



**BOARD OF DIRECTORS**

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

**CHIEF FINANCIAL OFFICER**

Mahesh Kumar Gupta

**COMPANY SECRETARY**

Anil Kumar Mittal

**AUDITORS**

**P. Bholusaria & Co.**

Chartered Accountants  
26/11, Shakti Nagar,  
Delhi - 110 007

**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**

**RCMC Share Registry Pvt. Ltd.**

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

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# HB STOCKHOLDINGS LIMITED

## NOTICE

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

Day : Thursday  
Date : 11th September, 2008  
Time : 10:00 A.M.  
Place : GIA House I.D.C. Mehrauli Road, Opp. Sector 14 Gurgaon-122001 Haryana to transact the following business:

### AS ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
- To appoint Director in place of Mr. Gulshan Rai who retires by rotation and being eligible offers himself for reappointment.
- To appoint Director in place of Mr. Harbans Lal who retires by rotation and being eligible offers himself for reappointment.
- To appoint Auditors and to fix their remuneration.

### AS SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the Resolution passed by the Board and subject to the provisions of Sections 269, 198 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, consent, approval and permission of the members be and is hereby accorded to the revision in the remuneration payable to Mr. Jag Mohan Lal Suri, Executive Director, with effect from 1st April, 2007, to 30th June 2008 (end of his current tenure) as approved by the Board in their meeting held on 12th January 2008, and as set out in the Explanatory Statement accompanying this Notice”.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to revise the remuneration payable to Mr. Jag Mohan Lal Suri Executive Director in accordance with the applicable provisions of the Companies Act, 1956 and also to do any other acts and deeds as may be necessary and incidental in the matter.”

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

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

### DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT

Name of the Director	Mr. Gulshan Rai	Mr. Harbans Lal
Date of Birth	01-04-1934	28th February 1942
Profile/Expertise in specific functional areas	A practicing Chartered Accountant having experience in the field of Financial Management, Management, Management Control Systems, Corporate Planning, Business Restructuring etc.	Sh. Harbans Lal is having enormous experience as a Banker and has been with State bank of India for 36 year. He retired as a Chief General Manager.
Qualifications	Chartered Accountant	M.A. Public Administration CAIIB
List of other private/public companies in which directorship held as on 31.3.2008	1. HB Stockholdings Ltd. 2. Unicom Services Pvt. Ltd. 3. Sai Beverages Pvt. Ltd.	• HB Stockholdings Ltd
Chairman/Member of the Committees of the Board of the other companies in which he is a director as on 31.3.2008	<u>Audit Committee (Chairman)</u> — HB Stockholdings Ltd. <u>Remuneration Committee (Member)</u> — HB Stockholdings Ltd.	<u>Audit Committee (Member)</u> — HB Stockholdings Ltd.

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

#### ITEM NO. 5

Mr. J.M.L Suri was re-appointed as Executive Director of the Company w.e.f. 1st July 2003 for a further period of 5 years and his current term expires on 30th June 2008. However the current remuneration drawn by him was fixed on 1st July 1998 and since then first revision has been made in his remuneration from 1st April, 2006.

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

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

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

mentioned in the Explanatory Statement accompanying this Notice, be and is hereby accorded and that during his tenure in the Office as Executive Director, he shall not be liable to retire by rotation.”

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

BY THE ORDER OF THE BOARD  
FOR HB STOCKHOLDINGS LTD.

Place : Gurgaon  
Date : 24<sup>th</sup> May, 2008

ANIL KUMAR MITTAL  
COMPANY SECRETARY

### NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.

- Explanatory Statement(s) pursuant to Section 173(2) in respect of the Special Business herein are annexed hereto and form part of this Notice.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 6th September, 2008 to 11th September, 2008 (both days inclusive).
- Members / Proxies should bring Attendance Slips duly filled in for attending the meeting.
- Shareholders seeking any information with regard to Accounts are requested to write to the Company Secretary at their Gurgaon address at least 7 days before the date of the meeting so as to enable the management to keep the information ready.
- Members are requested to:
  - Notify any change in their address including Pincode to the Company or to the Registrar and Share Transfer Agent of the company namely, RCMC Share Registry Pvt. Ltd., B-106, Sector-2, NOIDA – 201 301. Phones : 0120-4015880. Fax: 0120-2444346. E-mail: shares@rcmcdelhi.com Members whose shareholding is in electronic mode are requested to direct Change of Address notifications and bank particulars for receiving the dividend, if declared, through electronic credit under ECS, to their respective Depository participants.
  - Bring their copies of Annual Report with them to the meeting, as the same will not be supplied again at the Meeting as a measure of economy.
- Details of the Directors seeking appointment/reappointment in the ensuing Annual General Meeting. (Details pursuant to Clause 49 of the Listing Agreement):

### b) PERQUISITES:

- Housing:** Either one of the following:
  - The expenditure by the company on hiring accommodation for the Executive Director will be subject to the ceiling of 60% of the salary of the Executive Director, or
  - In case the accommodation provided to the Executive Director is owned by the Company, the company shall deduct 10% of the salary of the Executive Director, or
  - In case no accommodation is provided by the company to the Executive Director, House Rent Allowance @ 60% shall be paid by the company to the Executive Director.
- Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one months basic salary (Rs. 75,000/-) in a year.
- Leave Travel Concession:** Expenses incurred for self and family subject to a ceiling of one months basic salary (Rs. 75,000/-) in a year.



## HB STOCKHOLDINGS LIMITED

- iv) **Club Fees:** Fees of clubs, subject to a maximum of two clubs, with admission and life membership fees not allowed.
- v) **Personal Accident Insurance:** Premium subject to a maximum of Rs.4, 000/- per annum.
- vi) **Provident Fund:** Company's contribution towards Provident Fund, subject to a ceiling, as prescribed under the provisions of law applicable in this regard.
- vii) **Superannuation Fund:** Company's contribution towards superannuation fund, which together with the Company's contribution towards provident fund shall be subject to the provisions of law applicable in this regard.
- viii) **Gratuity:** Half month's salary for each completed year of service.
- ix) **Car and Telephone:** The Company shall provide car for use on company's business and telephone at the residence of the Executive Director. However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

### c) LEAVE

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

- d) Apart from the aforesaid salary, perquisite, allowances and benefits, the Executive Director will be entitled to reimbursement of expenses incurred in connection with business of the company.
- e) No sitting fees will be paid to the Executive Director for attending the meetings of the Board of Directors of the company or committees thereof.
- f) The appointment may be terminated by three months notice on either side or in lieu thereof three months full salary, allowances, perquisites and benefits.
- g) The above remuneration shall be payable as minimum remuneration to the Executive Director in the event of absence/inadequacy of profits in any financial year
- h) The terms and conditions of the above appointment may be altered, enhanced or varied from time to time by the Board of Directors as it may, in its discretion, deem fit, within the maximum amount payable to the Executive Director, in accordance with the provisions of Schedule XIII to the Companies Act, 1956 or any amendments made thereof hereafter.

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

### ITEM NO:6

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

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

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

### b) PERQUISITES:

- i) **Housing:** Either one of the following:
  - The expenditure by the company on hiring accommodation for the Executive Director will be subject to the ceiling of 60% of the salary of the Executive Director, or
  - In case the accommodation provided to the Executive Director is owned by the Company, the company shall deduct 10% of the salary of the Executive Director, or

- In case no accommodation is provided by the company to the Executive Director, House Rent Allowance @ 60% shall be paid by the company to the Executive Director.

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

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

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

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

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

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

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

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

### c) LEAVE:

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

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

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

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

g) The above remuneration shall be payable as the minimum remuneration to the Executive Director in the event of absence / inadequacy of profits in any of the financial years in which his terms of office continues.

h) As per Provisions of Schedule XIII, since Mr. J M L Suri has completed 70years of age hence his reappointment shall be made either with the approval of Central Government or by passing a Special resolution. Hence, the company proposes to pass Special resolution while reappointing them as Executive Director.

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

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

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

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

Place : Gurgaon  
Date : 24<sup>th</sup> May, 2008

**ANIL KUMAR MITTAL  
COMPANY SECRETARY**



# HB STOCKHOLDINGS LIMITED

## DIRECTORS' REPORT

To the Members,

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

### FINANCIAL RESULTS

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

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

### PERFORMANCE REVIEW & OUTLOOK

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

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

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

### DIVIDEND

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

### STATUTORY STATEMENTS

#### PUBLIC DEPOSITS:

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

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

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

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

#### PERSONNEL:

A list of Employee(s) who are in receipt of remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed with the report..

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA), it is hereby stated that in the preparation of the Annual Accounts for the year under review, the applicable Accounting Standards have been followed. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, at the end of the financial year and of the profit or loss of the Company for that period. That the Directors' have taken proper and sufficient care for

the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. Further, that the Directors have prepared the annual accounts on a going concern basis.

### SUBSIDIARIES OF THE COMPANY

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

### CORPORATE GOVERNANCE

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

### STATEMENT PURSUANT TO LISTING AGREEMENT

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

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

### AUDITOR AND AUDITOR'S REPORT

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

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

### DIRECTORATE

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

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

### ACKNOWLEDGEMENT

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

FOR AND ON BEHALF OF THE BOARD

Place : Gurgaon

Lalit Bhasin

Dated : 24th May, 2008

Chairman

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

Name of the Subsidiary	HB Prima Capital Ltd.	Mount Finance Ltd.
	31-03-2008	31-03-2008
<b>Financial Year of the subsidiary ended on</b>		
No. of Equity Shares held by the Holding Company as on date (Face Value - Rs.10/-)	10,00,000	8,30,006
Extent of Holding (%)	100	100
The Net Aggregate of the Profit/(Loss) of subsidiary so far as they concern the members of the company for the year 31st March 2008 (in Rs.)		
(i) for the financial year of the subsidiary	93,631.81	(306,281.12)
(ii) for the previous financial periods of the subsidiary	(496,260.18)	(4,333,158.62)
The Net Aggregate of the Profit/(Loss) of subsidiary so far as they concern the members of the company and which are dealt with the accounts of the company for the year 31st March 2008 (in Rs.)		
(i) for the financial year of the subsidiary	Nil	Nil
(ii) for the previous financial periods of the subsidiary	Nil	Nil

### ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March 2008.

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

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**1. Operating Results**

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

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

**2. Industry Trends and Business Analysis**

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

**3. Opportunities and Threats**

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

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

**4. Future Prospects and Outlook**

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

**5. Risks and concerns**

Company, being associated with capital market is mainly exposed to market risk (including liquidity risk), interest risk and credit risk. However prudent business and risk management practices followed by the company over the years helps it to manage the threats imposed by the normal industry risk factors, which inter-alia includes economic/business cycle, fluctuations in the stock prices in the market, besides the interest rate volatility, and credit risk.

**6. Internal control system and their adequacy**

The Company has adequate system of internal controls for business processes, with regard to operations, financial reporting, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibility for all managerial positions. Regular Internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening the existing control system in view of changing business needs from time to time.

**7. Financial performance**

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

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

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

**8. Human Resources**

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

**9. Cautionary Statement**

Statements in this "Management's Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include interest rates and changes in the Government regulations, direct tax regimes, economic developments and other factors such as litigation etc.

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

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Corporate Governance deals with conducting the affairs of the company in such a manner as to ensure that there is fairness to all the stakeholders and action benefit the greatest number of stakeholders. The accountability of the personal and corporate funds in a company in a more transparent and equitable manner is the essence of Corporate Governance which ensures investor protection and maximization of their wealth. The Corporate Governance is a continuing exercise.

