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. In our opinion and according to the information and explanation given to us, no loan & advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) order 2003 is not applicable to the company.
14. The Company has maintained proper records of transactions and contracts in respect of trading (Investments) in securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name except for certain shares/debentures that are pledged or given as margin or which are under process of transfer or are pending for rectification of bad deliveries.
15. The company has given guarantees in respect of loans taken from bank by two companies. In the opinion of management, as explained in note no. 19 (b), the terms and conditions of guarantees given are not prejudicial to the interest of the company. *However, we are unable to comment about the same.*
16. The Company has not raised any term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company and considering the activities of the company, we report that the funds raised on short-term basis have not been used for long term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. No debentures have been issued by the company and hence the question of creating securities in respect thereof does not arise.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

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

(AMIT GOEL)  
PARTNER  
(Membership No. 92648)

Place : Gurgaon  
Dated : 25th May, 2012