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

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

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

6 (six) Meetings of the Board of Directors of the Company were held during the year under review (i.e. from 1.04.2007 to 31.03.2008) on 30th April 2007; 26th July 2007; 28th August 2007; 19th October 2007; 13th November 2007 and 12th January 2008. The particulars regarding composition of the Board of Directors and their attendance in the Meetings held during the year under review are given hereunder:

Name of the Director & Category	Directorships in other public companies		Committee Membership held in Other public companies		No. of Board Meetings during the year		Attended Last AGM	Shares held in the company & % to the subscribed capital
	Total	Chairman	Total	Chairman	Held	Attended		
Mr. Lalit Bhasin <i>Promoter &amp; Non-Executive</i>	14	3	3	Nil	6	5	Yes	4,84,799 (2.037%)
Mr. K. N. Malhotra <i>Independent &amp; Non Executive</i>	1	Nil	Nil	Nil	6	6	Yes	130 (Not Significant)
Mr. P. K. Mittal <i>Independent &amp; Non Executive</i>	2	Nil	Nil	Nil	6	4	No	5000 (0.02%)
Mr. Gulshan Rai <i>Independent &amp; Non Executive</i>	Nil	Nil	Nil	Nil	6	6	Yes	NIL
Mr. Anil Goyal <i>Independent &amp; Non Executive</i>	11	Nil	4	1	6	6	Yes	NIL
Mr. Harbans Lal <i>Independent &amp; Non Executive</i>	Nil	Nil	Nil	Nil	6	5	Yes	NIL
Mr. J.M.L. Suri <i>Executive Director</i>	7	Nil	3	2	6	6	Yes	1000 (Not Significant)
Mr. Vijay Sood <i>Managing Director</i>	1	Nil	Nil	Nil	6	5	Yes	Nil

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

**3. Board Committees**

As per the provisions of Clause 49 of the Listing agreement mandatory Committee's of the Board are in place and their Constitution meets fully the requirements as stipulated in the provisions. The Board of Director(s) in its Meeting held on 7th March, 2001, constituted 2 (two) Committees namely; the Audit Committee also in due compliance with Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and Shareholders/ Investors Grievance Committee. In order to comply with other requirements a Remuneration Committee has been constituted in the meeting of Board of Directors held on October 30, 2004 as required under the Listing Agreement and the Companies Act, 1956 (Schedule XIII).

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

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

Mr. Vijay Sood, Managing Director and Mr. J. M. L. Suri, Executive Director, are the two permanent invitee at the meeting of Audit Committee. The Audit Committee shall mandatory review the following information: Management discussion and analysis of financial condition and results of operations; Statement of significant related party transactions (as defined by the audit committee), submitted by the management; Management letter / letters of internal control weaknesses pointed out by the statutory auditors; Internal audit reports relating to internal control and the appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee. The Audit Committee has been empowered, inter-alia, to carry out the following functions:

- 1) To lay down, review and revise the accounting policies of the company.
- 2) To review the financial operations and performance of the company.
- 3) To review the half-yearly and annual financial accounts and other financial reports and statements, before placement thereof before the Board of Directors.
- 4) To consider and constitute sub-committees, wherever necessary for carrying out and/or monitoring the financial operations of the company.
- 5) To appoint whenever deemed expedient, an independent internal auditor to carry out continuous audit of the accounts and systems of the company, and also consider and/or review the appointment and removal of auditors of the company.
- 6) To consider and set up adequate internal control systems and review and monitor

the same in consultation with the internal auditors and the auditors of the company and ensure compliance of the same.

- 7) To receive, discuss and consider the observations and reports of the internal auditors and auditors of the company time to time.
- 8) To review and investigate on the matter of financial nature, as and when deemed necessary and expedient.
- 9) To give report and/or recommendations to the Board on the matters concerning financial operations of the company.
- 10) To consider and act on any matters as are included under Clause 49 of the Listing Agreement and/or as may be so included from time to time.

During the year under review, 4 (Four) meeting(s) of the Audit Committee were held on 30-04-2007, 26-07-2007, 19-10-2007 and on 12-01-2008. Mr. Gulshan Rai, Mr. Anil Goyal has attended all the meetings of the Audit committee whereas, Mr. Harbans Lal and Mr. P.K. Mittal attended three meeting each of the Audit Committee held during the year 2007-08.,

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

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

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

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

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



## HB STOCKHOLDINGS LIMITED

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

Director	Relationship with other Director(s)	Sitting Fees (Rs.)	Salary & Perks (Rs.)	Commission, if any
Mr. K. N. Malhotra	—	72,000	Nil	Nil
Mr. P. K. Mittal	—	57,000	Nil	Nil
Mr. Lalit Bhasin	—	50,000	Nil	Nil
Mr. J. M. L. Suri	—	Nil	15.53 Lakhs	Nil
Mr. Gulshan Rai	—	96,000	Nil	Nil
Mr. Anil Goyal	—	92,000	Nil	Nil
Mr. Harbans Lal	—	79,000	Nil	Nil
Mr. Vijay Sood	—	Nil	74.16 Lakhs	Nil

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

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

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

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

**Mr. J M L Suri:** Salary Rs.9,00,000/- and Perquisites Rs. 6.53,255/- Lakhs respectively. Besides, that both are also entitled to Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent not taxable and Gratuity and encashment of leave at the end of tenure, as per rules of the Company and to the extent not taxable.

#### 4. General Body Meetings:

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

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

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

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

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

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

#### 5. Disclosures:

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

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

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

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

#### 6. Means of Communication:

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

#### 7. General Shareholder Information:

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

#### VII. Dematerialisation of Share and Liquidity

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

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

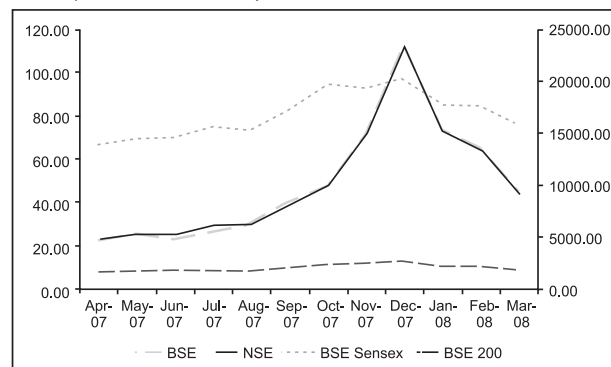
The ISIN No. allotted to Equity Shares of the Company is **INE550B01014**.

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

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

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

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





## HB STOCKHOLDINGS LIMITED

(X) Stock Performance-Absolute returns vis-à-vis Major Indices during the year under review  
 HB Stock 94.81%  
 BSE Sensex 22.10%  
 BSE 200 26.29%

XI. The distribution of shareholdings of the company as on 31st March 2008 is as under:

No of Shares	Shareholders		Shareholding	
	Nos.	% to total	Shares	% to total
1-500	82412	98.69	6703169	28.17
501-1000	666	0.80	508348	2.14
1001-2000	216	0.26	307783	1.29
2001-3000	76	0.09	190830	0.80
3001-4000	33	0.04	119359	0.50
4001-5000	19	0.02	87237	0.37
5001-10000	38	0.05	271855	1.14
10001 and above	49	0.06	15603582	65.58
TOTAL	83509	100.00	23792163	100.00

The category-wise distribution of Shareholders as on 31st March, 2008 is as follows:

Category	No. of Shares held	% of Shareholding
<b>A. PROMOTERS HOLDING</b>		
1. Indian Promoter	12063599	50.71
2. Foreign Promoters	0	0.00
<b>B. PUBLIC SHAREHOLDING</b>		
1. Institutional	421574	1.77
2. Non- Institutional	11306990	47.52
<b>GRAND TOTAL</b>	<b>23792163</b>	<b>100.00</b>

(XII) The Company has no outstanding GDR's / ADR's / Warrants or any other instruments convertible into Equity.

(XIII) Share Transfer System

Share Transfers are registered and returned within a period of 30 days from the date of receipt if the documents are complete in all respects. The authority for transfer of shares has been delegated to Executive Director for transfer of shares up to a fixed number beyond which the matters are placed before the shareholders/investors grievance Committee, which meets as and when, required. 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	2114	144000	100
31 & Above	—	—	—
Demat Period	No of cases	No of Shares	% to Shares
1-15	8031	409970	100
16 & Above	—	—	—

(XIV) The status of Investor's Grievance Redressal during the year 1-04-2007 to 31-03-2008 is as under:

Grievance / Query received from	Received	Disposed off
Investors	207	207
Stock Exchanges	07	07
SEBI	22	22
NSDL	04	04
<b>Total</b>	<b>240</b>	<b>240</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: -0124- 4015880; 0124-4015886  
 Fax : - 0124- 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)

### EXECUTIVE DIRECTOR'S DECLARATION ON CODE OF CONDUCT

To  
 The Members of  
 HB Stockholdings Limited  
 Gurgaon

I, Jag Mohan Lal Suri, Executive 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 : 24<sup>th</sup> May, 2008

J.M.L. Suri  
 Executive 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 2008, 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, 2008 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

Place : Gurgaon  
 Date : 24<sup>th</sup> May, 2008

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, 2008 and also the Profit and Loss Account and 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(as amended) 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit & Loss Account 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, 2008 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.14) 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, 2008 and
    - b) In the case of the Profit & Loss account of the Profit for the year ended on that date and
    - c) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For P. BHOLUSARIA & CO.**  
**Chartered Accountants**  
**(AMIT GOEL)**  
**PARTNER**  
**(Membership No. 92648)**

Place : Gurgaon  
Dated : 24<sup>th</sup> May, 2008

### 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, 2008

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 fixed assets have been physically verified by the management during the year 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. During the year the Company has granted loan of Rs. 8,00,00,000/- to one Company listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 8,00,00,000/-. The said loan alongwith interest thereon has been recovered during the year alongwith interest as stipulated and therefore year end balance was Nil. The terms and conditions of the this loan are not prima-facie prejudicial to the interest of the Company.
 

Other than above 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 Rs.5,38,45,144/-(Previous year Rs. 5,35,20,144/-) were outstanding recoverable as at the year end from two parties, both wholly owned subsidiaries of the company. The amount granted during the year was Rs.3,25,000/-(Previous year Rs.1,03,75,144/-) and maximum amount outstanding during the year was Rs.5,38,45,144/-(Previous year Rs.9,90,21,806/-).

  - 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. As explained to us, the same is repayable on demand.
- d. In respect of aforesaid advances given by the Company, since these are repayable on demand, therefore the question of over due amounts does not arise.
- e. The company has not taken any loans, Secured or Unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956.
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 31<sup>st</sup> March, 2008 for a period of more than six months from the date of becoming payable.
  - b. The disputed statutory dues aggregating to Rs.74,22,964/- 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 Income Tax (Appeal)	38,55,091/-
2.	Income Tax Act, 1961	1994-95	Penalty u/s 271(1)(c)	Commissioner of Income Tax (Appeal)	33,02,953/-
3.	Income Tax Act, 1961	2005-06	Income Tax	Commissioner of Income Tax (Appeal)	2,64,920/-
<b>TOTAL</b>					<b>74,22,964/-</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 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. As per the information and explanation given to us, there are no outstanding guarantees for loans taken by others from banks or financial institutions.
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**  
**(AMIT GOEL)**  
**PARTNER**  
**(Membership No. 92648)**

Place : Gurgaon  
Dated : 24<sup>th</sup> May, 2008



## HB STOCKHOLDINGS LIMITED

### BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedules	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds</b>			
Share Capital	1	243353823.00	243166634.00
Reserves & Surplus	2	1053117486.45	1030677932.67
		<b>1296471309.45</b>	<b>1273844566.67</b>
<b>Loan Funds</b>			
Secured Loans	3	152091916.72	61777223.70
Unsecured Loans		60000000.00	—
		<b>212091916.72</b>	<b>61777223.70</b>
<b>TOTAL</b>		<b>1508563226.17</b>	<b>1335621790.37</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	17861902.13	16526220.13
Less : Depreciation		9125724.43	8101686.14
Net Block		<b>8736177.70</b>	<b>8424533.99</b>
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Sundry Debtors	5	1363893666.00	980736176.50
Cash & Bank Balances	6	227128.45	0.00
Loans and Advances		8157271.69	27624314.40
		<b>132566562.30</b>	<b>81120623.31</b>
		<b>140950962.44</b>	<b>108744937.71</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Liabilities	7	76406627.84	10002370.19
Provisions		332807595.60	242182859.94
		<b>409214223.44</b>	<b>252185230.13</b>
		<b>(268263261.00)</b>	<b>(143440292.42)</b>
<b>NET CURRENT ASSETS</b>		<b>404196643.47</b>	<b>489901372.30</b>
<b>PROFIT &amp; LOSS ACCOUNT</b> (As per annexed Account)		<b>404196643.47</b>	<b>489901372.30</b>
<b>TOTAL</b>		<b>1508563226.17</b>	<b>1335621790.37</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES ON ACCOUNTS</b>			

As per our Report of even date

For P. Bholusaria & Co.  
Chartered Accountants

Amit Goel Partner	Anil Kumar Mittal Company Secretary	J.M.L. Suri Executive Director	Vijay Sood Managing Director
Place : Gurgaon	Mahesh Kumar Gupta Chief Financial Officer		
Date : 24th May, 2008			

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedules	Year Ended 31st March, 2008 (In Rs.)	Year Ended 31st March, 2007 (In Rs.)
<b>INCOME</b>			
Income from Operations & Other Income	8	165283750.34	32080269.83
<b>TOTAL</b>		<b>165283750.34</b>	<b>32080269.83</b>
<b>EXPENDITURE</b>			
Administrative & Other Expenses	9	35532548.58	13892750.38
Interest & Financial Charges	10	9404547.64	1656735.69
Depreciation		1024038.29	822304.67
<b>Total</b>		<b>45961134.51</b>	<b>16371790.74</b>
<b>Profit for the year before Taxation</b>		<b>119322615.83</b>	<b>15708479.09</b>
Provision for Taxation		—	—
— Current		(11000000.00)	(250000.00)
— Deferred		—	—
— Fringe Benefit		(225000.00)	(140000.00)
<b>Profit for the year after Taxation</b>		<b>108097615.83</b>	<b>15318479.09</b>
— Tax adjustments for earlier year		(51393.00)	655357.00
(-) Transferred to Statutory Reserve Fund		(21619523.00)	(3063696.00)
— Transitional effect on account of Accounting Standard-15 (refer note no.19(a))		(721971.00)	—
Loss brought forward from last year		(489901372.30)	(502811512.39)
<b>Balance carried to Balance Sheet</b>		<b>(404196643.47)</b>	<b>(489901372.30)</b>
<b>Earning per Share (in Rs.)</b>			
— Basic		4.54	0.63
— Diluted		4.25	0.63
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES ON ACCOUNTS</b>			

As per our Report of even date

For P. Bholusaria & Co.  
Chartered Accountants

Amit Goel Partner	Anil Kumar Mittal Company Secretary	J.M.L. Suri Executive Director	Vijay Sood Managing Director
Place : Gurgaon	Mahesh Kumar Gupta Chief Financial Officer		
Date : 24th May, 2008			

### SCHEDULE '1': SHARE CAPITAL

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>AUTHORISED CAPITAL</b>		
7,00,00,000 Equity Shares of Rs.10/- each	700000000.00	700000000.00
3,00,00,000 Redeemable Preference Shares of Rs.10/- each.	300000000.00	300000000.00
	<b>1000000000.00</b>	<b>1000000000.00</b>
<b>ISSUED</b>		
2,54,43,257 Equity Shares of Rs. 10/- each Fully paid up	25,44,32,570.00	24,44,32,570.00
<b>SUBSCRIBED AND PAIDUP</b>		
2,37,92,163 (Previous Year 2,54,43,257)		
Equity shares of Rs.10/- each Fully Paid up	237921630.00	254432570.00
Less : Allotment Money Receivable (Other than Directors)	0.00	(11265936.00)
	<b>237921630.00</b>	<b>243166634.00</b>
Add : Forfeited Shares (Amount originally paid up)	5432193.00	—
<b>TOTAL</b>	<b>243353823.00</b>	<b>243166634.00</b>

### SCHEDULE '2': RESERVES AND SURPLUS

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>(A) SHARE PREMIUM ACCOUNT</b>		
As per Last Account	998869038.22	998869038.22
Add: Recovery of Allotment Money during the year	820030.78	—
<b>Total - (A)</b>	<b>999689069.00</b>	<b>998869038.22</b>
<b>(B) INVESTMENT ALLOWANCE RESERVE (UTILISED) ACCOUNT</b>		
As per Last Account	477000.00	477000.00
<b>Total - (B)</b>	<b>477000.00</b>	<b>477000.00</b>
<b>(C) STATUTORY RESERVE FUND (*)</b>		
As per last Account	31331894.45	28268198.45
Add: Transferred from Profit & Loss Account	21619523.00	3063696.00
<b>Total - (C)</b>	<b>52951417.45</b>	<b>31331894.45</b>
<b>Total (A+B+C)</b>	<b>1053117486.45</b>	<b>1030677932.67</b>

(\*) Created pursuant to The Reserve Bank of India (Amendment) Act, 1997



# HB STOCKHOLDINGS LIMITED

## SCHEDULE '3': LOAN FUNDS

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>(A) SECURED LOAN</b>				
From Body Corporate (Against pledge of securities)	150000000.00	60000000.00		
From Banks (secured by hypothecation of vehicle financed) (repayable with in a year Rs.830456/-, Previous year Rs.802011/-)	2091916.72	1777223.70		
<b>Total-A</b>	<b>152091916.72</b>	<b>61777223.70</b>		
<b>(B) UNSECURED LOAN</b>				
From Body Corporate			60000000.00	—
<b>Total-B</b>			<b>60000000.00</b>	—
<b>Total (A+B)</b>			<b>212091916.72</b>	<b>61777223.70</b>

## SCHEDULE '4': FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening As at 01.04.2007 (In Rs.)	Addition during the year (In Rs.)	Sales/Adj during the year (In Rs.)	Total As at 31.03.2008 (In Rs.)	Upto 31.03.2007 (In Rs.)	For the year (In Rs.)	Adjustments (In Rs.)	Total upto 31.03.2008 (In Rs.)	As at 31.03.2008 (In Rs.)	As at 31.03.2007 (In Rs.)
Office Equipment	1878150.83	35640.00	—	1913790.83	941616.90	89598.12	—	1031215.02	882575.81	936533.93
Vehicles	4506982.22	1213542.00	—	5720524.22	1015928.46	443652.87	—	1459581.33	4260942.89	3491053.76
Furniture & Fixture	6590883.08	—	—	6590883.08	3214636.60	417202.90	—	3631839.50	2959043.58	3376246.48
Data Processing										
Machinery	2804377.00	86500.00	—	2890877.00	2618318.85	38157.62	—	2656476.47	234400.53	186058.15
Air Conditioners	680867.00	—	—	680867.00	268790.20	32341.18	—	301131.38	379735.62	412076.80
Generator Set	64960.00	—	—	64960.00	42395.13	3085.60	—	45480.73	19479.27	22564.87
<b>Total</b>	<b>16526220.13</b>	<b>1335682.00</b>	<b>—</b>	<b>17861902.13</b>	<b>8101686.14</b>	<b>1024038.29</b>	<b>—</b>	<b>9125724.43</b>	<b>8736177.70</b>	<b>8424533.99</b>
Previous Year	14482375.13	2043845.00	—	16526220.13	7279381.47	822304.67	—	8101686.14	8424533.99	7202993.66

## SCHEDULE '5': INVESTMENTS

Name of the Company	Face Value	Balance as at 31st March, 2008		Balance as at 31st March, 2007	
	(In Rs.)	Qty.(Nos.)	Amount (In Rs.)	Qty.(Nos.)	Amount (In Rs.)
<b>(A) CURRENT INVESTMENTS - TRADE</b>					
<b>QUOTED FULLY PAID UP EQUITY SHARES</b>					
ABC PAPER LIMITED	10	800	11200.00	—	—
AHLUWALIA CONTRACTS (INDIA) LIMITED	2(10)	84950	17697316.19	4000	50857.20
AHLCON PARENTAL LIMITED	10	775	47945.00	—	—
AMRIT BANASPATI COMPANY LIMITED	10	400	5600.00	1600	22400.00
AMRIT CORP. LIMITED	10	400	5600.00	—	—
ANSAL BUILDWELL LIMITED	10	20000	2556620.15	20000	2556620.15
ARVIND LIQUID GASES LIMITED	10	10000	182500.00	10000	182500.00
ASHOK LEYLAND LIMITED	1	200	7602.83	120200	5012773.67
B S REFRIGERATORS LIMITED	10	—	—	100	1339.90
BALMER & LAWRIE LIMITED	10	—	—	39674	20230054.13
BARODA RAYON CORPORATION LIMITED	10	—	—	115	74175.00
BEE ELECTRONIC MACHINES LIMITED	10	—	—	300	9368.38
BHAGWATI INDUSTRIES LIMITED	10	—	—	32	160.32
BHARAT ELECTRICALS LIMITED	10	—	—	5000	7068113.05
BHARAT HOTELS LIMITED	10	300	6751.76	300	6751.76
CEAT LIMITED	10	112	4481.66	150	5975.55
CENTURY TEXTILES LIMITED	10	2500	2728726.36	—	—
CIBA SPECIALITY LIMITED	10	50	500.00	50	500.00
COMPACT DISC INDIA LIMITED	10	40000	924564.36	47400	1095608.77
DATAPRO INFORMATION TECHNOLOGY LIMITED	2	—	—	40500	108945.00
DCM SHRIRAM CONSOLIDATED LIMITED	10	72845	7202668.38	75115	7427118.34
DESIGN AUTO SYSTEMS LIMITED	10	671400	3953866.50	671400	3953866.50
DIGITAL WORLD INDIA LIMITED	10	162400	3136228.37	162400	3136228.37
GERMAN REMEDIES LIMITED	10	—	—	250	91357.50
GODFREY PHILIP LIMITED	10	—	—	5404	7149483.57
GSAL(INDIA) LIMITED.	10	8120	4060.00	8120	4060.00
GREAVES COTTON LIMITED.	10	—	—	550	51479.38
GUJARAT TELEPHONE CABLES LIMITED	10	—	—	22600	994400.00
HARYANA PETROCHEMICALS LIMITED	10	9050	212191.59	9050	212191.59
HB ESTATE DEVELOPERS LIMITED (*)	10	150000	1500000.00	150000	1500000.00
HB LEASING & FINANCE CO LIMITED	10	43200	1186049.57	43200	1186049.57
HB PORTFOLIO LIMITED (*)	10	100000	1000000.00	100000	1000000.00
HINDALCO INDUSTRIES LIMITED	1	—	—	37500	6491892.25
HINDUSTAN ENGINEERING & INDUSTRIES LIMITED	10	3085	41999.15	3085	41999.15
HINDUSTAN OIL EXPLORATION COMPANY LIMITED	10	449	35466.53	208	7269.53
HINDUSTHAN SAMAC LIMITED	10	—	—	20	20.00
HOUSE OF PEARL FASHION LIMITED	10	—	—	17500	7174266.37
HOTLINE GLASS LIMITED	10	166382	552770.07	166382	552770.07
HOTLINE TELETYPE & COMPONENTS LIMITED	10	344400	9751268.09	350072	9911863.89
ICP SECURITIES LIMITED	10	1800	18000.00	1800	18000.00
IEC SOFTWARE LIMITED	10	—	—	26266	290996.60
INDIAN PETROCHEMICALS CORPORATION LIMITED	10	—	—	5000	1366161.09
INDIAN HOTELS LIMITED	1	5000	677876.65	77500	9244333.31



Name of the Company	Face Value (In Rs.)	Balance as at 31st March, 2008		Balance as at 31st March, 2007	
		Qty.(Nos.)	Amount (In Rs.)	Qty.(Nos.)	Amount (In Rs.)
IST LIMITED	10	—	—	5496	124824.63
INDIA CEMENT LIMITED	10	—	—	50000	8141627.21
INDIABULLS FINANCIAL SERVICES LIMITED	2	—	—	40000	12837419.24
INDIABULLS REAL ESTATE LIMITED	10	—	—	37500	12035080.54
INFORMATION TECHNOLOGIES LIMITED	5	—	—	10000	4296256.50
ISPAT PROFILES INDIA LIMITED	10	10000	235020.00	10000	235020.00
ITC LIMITED	1	—	—	50000	7246899.67
JULLUNDUR ELECTRONICS LIMITED	10	—	—	124	124.00
J P HYDRO LIMITED	10	—	—	11000	349137.71
JAI CORP. LIMITED	1	10074	10366167.29	—	—
KERALA CHEMICALS & PROTEINS LIMITED	10	48415	1953389.51	83400	3364921.72
KIRAN OVERSEAS EXPORTS LIMITED	10	10000	335000.00	10000	335000.00
LANXESS ABS LIMITED	10	—	—	30134	5327276.54
LCC INFOTECH LIMITED	2	56300	387984.18	56300	387984.18
LUNAR DIAMONDS LIMITED	10	21000	439065.00	21000	439065.00
MACHINO PLASTICS LIMITED	10	—	—	7934	79248.50
MALANPUR STEEL LIMITED	10	10814	147220.41	10814	147220.41
MALWA COTTON SPINNING MILLS LIMITED	10	19300	2284158.97	21299	2520741.03
MAWANA SUGAR LIMITED	10	45773	7898348.42	109915	9483479.33
MEGA SOFT LIMITED	10	32500	3774848.02	—	—
MICRO INKS LIMITED	10	26632	11614756.60	—	—
MILKFOOD LIMITED	10	3800	34200.00	3800	34200.00
NAHAR INVESTMENTS & HOLDING LIMITED	5	88081	3499936.73	88081	3499936.73
NAHAR CAPITAL & FINANCIAL SERVICES LIMITED	10	1618	182603.13	—	—
NAHAR SPINNING MILLS LIMITED	5	143482	14664121.60	70824	6682485.13
NIIT LIMITED	2	115000	16716057.33	—	—
NOVA IRON & STEEL LIMITED	10	—	—	500	5000.00
NUCHEM LIMITED	10	64755	168363.00	64755	168363.00
ORISSA EXTRUSIONS LIMITED	10	10728	21456.00	10728	21456.00
ORKAY INDUSTRIES LIMITED	10	135650	3152052.50	135650	3152052.50
OSWAL AGRO MILLS LIMITED	10	—	—	756339	14322765.14
PADMINI TECHNOLOGIES LIMITED	10	—	—	40184	316726.14
PARSVNATH DEVELOPERS LIMITED	10	92545	33100721.80	77154	26789534.92
PASUPATI SPINNING & WEAVING MILLS LIMITED	10	—	—	52000	3278387.50
PATHREJA FORGINGS LIMITED	10	1000	19325.51	1000	19325.51
PBA INFRASTRUCTURE LIMITED	10	—	—	15854	1646480.28
PHOENIX INTERNATIONAL LIMITED	10	14400	900000.00	14400	900000.00
PILANI INVESTMENT& INDUSTRIES CORPORATION LTD	10	250	251006.25	250	251006.25
POLYCHEM LIMITED	10	125	501825.00	125	501825.00
PREMIER VINYL LIMITED	10	—	—	10150	120370.18
PRISM MILLS LIMITED	10	10000	187500.00	10000	187500.00
PUNJAB WIRELESS LIMITED	10	100	6100.00	100	6100.00
RAMA VISION LIMITED	10	18300	553061.47	18300	553061.47
RATTAN VANASPATI LIMITED	10	—	—	72100	721000.00
RELIANCE CAPITAL LIMITED	10	4	1909.99	4	1909.99
RELIANCE COMMUNICATIONS LIMITED	5	85	41183.15	85	23855.39
RELIANCE ENERGY LIMITED	10	—	—	6	2678.08
RELIANCE INDUSTRIES LIMITED	10	85	95004.54	85	95004.54
RELIANCE PETROLEUM LIMITED	10	—	—	25000	1801427.42
RPG LIEF SCIENCE LIMITED	10	—	—	25000	2341926.21
R SYSTEMS INTERNATIONAL LIMITED	10	—	—	28000	5848367.42
SAHARANPUR ELECTRICALS LIMITED	10	—	—	134	134.00
SAJJAN UDYOG EXPORTS LIMITED	10	23600	590000.00	23600	590000.00
SAVANI FINANCIALS LIMITED	10	7000	140000.00	7000	140000.00
SHARP INDUSTRIES LIMITED	10	—	—	6400	103084.06
SHREE PRECOATED STEELS LIMITED	10	—	—	12500	6324758.31
SHREYANS INDUSTRIES LIMITED	10	5600	96872.57	5600	96872.57
SIEL LIMITED	10	—	—	13	325.10
SRI VASAVI INDUSTRIES LIMITED	10	10890	584631.48	10890	584631.48
STI GRANITE INDIA LIMITED	10	2000	34000.00	2000	34000.00
SUBEX AZURE SYSTEM LIMITED	10	25161	14414392.45	17000	12027347.19
TATA STEEL LIMITED	10	—	—	12500	5791320.19
THERMAX LIMITED	2	2000	77214.58	2000	77214.58
TOP LINE SHOES LIMITED	10	—	—	10000	245000.00
UFLEX LIMITED	10	170227	33925246.00	484808	99069165.37
UNIMERS INDIA LIMITED	10	1732	444464.00	5775	444464.00
UNITED PRESS OF INDIA LIMITED	10	—	—	5	5.00
UNITECH LIMITED	2	642072	246879007.26	90172	35253108.45
UNIVERSAL PRIME ALUMINIUM LIMITED	10	23820	868067.16	23820	868067.16
U P HOTELS LIMITED	10	1900	136630.42	1900	136630.42
USHA INTERNATIONAL LIMITED	10	6830	934732.60	13000	1779139.64
VOLTAS LIMITED	1	—	—	93500	8737102.46
		<b>3812266</b>	<b>466109498.13</b>	<b>5130850</b>	<b>411178390.95</b>
<b>UNQUOTED FULLY PAID UP EQUITY SHARES</b>					
CHI INVESTMENTS LTD	10	37	1493.89	—	—
KESORAM TEXTILE LIMITED	10	172	4161.48	172	4161.48
NAHAR CAPITAL & FINANCIAL SERVICES LIMITED	10	—	—	1618	182603.13
		<b>209</b>	<b>5655.37</b>	<b>1790</b>	<b>186764.61</b>
<b>UNQUOTED PARTLY PAID UP EQUITY SHARES</b>					
RATHI ALLOYS & STEELS LIMITED	10	46293	694395.00	46293	694395.00
		<b>46293</b>	<b>694395.00</b>	<b>46293</b>	<b>694395.00</b>



## HB STOCKHOLDINGS LIMITED

Name of the Company	Face Value (In Rs.)	Balance as at 31st March, 2008		Balance as at 31st March, 2007	
		Qty.(Nos.)	Amount (In Rs.)	Qty.(Nos.)	Amount (In Rs.)
<b>UNQUOTED FULLY PAID PREFERENCE SHARES</b>					
ESSAR STEEL LIMITED	10.00	—	—	360	3600.00
		—	—	360	3600.00
<b>FULLY PAID UP DEBENTURES</b>					
HDC LIMITED 14% PCD IX-SERIES	50	440	17600.00	440	17600.00
SHREYANS INDUSTRIES LIMITED 14% NCD	100	1120	112000.00	1120	112000.00
		1560	129600.00	1560	129600.00
<b>UNQUOTED MUTUAL FUND</b>					
HDFC CASH MANAGEMENT - SAVINGS PLAN (DDR)	10	—	—	3762545	40019933.97
		0	0.00	3762545	40019933.97
<b>TOTAL - (A)</b>		<b>3860328</b>	<b>466939148.50</b>	<b>8943398</b>	<b>452212684.53</b>
<b>(B) LONG TERM INVESTMENTS</b>					
<b>QUOTED (TRADE) FULLY PAID UP EQUITY SHARE</b>					
BELL CERAMICS LIMITED	10	913685	18403229.18	508987	16258725.84
CHEMPLAST SANMA LIMITED	1	500000	4091959.38	2515349	20710874.40
CROMPTON GREAVES LIMITED	2	35000	1353835.30	35000	1353835.30
DCM SHRIRAM INDUSTRIES LIMITED	10	3704808	412901415.94	1309576	172253682.90
GREAVES COTTON LIMITED	10	83000	28225970.16	82512	28227556.11
JAIPRAKASH ASSOCIATES LIMITED	2(10)	12899550	101855949.17	2754526	108749863.47
JAYPEE HOTEL LIMITED	10	215373	40194143.08	—	—
MAWANA SUGAR LIMITED	10	60491	15994478.04	—	—
ORISSA SPONGE IRON & STEEL LIMITED	10	176654	93472842.77	—	—
RUCHI INFRA LIMITED	1	—	—	179958	5341013.43
RRB SECURITIES LIMITED	10	100000	10000000.00	100000	10000000.00
SIEL LIMITED	10	—	—	181473	15994478.04
SOUTHERN IRON LIMITED	10	—	—	8052	218901.85
SSI LIMITED	10	36740	5333983.85	—	—
VENKAT PHARMA LIMITED	10	41790	2124442.63	41790	2124442.63
		18767091	733952249.50	7717223	381233373.97
<b>UNQUOTED (TRADE) PARTLY PAID UP EQUITY SHARE</b>					
BARODA RAYON CORPORATION LIMITED	10	—	—	20	150.00
PRAKASH INDUSTRIES LIMITED	10	—	—	5850	128700.00
<b>IN WHOLLY OWNED SUBSIDIARY COMPANIES</b>					
<b>(UNQUOTED (NON-TRADE) FULLY PAID UP EQUITY SHARES)</b>					
HB PRIMA CAPITAL LIMITED	10	1000000	25075000.00	1000000	25075000.00
MOUNT FINANCE LIMITED	10	830006	8300060.00	830006	8300060.00
<b>UNQUOTED(NON -TRADE) FULLY PAID-UP EQUITY SHARE</b>					
ASSOCIATED INFOTECH LIMITED	10	600000	45000000.00	600000	45000000.00
JAIPUR STOCK EXCHANGE LIMITED	10	324500	5841000.00	—	—
TAURUS INVESTMENT TRUST CO LIMITED	10	15430	155458.00	15430	155458.00
TAURUS ASSET MANAGEMENT CO LIMITED.	10	2525000	18634750.00	2525000	18634750.00
HB TELECOMMUNICATION LIMITED	10	100	1000.00	100	1000.00
HB INSURANCE ADVISER .LIMITED	10	15000	150000.00	15000	150000.00
HARSAI INVESTMENTS LIMITED	10	200000	2000000.00	200000	2000000.00
Q R PROPERTIES PVT LIMITED	10	4500	45000.00	4500	45000.00
PISCES PORTFOLIOS PVT. LIMITED.	10	2290000	24900000.00	2290000	24900000.00
SOVIKA INFOTEK LIMITED	10	400000	12000000.00	400000	12000000.00
<b>UNQUOTED(NON -TRADE) FULLY PAID-UP PREFERENCE SHARE</b>					
HB GROWTH FUND LIMITED	10	50000	500000.00	50000	500000.00
HB SECURITIES LIMITED (*) (6% REDEEMABLE CUMMULATIVE)	1000	10000	10000000.00	—	—
HB TELECOMMUNICATION LIMITED	10	40000	400000.00	40000	400000.00
<b>UNQUOTED(NON -TRADE) -EQUITY SHARE APPLICATION</b>					
CORE TELECOM PRIVATE LIMITED	10	850000	8500000.00	850000	8500000.00
FALCON PORTFOLIO PRIVATE LIMITED.	10	150000	1500000.00	150000	1500000.00
<b>TOTAL - (B)</b>		<b>28071627</b>	<b>896954517.50</b>	<b>16693129</b>	<b>528523491.97</b>
<b>TOTAL - (A + B)</b>		<b>31931955</b>	<b>1363893666.00</b>	<b>25636527</b>	<b>980736176.50</b>

### Notes:

- (1) Aggregate Cost of Quoted Investments Rs.120,00,61,748/- (Previous Year Rs.79,33,64,611/-)
  - (2) Market Value of Quoted Investments Rs.377,25,41,662/- (Previous Year Rs.199,15,45,013/-)
  - (3) Aggregate Cost of Unquoted Investments Rs.16,38,31,918/- (Previous Year Rs.18,73,71,566/-)
  - (4) Shares costing Rs.29,53,74,141/- (Previous year Rs.9,37,77,596/-) were lying pledged/given as margin as at the year end.
- (\*) Companies under the same management



## HB STOCKHOLDINGS LIMITED

### SCHEDULE '6' : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>A. CURRENT ASSETS</b>		
<b>a) Sundry Debtors</b>		
(Unsecured considered good unless otherwise stated)		
Considered Good:-		
— Outstanding exceeding six months	—	—
— Others	227128.45	—
<b>(b) Cash &amp; Bank Balance</b>		
Cash in hand	151230.00	686368.00
(As certified by the Management)		
Balance with Scheduled Banks		
— In Current Accounts (including Rs.42,00,000 (previous year Rs. Nil) in Escrow Account)	806041.69	18995639.01
— In Fixed Deposit	—	7869305.88
Interest accrued but not due on above	—	73001.51
<b>Total 'A'</b>	<b>8384400.14</b>	<b>27624314.40</b>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, Considered good, unless otherwise stated)		
<b>(a) Inter Corporate Deposit (including interest receivable Rs.9,30,629/- (previous year Rs 756882/-) - Standard</b>	<b>10930629.00</b>	<b>10756882.00</b>
<b>(b) Dividend Receivable</b>	<b>159792.00</b>	<b>204450.00</b>
<b>(c) Advances Recoverable in cash or in kind or for value to be received-Standard</b>	<b>56714580.33</b>	<b>56216527.18</b>
<b>(d) Advance Tax &amp; Tax Deducted at Source</b>	<b>23517618.40</b>	<b>11906966.26</b>
<b>(e) Security Deposits with Govt. Department and others (including margin Deposit paid)</b>	<b>41243942.57</b>	<b>2035797.87</b>
<b>Total 'B'</b>	<b>132566562.30</b>	<b>81120623.31</b>
<b>Total 'A'+ 'B'</b>	<b>140950962.44</b>	<b>108744937.71</b>

### SCHEDULE '7': CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
<b>(A) CURRENT LIABILITIES</b>		
<b>i) Sundry Creditors</b>		
— Due to Micro and Small Enterprises	—	—
— Others	2095843.84	8975840.81
<b>ii) Advance received</b>	<b>7000000.00</b>	<b>—</b>
<b>iii) Other Liabilities</b>	<b>1344000.00</b>	<b>366738.38</b>
<b>iv) Interest accrued but not due on loan</b>	<b>2966784.00</b>	<b>659791.00</b>
<b>Total - A</b>	<b>76406627.84</b>	<b>10002370.19</b>
<b>(B) PROVISIONS</b>		
<b>i) For Income Tax</b>	<b>11000000.00</b>	<b>250000.00</b>
<b>ii) For Fringe Benefit Tax</b>	<b>225000.00</b>	<b>120000.00</b>
<b>iii) For Gratuity</b>	<b>378160.00</b>	<b>—</b>
<b>iv) For Leave Encashment</b>	<b>1180270.00</b>	<b>121271.00</b>
<b>v) For Diminution in value of Investments</b>	<b>320024165.60</b>	<b>239295695.12</b>
<b>vi) For Loss on Equity Derivative Instruments</b>	<b>0.00</b>	<b>2395893.82</b>
<b>Total - B</b>	<b>332807595.60</b>	<b>242182859.94</b>
<b>Total - (A+B)</b>	<b>409214223.44</b>	<b>252185230.13</b>

### SCHEDULE '8' : INCOME FROM OPERATIONS & OTHER INCOME

Profit/(Loss)(Net) in Securities dealing/ Equity derivative trading	(34241748.17)	(18733352.85)
Interest Income :-		
— On Fixed Deposits with banks (Tax deducted at source Rs.29,965/- (Previous Year Rs.1,08,405/-)	145465.12	483024.46
— On Inter corporate Deposit (Tax deducted at Source Rs.18,33,412/- (Previous Year Rs.4,43,838/-)	8090958.00	1998631.00
— On Margin Funding (Gross, TDS Rs. Nil)	755671.00	410639.51
— On Allotment Money received	996956.53	—
Net Gain on sale of Investments	251519843.87	165570596.03
Provision for diminution in value of Investments	(80728470.48)	(130923950.97)
Dividend Income (Gross) Tax deducted at source Rs. Nil	18745074.47	13274682.65
<b>Total</b>	<b>165283750.34</b>	<b>32080269.83</b>

### SCHEDULE "9" : ADMINISTRATIVE & OTHER EXPENSES

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
Salaries & Benefits	2303742.00	1907170.00
Managerial Remuneration	9215191.00	1222000.00
Contribution to Provident Fund & other funds	534810.00	428654.00
Directors Sitting Fees	446000.00	327000.00
Listing Fees	76500.00	76500.00
Travelling & Conveyance	1938934.45	1138303.20
Communication	338170.13	372461.18
Postage	1046640.90	679894.80
Printing & Stationery	623394.00	560377.00
Office Repairs and Maintenance	425609.40	442179.00
Vehicle running & maintenance	525954.00	317781.80
Electricity	31533.00	144036.00
Rent/Facility Charges	1979409.00	1445760.00
Insurance	52451.90	60677.00
Depository & Custodial	611410.23	219430.00
Subscription & Membership	279818.65	240346.88
Legal & Professional	8328148.00	1332733.00
Advertisement	373414.00	54751.16
Business Promotion	414949.94	335624.66
Miscellaneous	144903.57	163979.20
Bad & Doubtful Assets Written Off	1776057.69	—
Staff welfare	127339.00	189253.00
Securities Transaction Tax	3780710.72	2068258.50
<b>Auditor's Remuneration</b>		
— Audit Fees	101124.00	101016.00
— Tax Audit Fees	28090.00	28060.00
— Certification & Others	28243.00	36504.00
<b>Total</b>	<b>35532548.58</b>	<b>13892750.38</b>
<b>SCHEDULE '10' : INTEREST &amp; FINANCIAL CHARGES</b>		
On Vehicle Financed from banks	179616.64	53447.69
On Loan from Body Corporates	9224931.00	1603288.00
<b>Total</b>	<b>9404547.64</b>	<b>1656735.69</b>

### SCHEDULE '11: SIGNIFICANT ACCOUNTING POLICIES

Annexed to and forming part of the Statement of Accounts for the year ended 31.03.2008

#### A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS :-

- The Financial Statements are prepared under the Historical Cost Convention method in accordance with the generally accepted Accounting Principles and the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### B. REVENUE RECOGNITION:-

- All Income & Expenditure are accounted for on accrual basis.
- Shares/Securities are capitalised at cost inclusive of brokerage, Service Tax, Education Cess, Depository Charges, securities transaction tax and other miscellaneous transaction charges which due to practical difficulty can not be identified/allocated to a particular transaction are charged directly to the Profit and Loss Account.
- Provision for loss in respect of Open Equity Derivative Instrument as at the Balance Sheet date is made Index-wise/Script-wise. As a matter of prudence, any anticipated profit is ignored.

#### C. FIXED ASSETS: Fixed Assets are stated at cost less depreciation.

**D. DEPRECIATION:** Depreciation is provided on Fixed Assets on Straight Line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

#### E. INVESTMENTS:-

- Investments are classified into Current Investments and Long Term Investments.
- Current Investments are valued at lower of cost or fair market value on category wise basis. Long Term Investments are valued at cost less permanent diminution, if any, on scrip wise basis. Provision for reduction/diminution in the value of Investments and reversal of such reduction/diminution are included in the Profit & Loss Account. For the purpose of disclosure and presentation in the financial statements (refer note no. 6), and in compliance with the Non-banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 :-
  - on the assets side, investments are shown at cost;
  - the diminution/depreciation is shown correspondingly under the head "Provisions" in the liabilities side in the Balance Sheet without showing it as deduction from the value of Investments.



## HB STOCKHOLDINGS LIMITED

- iii) Cost of investments is computed using the Weighted Average Method.
- F. EMPLOYEE BENEFITS :-** Employee Benefits are recognized/accounted for on the basis of revised AS-15 detailed as under :-
- Short Term Employee benefits are recognized as expense at the undiscounted amount in the Profit & Loss account of the year in which they are incurred.
  - Employee benefits under defined contribution plans comprise of contribution to Provident Fund and Superannuation. Contributions to Provident Fund are deposited with appropriate authorities and charged to Profit & Loss account. Contribution to Superannuation are funded with Life Insurance Corporation of India.
  - Employee Benefits under defined benefit plans comprise of gratuity and leave encashment which are accounted for as at the year end based on actuarial valuation by following the Projected Unit Credit (PUC) method. Liability for gratuity is funded with Life Insurance Corporation of India.
  - Termination benefits are recognized as an Expense as and when incurred.
  - The actuarial gains and losses arising during the year are recognized in the Profit & Loss account of the year without resorting to any amortization.
- G. TAXATION:-** Tax expenses for the year comprises of Current Tax and Deferred Tax charge or credit. The Deferred Tax Asset and Deferred Tax Liability is calculated by applying tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred Tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax law are recognised only if there is virtual certainty of its realisation. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Deferred Tax Assets/Liabilities are reviewed at each balance sheet date based on development during the year, further future expectations and available case laws to reassess realisation/ liabilities.
- H. IMPAIRMENT OF FIXED ASSETS :-** Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's Fixed Assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.
- Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the assets in prior years.
- I. CONTINGENCIES:-** The company creates a provision when there is present obligation as a results of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosures for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## SCHEDULE 12 - NOTES ON ACCOUNTS

### Annexed to and forming part of the Statement of Accounts for the year ended 31.03.2008

- (a) Advances recoverable includes due from subsidiary companies Rs.5,32,00,000/- (Previous year Rs.5,32,00,000/-) from HB Prima Capital Ltd., maximum balance outstanding during the year Rs.5,32,00,000/- (Previous year 5,32,00,000/-) and Rs.6,45,144/- (Previous year Rs.3,20,144/-) due from Mount Finance Ltd. Maximum balance outstanding during the year Rs.6,45,144/- (Previous year Rs.4,58,21,806/-).
- (b) Security Deposit paid shown under the head "Loan & Advances" includes due from the following companies under the same management:-

Name of Company	Amount outstanding (Rs)	Maximum amount outstanding during the year (Rs.)
HB Estate Developers Ltd.	3,45,00,000/- (Nil)	3,45,00,000/- (Nil)
HB Securities Ltd.	45,00,000/- ( Nil)	21,45,00,000/- (3,23,00,000/-)

- Loans given includes Rs. Nil (previous year Rs.Nil) due from HB Estate Developers Ltd., a company under the same management . Maximum amount outstanding at any time during the year Rs.8,00,00,000/- (Previous Year Rs.Nil).
- 2. Contingent Liability in respect of:-**
- Income Tax demand disputed Rs.74,22,964/- (Previous year Rs.2,69,35,750/-) against which appeals are pending with appropriate authorities and in respect of which the management is confident that appeals will be decided in favour of the company. The company has also filed various rectification applications. Moreover substantial refund due to the company for various years are pending adjustment against the aforesaid demand. Once the aforesaid rectification applications are disposed off and refund due to the company are adjusted, there will be no demand outstanding payable.
  - Corporate Guarantee issued to Banks on behalf of other companies amounting to Rs. Nil (Previous year Rs.8 Crores).
- 3.** In the opinion of the management, current assets, loans and advances are approximately of the value stated, if realised, in the ordinary course of the business.

- Gain on Sale of Investments (Net) as shown in Profit & Loss Account is on Trade Investments and includes Gain of Rs. 2,25,71,309/- on Current Investments (Previous Year Rs.2,72,70,650/-) and Gain of Rs. 22,89,48,535/- (Previous Year Rs.13,82,99,946/-) on Long Term Investments. Provision for diminution in value of Investments/writtenback as shown in Profit & Loss Account include Rs.2,19,65,054/- provision written back in respect of Long Term Investments (Previous year provision made Rs.10,65,37,205/-) and Rs.10,26,93,524/- provision made in respect of Current Investments (Previous Year Rs.2,43,86,746/- provision made).
- Dividend Income includes Rs. 1,28,15,959/- (Previous Year Rs 95,68,003/-) on Long Term Investments-Trade, Rs. 59,29,115/- (Previous year Rs. 37,06,680/-) on Current Investments-Trade.
- Provision for diminution in the value of Investments is charged to Profit & Loss Account and shown correspondingly under the head "Provisions" in the Balance Sheet without showing it as deduction from the value of Investments. This is being done in compliance with Non-banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007. It has no impact on the profit for the year and also on the net carried amount of the investments. Provision for diminution in value of Investments as shown in Balance Sheet includes Rs.16,72,79,057/- (Previous Year Rs. 18,92,44,111/-) on Long term Investments and Rs.15,27,45,109/- (Previous Year Rs. 5,00,51,584/-) on Current Investments
- The company is having brought forward losses under the Income Tax Act. In the absence of virtual as well as reasonable certainty of the realization and on the consideration of prudence, credit for Deferred Tax Assets has not been recognised to comply with Accounting Standard AS-22.
- Disclosure pursuant to Accounting Standard AS-19 for Leases :-**

### Operating Lease

- Particulars of the minimum lease payments under Operating Lease:-
  - Not Later than One year Rs. 1063720 /- (Previous Year Rs.3,30,400/-)
  - Later than one year but not Later than five years Rs. 967692 /- (Previous Year Rs.32,668/-)
  - Later than five years Rs. Nil (Previous Year NIL)
- Minimum lease payments recognised in the statement of profit & loss account during the year ended 31st March, 2008 is Rs. 19,79,409/- (Previous Year Rs.14,45,760/-)
- General description of the lease arrangement.
  - In respect of two agreements, the original lease was to be for a period of three years w.e.f June 2002 to May 2005, upon the expiry thereof, at the option of lessee, the lease could be extended for another term of three years at the same terms and conditions except the rent will be increased by 20%. After six years the lease will be finally terminated and premises will be vacated and handed back to the lessor.
  - In respect of third agreement, the lease is for an initial period of 3 years, which may be renewed for further period as may be mutually agreed upon.
  - Restrictions imposed by lease arrangement:-
    - The Lessee shall not sublet or otherwise part with possession of a part or whole of the premise without the previous consent in writing of the lessor.
    - The lessee shall use the premises for commercial purposes only.
    - The lease can be terminated by the lessee by serving three months notice to the lessor in respect of two agreement and one month notice in respect of third agreement.
- In the opinion of Management, the Company is mainly engaged in the activities of Sale/ Purchase of Securities in current year and all other activities are incidental to/revolve around the main business/activity and therefore there are no separate reportable segments as per Accounting Standard Segment reporting (AS-17).
- Disclosure of related party transaction in accordance with the Accounting Standard (AS-18) "Related Party Disclosures" is as per annexure attached.
- Earning per share pursuant to Accounting Standard (AS-20) "Earning Per Share".

Particulars	Current Year (Amount Rs.)	Previous Year (Amount Rs.)
Net Profit for the year as per Profit & Loss Account after Tax	10,80,97,616	1,53,18,479
Tax adjustment for earlier years	(51,393)	6,55,357
Net Profit available for Equity Share holders	10,80,46,223	1,59,73,836
Basic Earning Per Share (face value of Rs.10/- each)	2,37,92,163	2,54,43,254
Weighted Average Nos. of Equity Share Outstanding	4.54	0.63
Earning per share (Rs.)	4.25	0.63
Diluted Earning per share (Face Value of Rs.10/- each)	2,53,98,145	2,54,43,254
Weighted Average Nos. of Equity Share Outstanding	4.25	0.63
Earning per share (Rs.)	4.25	0.63

- 12. Quantitative information in respect of:-**  
Investment in securities

Particulars	As at 31st March, 2008		As at 31st March, 2007	
	Qty.(Nos.)	Amount(Rs.)	Qty.(Nos.)	Amount(Rs.)
Opening Balance	25636527	980736177	24875215	698663317
Purchases/conversions	52212246	1721357789	15210129	943536214
Sales/conversions	45916818	1589720144	14448817	827033950
Closing Balance	31931955	1363893666	25636527	980736177



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13. Disclosure pursuant to Guidance Note issued by The Institute of Chartered Accountants of India on 'Accounting for Equity Index & Equity Stock Futures & Options':-
- (a) Cash margin amounting to Rs.61,90,859/- (Rs.Nil-) on Equity Derivative instruments contracts has been paid in Cash and outstanding as at the year end. Besides, Shares having book value of Rs. 72,24,918/- (Previous year Rs.9,87,000/-) Market Value Rs.20,73,39,000/- (Previous Year Rs.1,34,67,500/-) were also given as margin at the year end.
- (b) Detail of Open Interest in Equity Stock Futures Contracts as at the year end 31st March, 2008.

Name of Equity Stock Future	No. of Contracts	Units (in Nos.) Long	Units (in Nos.) Short
IDBI Ltd	164 (82)	196800 (196800)	Nil (Nil)
Ashok Leyland Ltd.	Nil (14)	Nil (66850)	Nil (Nil)
IDFC Ltd.	126 (106)	185850 (312700)	Nil (Nil)
ITC Ltd.	89 (Nil)	100125 (Nil)	Nil (Nil)
IFCI Ltd.	103 (Nil)	202910 (Nil)	Nil (Nil)
Indian Hotel Ltd.	86 (Nil)	163314 (Nil)	Nil (Nil)
IOC Ltd.	67 (Nil)	40200 (Nil)	Nil (Nil)
JP Associates Ltd.	220 (Nil)	165000 (Nil)	Nil (Nil)
J P Hydro Ltd.	96 (16)	300000 (100000)	Nil (Nil)
MTNL	Nil (28)	Nil (44800)	Nil (Nil)

Name of Equity Stock Future	No. of Contracts	Units (in Nos.) Long	Units (in Nos.) Short
Nifty	Nil (80)	Nil (4000)	Nil (Nil)
NTPC Ltd.	Nil (15)	Nil (24375)	Nil (Nil)
Omaxe Ltd.	47 (Nil)	30550 (Nil)	Nil (Nil)
Parsvnath Developers Ltd.	336 (84)	235200 (58800)	Nil (Nil)
Reliance Energy Ltd.	36 (18)	4968 (9900)	Nil (Nil)
Ranbaxy Laboratories Ltd.	Nil (20)	Nil (16000)	Nil (Nil)
Tata Tea Ltd	Nil (54)	Nil (14850)	Nil (Nil)
Unitech Ltd.	172 (Nil)	154800 (Nil)	Nil (Nil)
Zee Television Ltd.	71 (Nil)	49700 (Nil)	Nil (Nil)

14. The company had made Investments of Rs.3,33,75,060/- (Previous Year Rs.3,33,75,060/-) in two wholly owned Subsidiary (Un-quoted) namely HB Prima Capital Ltd. and Mount Finance Ltd. These Subsidiaries have incurred losses. In the opinion of Management, no provision is required for the diminution in there value, as the same is temporary and also in view of long term/ strategic involvement of the company with these subsidiaries (also refer to note no.1(a) above).
15. Disclosure of Loans/Advances and Investments in its own shares by the listed companies, their subsidiaries, associates etc.(as certified by the Management.)

(Amount in Rs.)

S. No.	Particulars	Outstanding Balance as on 31.03.2008	Max. Balance Outstanding during the year	Outstanding as on 31.03.2007	Max. Balance outstanding during the previous year
i.	Loans & Advances in the nature of Loans to subsidiaries:- (a) Mount Finance Ltd. (b) HB Prima Capital Ltd.	6,45,144 5,32,00,000	6,45,144 5,32,00,000	3,20,144 5,32,00,000	4,58,21,806 5,32,00,000
ii.	Loans & Advances in the nature of loans to Associates.	Nil	Nil	Nil	5,00,00,000
iii.	Loans & Advances in the nature of loans where there is no repayment schedule, no interest or interest below Section 372A of the Companies Act,1956	Nil	Nil	Nil	Nil
iv.	Loans & Advances in the nature of loans to firms/ companies in which directors are interested. (a) HB Estate Developers Ltd. * Loan given at market rate of interest	Nil	Nil	Nil	Nil
v.	Investments by Loanee in the Shares of parent company and subsidiary company when the company has made loan or advance in the nature of Loan.	No. of Shares Nil	Amount Nil	No. of Shares Nil	Amount Nil

16. Particulars of Managerial Remuneration is as under:-

Particulars	Current year (Amount Rs.)	Previous year (Amount Rs.)
Salary	54,00,000	6,00,000
House Rent	30,60,000	3,60,000
Contribution to Provident and Superannuation Fund	2,45,500	1,62,000
LTA	4,25,000	50,000
Medical Reimbursement	84,691	50,000
<b>Total</b>	<b>92,15,191</b>	<b>12,22,000</b>

**Note :**

- a) The figures does not include Leave encashment & Gratuity as valuation for same is available for company as a whole.
- b) Mr. Vijay Sood has been working with the company since last year. He was made Managing Director of the company w.e.f. 30th April,2007. The above managerial remuneration include Rs.5,85,000/- for the period 01.04.2007 to 30.04.2007 i.e. for the period prior to his appointment as Managing Director.
- c) The increase in remuneration of Mr. J.M.L. Suri, Executive Director is subject to approval of members in general meeting.
17. During the year the company has forfeited 16,51,094 number of partly paid up equity shares (of the face value of Rs.10/- each) on which allotment money/calls were overdue.
18. Travelling Expenses includes Rs.12,63,296/- (Previous Year Rs.5,45,974/-) on account of Director's Travelling.
19. Disclosure pursuant to Accounting Standard - 15
- a) Consequent upon the adoption of Accounting Standard - 15 (Revised) -

Employee Benefits, in accordance with the stipulations contained therein, the company has charged Rs.7,21,971/- below the line in Profit & Loss Account towards the transitional effect of defined benefit obligation in respect of employee benefits up-to 31st March, 2007.

- b) Defined Contribution Plan

Amount recognized as expense for defined contribution plans are as under :-

Particulars	Amount (in Rs.)	Head under which shown in Profit & Loss Account
Contribution to Provident Fund	2,58,829/-	Managerial Remuneration Rs.1,10,500/- contribution to Provident Fund & other fund Rs.1,48,329/-.
Contribution to Superannuation	1,35,000/-	Managerial Remuneration

- c) Defined Benefit Plan  
Movement in net liability

Particulars	Gratuity (Funded)	Leave Encashment (unfunded)
Present value of obligations as on 01.04.07 (A)	4,62,007/-	1,21,271/-
Adjustment for increase (decrease) in opening obligation (B)	2,05,300/-	5,16,671/-
Interest Cost (C)	53,385/-	51,035/-
Current service cost (D)	1,31,247/-	2,53,383/-
Benefits paid (E)	Nil	8,003/-
Actuarial loss on obligation (F)	2,45,899/-	2,45,913/-
Present value of obligations as on 31.03.2008 (G=A+B+C+D-E+F)	10,97,838/-	11,80,270/-

d) The amounts recognized in the balance sheet and Profit & loss account are as follows:

Particulars	Gratuity (Funded)	Leave (unfunded)
Present value of obligation (A)	10,97,838/-	11,80,270/-
Estimated fair value of plan assets (B)	7,19,678/-	Nil
Net Liability (C=A-B)	3,78,160/-	11,80,270/-
<b>Amounts in the Balance Sheet</b>		
Liabilities	3,78,160/-	11,80,270/-
<b>Amount charged to Profit &amp; Loss Account</b>		
Current Service Cost	1,31,247/-	2,53,383/-
Interest Cost	53,385/-	51,035/-
Expected Return on Plan Asset	(37,885)	Nil
Actuarial(Gain)/Loss	2,39,734/-	2,45,913/-
	<b>3,86,481/-</b>	<b>5,50,331/-</b>
Head under which shown in the Profit & Loss account	Contribution to Provident Fund and other Fund	Salary & Other benefits.

e) The Actual Return on Plan Assets is as follows :

Sl. No.	Particulars	Gratuity
i)	Actual return on plan assets	44,050/-

f) Following are the Principal Actuarial Assumptions used as at the Balance Sheet date:

Sl. No.	Particulars	Gratuity
i)	Discount Rate	8%
ii)	Expected Rate of Return on Plan Assets	9%
iii)	Salary Escalation Rate	5%

g) A reconciliation of the opening and closing balances of the fair value of plan assets:

Sl. No.	Particulars	Gratuity
	Opening Fair Value of Plan Assets	4,62,007/-
i)	Expected Return on Plan Assets	37,885/-
ii)	Actuarial Gains / (Losses)	6,165/-
iii)	Contribution by the Employer	2,13,621/-
iv)	Benefits Paid	Nil
	Closing Fair Value of Plan Assets	7,19,678/-

h) This being the first year of implementation of AS-15 (Revised, 2005) previous year figures have not been given.

20. (a) To the extent information available with the company, Sundry Creditors include Nil, (Previous year Nil) due to Small Scale Industrial Undertaking.

(b) The company has not received any information from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. To the extent information available with the company, the company does not owe any sum including interest required to be disclosed under the said Act.

21. Previous Year figures have been regrouped/rearranged wherever considered necessary.
22. Additional information pursuant to part IV of Schedule VI of the Company Act, 1956 is annexed.
23. Additional Information pursuant to Non-banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 is annexed.
24. Schedules 1 to 12 form an integral part of the accounts.

As per our Report of even date

**For P. Bholusaria & Co.** **For and on behalf of the Board**  
Chartered Accountants

**Amit Goel** **Anil Kumar Mittal** **J.M.L. Suri** **Vijay Sood**  
Partner Company Secretary Executive Director Managing Director

**Place : Gurgaon** **Mahesh Kumar Gupta**  
**Date : 24th May, 2008** Chief Financial Officer

**ANNEXED REFERRED TO IN NOTE NO. 10 OF SCHEDULE 12 TO THE ACCOUNTS RELATED PARTY DISCLOSURES (AS IDENTIFIED BY MANAGEMENT AND RELIED UPON BY AUDITORS)**

**As per Accounting Standard (AS-18) on "Related Party Disclosures", the disclosure of transactions with the related party as defined in the Accounting Standard are given below:**

1. List of related parties with whom transactions have taken place and relationship:
  - a) Subsidiaries.
    - i) HB Prima Capital Limited
    - ii) Mount Finance Ltd.
  - b) Key Managerial Personnel
    - i) Shri Vijay Sood, Managing Director (w.e.f 30.04.2007)
    - ii) Shri J.M.L.Suri, Executive Director
    - iii) Shri Anil Kumar Mittal, Company Secretary (joined on 14.01.2008)
    - iv) Shri Santosh Menon, Company Secretary (Left on 05.05.2007)
  - c) Person having control/significant influence /major shareholders
    - i) Shri H C Bhasin (no transaction during the year)
    - ii) Shri Lalit Bhasin
  - d) Enterprise over where significant influence exist:-
    - i) Pisces Portfolios Private Limited
  - e) Enterprises over which control/significant influence exist of the relatives of persons mentioned in (c) above :-
    - i) RRB Master Securities Delhi Ltd.
  - f) Enterprises under direct or indirect common control/significant influence :-
    - i) HB Portfolio Ltd.
    - ii) HB Estate Developers Ltd.
    - iii) HB Securities Ltd.(Subsidiary of HB Portfolio Ltd.)

## 2. Transactions during the Year with Related Parties.

Sr.	Nature of Transaction	Related Party Referred in 1(a) above	Related Party Referred in 1(b) above	Related Party Referred in 1(c) above	Related Party referred in 1(d) above	Related Party referred in 1(e) above	Related Party referred in 1(f) above
1	Amount recovered against Loan & Advances	Nil (45876806)	Nil (Nil)	Nil (Nil)	Nil (50000000)	Nil (Nil)	80000000 (Nil)
2	Loan taken	Nil (Nil)	Nil (Nil)	Nil (Nil)	85000000 (NIL)	Nil (Nil)	Nil (Nil)
3	Loan repaid	Nil (Nil)	Nil (Nil)	Nil (Nil)	25000000 (Nil)	Nil (Nil)	Nil (Nil)
4	Interest paid	Nil (Nil)	Nil (Nil)	Nil (Nil)	77260 (Nil)	Nil (Nil)	Nil (Nil)
5	Loans & Advances given	325000 (10375144)	Nil (Nil)	Nil (Nil)	Nil (50000000)	Nil (Nil)	80000000 Nil
6	Security deposit Paid for premises on rent	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3,45,00,000 (Nil)
7	Rent/Facility Charges Paid	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	949949 (Nil)
8	Margin Securities/Advances paid & received back	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	13000000 (Nil)	796000000 (245500000)
9	Dividend Received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	330000 (300000)
10	Sitting Fee Paid	Nil (Nil)	Nil (Nil)	50000 (40000)	Nil (Nil)	Nil (Nil)	Nil (Nil)
11	Depository Charges	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	575821 (184436)
12	Interest Received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (286493)	Nil (Nil)	6890958 (Nil)



Sr.	Nature of Transaction	Related Party Referred in 1(a) above	Related Party Referred in 1(b) above	Related Party Referred in 1(c) above	Related Party referred in 1(d) above	Related Party referred in 1(e) above	Related Party referred in 1(f) above
13	Remuneration & Other Services	Nil (Nil)	9411576 (1517013)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
14	Reimbursement of Expenses.	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1148700 (Nil)
15	Purchase of Investment (inclusive of brokerage paid) through them	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	139379438 (352471516)	62609869 (361449928)
16	Sale of Investment (inclusive of brokerage paid) through them	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	130784899 (343094041)	30816323 (327144090)
17	Net Turnover of Derivative Trading (inclusive of brokerage)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2464546 Nil	19422921 (19325779)
18	Investments made in Preference Shares	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	10000000 (Nil)
19	Outstanding as on 31.03.2008						
	— Payable in respect of loan & interest thereon	Nil (Nil)	Nil (Nil)	Nil (Nil)	60059753 (Nil)	Nil (Nil)	Nil (Nil)
	— Payable in respect of Current Liabilities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (6434975)	Nil (Nil)
	— Receivables in respect of Current Assets, Loans & Advances.	53845144 (53520144)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	39000000 (Nil)
20	Corporate Guarantee given	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (80000000)

**ANNEXURE TO NOTE NO.23 OF SCHEDULE 12 TO THE BALANCE SHEET OF HB STOCKHOLDINGS LTD (AS REQUIRED IN TERMS OF PARAGRAPH 13 OF NON-BANKING FINANCIAL (NON-DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007**

Particulars	(Rs. in lakhs)	
	Amount outstanding	Amount overdue
<b>LIABILITIES SIDE :</b>		
<b>(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>		
(a) Debentures : Secured	Nil	Nil
: Unsecured (other than falling within the meaning of public deposits*)	Nil	Nil
(b) Deferred Credits	Nil	Nil
(c) Term Loans	Nil	Nil
(d) Inter-corporate loans and borrowing	2129.67	Nil
(e) Commercial Paper	Nil	Nil
(f) Public Deposits	Nil	Nil
(g) Other Loans (Vehicle Finance from Bank)	20.92	Nil
<b>(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>		
(a) In the form of Unsecured debentures	Nil	Nil
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	Nil	Nil
(c) Other public deposits	Nil	Nil

**(Rs. in lakhs)**

Particulars	Amount outstanding
-------------	--------------------

**ASSETS SIDE :**

<b>(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>	
(a) Secured	Nil
(b) Unsecured	1092.76

**(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities**

<b>(i) Lease assets including lease rentals under sundry debtors :</b>	
(a) Financial lease	Nil
(b) Operating lease	Nil
<b>(ii) Stock on hire including hire charges under sundry debtors:</b>	
(a) Assets on hire	Nil
(b) Repossessed Assets	Nil
<b>(iii) Hypothecation loans counting towards EL/HP activities</b>	
(a) Loans where assets have been repossessed	Nil
(b) Loans other than (a) above	Nil

**(5) BREAK-UP OF INVESTMENTS :**

<b>Current Investments :</b>	
1. Quoted :	
(i) Shares : (a) Equity	4661.09
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	Nil
(iv) Government Securities	Nil
(v) Others (please specify)	Nil
2. Unquoted :	
(i) Shares : (a) Equity	7.00
(b) Preference	Nil

Particulars	Amount outstanding
(ii) Debentures and Bonds	1.30
(iii) Units of mutual funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	Nil
<b>Long Term investments :</b>	
1. Quoted :	
(i) Share : (a) Equity	7339.52
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	Nil
2. Unquoted :	
(i) Shares : (a) Equity	1521.03
(b) Preference	109.00
(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	Nil
<b>(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances : Please see Note 2 below</b>	

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties**			
(a) Subsidiaries	Nil	538.45	538.45
(b) Companies in the same group	Nil	390.00	390.00
(c) Other related parties	Nil	2.27	2.27
2. Other than related parties	Nil	162.04	162.04
<b>TOTAL</b>	<b>Nil</b>	<b>1092.76</b>	<b>1092.76</b>

**(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below**

Category	Market Value / Break up or fair value or NAV(*)	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	283.31	333.75
(b) Companies in the same group	203.92	125.00
(c) Other related parties	2603.07	435.35
2. Other than related parties	37724.43	9544.60
<b>TOTAL</b>	<b>40814.73</b>	<b>10438.70</b>

(\*) Breakup value has been taken on the basis of last available audited Balance Sheet, where the Balance sheet is not available the value has been taken at cost.

**(8) Other information**

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
(ii) Net Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
(iii) Assets acquired in satisfaction of debt	Nil



# HB STOCKHOLDINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	(Amount in Rs. '000) Year Ended 31st March, 2008	(Amount in Rs. '000) Year Ended 31st March, 2007
<b>A) CASH FLOW FROM OPERATION ACTIVITIES</b>		
Net Profit before tax and Extraordinary Items	119323	15708
<b>Adjustment for :</b>		
Depreciation	1024	822
Net Gain on Sale of Investments/Provision made/ w/back-170791	-170791	-34647
Bad and Doubtful Assets W/O	1284	0
Interest/Dividend	-19329	-14510
Operating Profit before Working Capital Changes	-68489	-32626
<b>Adjustment for :</b>		
Trade & other Receivables	-52957	87777
Inventories	Nil	Nil
Trade Payables	65566	1383
Cash Generated from operation	-55881	56535
Interest Paid	-9405	-1657
Income tax paid	-51	655
Fringe Benefit Tax	0	-20
Cash Flow before extraordinary Items	-65337	55513
Employee Benefits for earlier year	-722	0
<b>Net Cash from Operation Activities</b>	<b>-66059</b>	<b>55513</b>
<b>B) CASH FLOW FROM INVESTMENTS ACTIVITIES</b>		
Purchase of Fixed Assets	-1336	-2044
Sale of Fixed Assets	0	0
Purchase of Investments	-1721358	-943536
Sale of Investments	1589720	827034
Interest Received	9989	2892
Dividend Received	18745	13275
<b>Net Cash used in Investing Activities</b>	<b>-104239</b>	<b>-102379</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital & Share Premium	187	—
Proceeds from Share Application Money & Share Premium	329	—
Proceeds from Borrowings	150315	60886
Dividend Paid	—	—
<b>Net Cash used in Financing Activities</b>	<b>150831</b>	<b>60886</b>
<b>Net Increase in Cash &amp; Cash Equivalents A+B+C</b>	<b>-19467</b>	<b>14020</b>
<b>Cash and Cash Equivalents as at 1st April, 2007</b>	<b>27624</b>	<b>13604</b>
(Opening Balance)		
<b>Cash and Cash Equivalents as at 31st March, 2008</b>	<b>8157</b>	<b>27624</b>
(Closing Balance)		

As per our Report of even date

For P. Bholusaria & Co. Chartered Accountants

Amit Goel Partner  
Anil Kumar Mittal Company Secretary  
J.M.L. Suri Executive Director  
Vijay Sood Managing Director

Place : Gurgaon  
Date : 24th May, 2008  
Mahesh Kumar Gupta Chief Financial Officer

ANNEXED REFERRED TO IN NOTE NO. 22 OF SCHEDULE 12 TO THE NOTES TO THE ACCOUNT BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI, PART-(IV) OF THE COMPANIES ACT, 1956

<b>I. Registration Details</b>			
Registration No.	33936	State Code	05
Balance Sheet Date	31.03.2008		
<b>II. Capital Raised during the year</b>			(Rs. '000)
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III. Position of Mobilisation and Deployment of Funds</b>			(Rs. '000)
Total Liabilities	1508563	Total Assets	1508563
<b>Sources of Funds</b>			
Paid-up Share capital	243354	Reserves & Surplus	1053117
Secured Loans	152092	Unsecured Loans	60000
<b>Application of Funds</b>			
Net Fixed Assets	8736	Investments	1363884
Net Current Assets	-268263	Miscellaneous Expenditure	NIL
Accumulated losses	404197		
<b>IV. Performance of the Company</b>			(Rs. '000)
Total Turnover	165284	Total Expenditure	45961
Profit/Loss Before Tax	119323	Profit/Loss After Tax	108046
Earnings per share (Rs.)		Dividend rate (%)	NIL
– Basic	4.54		
– Diluted	4.25		
<b>V. Generic names of principal Products/Services of Company (as per monetary terms)</b>			
Item Code	N.A.		
Product Description	Investments		

As per our Report of even date

For P. Bholusaria & Co. Chartered Accountants

Amit Goel Partner  
Anil Kumar Mittal Company Secretary  
J.M.L. Suri Executive Director  
Vijay Sood Managing Director

Place : Gurgaon  
Date : 24th May, 2008  
Mahesh Kumar Gupta Chief Financial Officer

## STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2008

(Amount in Rupees)

Name of the Subsidiary	Paid up Capital	Reserve	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit before Taxation	Provision of Taxation	Profit after Taxation	Proposed Dividend
HB Prima Capital Ltd (Previous Year)	1,00,00,000	1,50,75,000	2,50,75,000	2,50,75,000	7,66,28,500	1,68,900	93,632	Nil	93,632	Nil
	1,00,00,000	1,50,75,000	2,50,75,000	2,50,75,000	7,66,71,500	1,37,600	42,716	Nil	42,716	Nil
Mount Finance Limited (Previous Year)	83,00,060	Nil	83,00,060	83,00,060	Nil	Nil	-306281	Nil	-306281	Nil
	83,00,060	Nil	83,00,060	83,00,060	Nil	6,77,229	4,87,500	55,000	4,32,500	Nil



# HB STOCKHOLDINGS LIMITED

## AUDITORS' REPORT

To

The Board of Directors of HB STOCKHOLDINGS LIMITED

Report on the Consolidated Financial Statements of HB Stockholdings Ltd. and its Subsidiaries.

We have examined the attached Consolidated Balance Sheet of HB Stockholdings Ltd. and its two subsidiaries as at 31<sup>st</sup> March, 2008 and the Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year then ended annexed thereto.

These Consolidated financial statements are the responsibility of the HB Stockholdings Ltd.'s Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Mount Finance Ltd. Subsidiary of the company which have been audited by other Auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard-(AS21), Consolidated Financial Statements and on the basis of the separate audited financial statement of HB Stockholdings Ltd. and its two subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of HB Stockholdings Ltd. and its aforesaid two subsidiaries, we are of the opinion that the said consolidated financial statements give a true & fair view in conformity with the Accounting principles generally accepted in India:-

- In the case of Consolidated Balance Sheet of the consolidated state of affairs as at 31<sup>st</sup> March, 2008 and
- In the case of Consolidated Profit & Loss Account of the consolidated results of operations for the year ended on that date and
- In the case of Consolidated Cash Flow Statement, of the Consolidated Cash Flow for the year ended on that date.

For P. BHOLUSARIA & CO.  
Chartered Accountants

Amit Goel

Partner

(Membership No. 92648)

Place : Gurgaon

Date : 24th May, 2008

### CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedules	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	243353823.00	243166634.00
Reserves & Surplus	2	1053117486.45	1030677932.67
		<b>1296471309.45</b>	<b>1273844566.67</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	152091916.72	61777223.70
Unsecured Loans		60000000.00	—
		<b>212091916.72</b>	<b>61777223.70</b>
<b>Total</b>		<b>1508563226.17</b>	<b>1335621790.37</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	24734419.13	23294091.13
Less : Depreciation		11933894.54	10727251.95
Net Block		<b>12800524.59</b>	<b>12566839.18</b>
<b>INVESTMENTS</b>			
- In Associates		260217778.00	183337900.00
- In Others		1363612356.00	980497866.50
		<b>1623830134.00</b>	<b>1163835766.50</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Sundry Debtors	5	227128.45	0.00
Cash & Bank Balances		9037153.69	28348943.41
Loans and Advances		79343090.30	28206624.31
		<b>88607372.44</b>	<b>56555567.72</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Liabilities	6	76424936.84	10026164.19
Provisions		397711145.60	294736599.94
		<b>474136082.44</b>	<b>304762764.13</b>
<b>NET CURRENT ASSETS</b>		<b>(385528710.00)</b>	<b>(248207196.41)</b>
<b>PROFIT &amp; LOSS ACCOUNT</b> (As per annexed Account)		<b>257461277.58</b>	<b>407426381.10</b>
<b>Total</b>		<b>1508563226.17</b>	<b>1335621790.37</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	10		
<b>NOTES ON ACCOUNTS</b>	11		

As per our Report of even date

For P. Bholusaria & Co.  
Chartered Accountants

Amit Goel  
Partner

Anil Kumar Mittal  
Company Secretary

J.M.L. Suri  
Executive Director

Vijay Sood  
Managing Director

Place : Gurgaon  
Date : 24th May, 2008

Mahesh Kumar Gupta  
Chief Financial Officer

For and on behalf of the Board

### CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedules	Year Ended 31st March, 2008 (In Rs.)	Year Ended 31st March, 2007 (In Rs.)
<b>INCOME</b>			
Income from Operations & Other Income	7	153004840.34	37590158.93
<b>Total</b>		<b>153004840.34</b>	<b>37590158.93</b>
<b>EXPENDITURE</b>			
Administrative & Other Expenses	8	35688493.59	13940312.72
Interest & Financial Charges	9	9404547.64	1656735.69
Depreciation		1206642.59	1059355.99
<b>Total</b>		<b>46299683.82</b>	<b>16656404.40</b>
<b>Profit for the year before Taxation</b>		<b>106705156.52</b>	<b>20933754.53</b>
Provision for Taxation			
- Current		(11000000.00)	(305000.00)
- Deferred		—	—
- Fringe Benefit		(225000.00)	(140000.00)
<b>Profit for the year after Taxation</b>		<b>95480156.52</b>	<b>20488754.53</b>
Share of Profit in Associates		76879878.00	4493150.00
- Tax adjustments for earlier year		(53437.00)	650989.00
(-) Transferred to Statutory Reserve Fund		(21619523.00)	(3063696.00)
- Transitional effect on account of Accounting Standard-15 (refer note no.9 (a))		(721971.00)	—
Loss brought forward from last year		(407426381.10)	(429995578.63)
<b>Balance carried to Balance Sheet</b>		<b>(257461277.58)</b>	<b>(407426381.10)</b>
Earning per Share (in Rs.)			
- Basic		7.24	1.01
- Diluted		6.78	1.01
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	10		
<b>NOTES ON ACCOUNTS</b>	11		

As per our Report of even date

For P. Bholusaria & Co.  
Chartered Accountants

Amit Goel  
Partner

Anil Kumar Mittal  
Company Secretary

J.M.L. Suri  
Executive Director

Vijay Sood  
Managing Director

Place : Gurgaon  
Date : 24th May, 2008

Mahesh Kumar Gupta  
Chief Financial Officer

For and on behalf of the Board



# HB STOCKHOLDINGS LIMITED

## SCHEDULE '1' : SHARE CAPITAL

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>AUTHORISED CAPITAL</b>		
7,00,00,000 Equity Shares of Rs.10/- each	700000000.00	700000000.00
3,00,00,000 Redeemable Preference Shares of Rs.10/- each.	300000000.00	300000000.00
	<b>1000000000.00</b>	<b>1000000000.00</b>
<b>ISSUED</b>		
2,54,43,257 Equity shares of Rs.10/- each Fully paid up	254432570.00	254432570.00
<b>SUBSCRIBED AND PAIDUP</b>		
2,37,92,163 (Previous Year 2,54,43,257) Equity shares of Rs.10/- each Fully Paid up	237921630.00	254432570.00
Less : Allotment Money Receivable (Other than Directors)	0.00	(11265936.00)
	<b>237921630.00</b>	<b>243166634.00</b>
Add : Forfeited Shares (Amount originally paid up)	5432193.00	—
<b>Total</b>	<b>243353823.00</b>	<b>243166634.00</b>

## SCHEDULE '2' : RESERVES AND SURPLUS

(A) SHARE PREMIUM ACCOUNT		
As per Last Account	998869038.22	998869038.22
Add: Recovery of Allotment Money during the year	820030.78	—
<b>Total - (A)</b>	<b>999689069.00</b>	<b>998869038.22</b>

## SCHEDULE '4' : FIXED ASSETS

Discription of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening As at 01.04.2007 (In Rs.)	Addition during the year (In Rs.)	Sales/Adj during the year (In Rs.)	Total As at 31.03.2008 (In Rs.)	Upto 31.03.2007 (In Rs.)	For the year (In Rs.)	Adjustments (In Rs.)	Total upto 31.03.2008 (In Rs.)	As at 31.03.2008 (In Rs.)	As at 31.03.2007 (In Rs.)
Office Premises	4823385.00	—	—	4823385.00	1104549.52	78621.18	—	1183170.70	3640214.30	3718835.48
Office Equipment	2096000.83	67165.00	—	2163165.83	900377.88	101337.06	—	1001714.94	1161450.89	1195622.95
Vehicles	4506982.22	1213542.00	—	5720524.22	1183445.03	443652.87	—	1627097.90	4093426.32	3323537.19
Furniture & Fixture	7675738.08	—	—	7675738.08	4081651.64	485874.22	—	4567525.86	3108212.22	3594086.44
Data Processing Machinery	3241256.00	86500.00	—	3327756.00	3044584.35	48771.12	—	3093355.47	234400.53	196671.65
Air Conditioners	885769.00	73121.00	—	958890.00	370248.40	45300.54	—	415548.94	543341.06	515520.60
Generator Set	64960.00	—	—	64960.00	42395.13	3085.60	—	45480.73	19479.27	22564.87
<b>Total</b>	<b>23294091.13</b>	<b>1440328.00</b>	<b>—</b>	<b>24734419.13</b>	<b>10727251.95</b>	<b>1206642.59</b>	<b>—</b>	<b>11933894.54</b>	<b>12800524.59</b>	<b>12566839.18</b>
Previous Year	21220246.13	2073845.00	—	23294091.13	9667895.96	1059355.99	—	10727251.95	12566839.18	11552350.17

## SCHEDULE '5' : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>A. CURRENT ASSETS</b>		
(a) <b>Sundry Debtors</b>		
(Unsecured considered good unless otherwise stated)		
Considered Good:-		
– Outstanding exceeding six months	—	—
– Others	227128.45	—
(b) <b>Cash &amp; Bank Balance</b>		
– Cash in hand	194803.90	729941.90
(As certified by the Management)		
Balance with Scheduled Banks		
– In Current Accounts (including Rs.42,00,000 (previous year Rs. Nil) in Escrow Account)	8842349.79	19676694.12
– In Fixed Deposit	—	7869305.88
Interest accrued but not due on above	—	73001.51
<b>Total 'A'</b>	<b>9264282.14</b>	<b>28348943.41</b>

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>(B) INVESTMENT ALLOWANCE RESERVE (UTILISED) ACCOUNT</b>		
As per Last Account	477000.00	477000.00
<b>Total - (B)</b>	<b>477000.00</b>	<b>477000.00</b>
<b>(C) STATUTORY RESERVE FUND (*)</b>		
As per last Account	31331894.45	28268198.45
Add: Transferred from Profit & Loss Account	21619523.00	3063696.00
<b>Total - (C)</b>	<b>52951417.45</b>	<b>31331894.45</b>
<b>Total (A+B+C)</b>	<b>105317486.45</b>	<b>1030677932.67</b>

(\*) Created pursuant to The Reserve Bank of India(Amendment) Act,1997.

## SCHEDULE '3' : LOAN FUNDS

(A) SECURED LOAN		
From Body Corporate (Against pledge of securities)	150000000.00	60000000.00
From Banks (secured by hypothication of vehicle financed) (repayable with in a year Rs.830456/-, Previous year Rs.802011/-)	2091916.72	1777223.70
<b>Total - A</b>	<b>152091916.72</b>	<b>61777223.70</b>
<b>(B) UNSECURED LOAN</b>		
From Body Corporate	60000000.00	—
<b>Total - B</b>	<b>60000000.00</b>	<b>—</b>
<b>Total - (A+B)</b>	<b>212091916.72</b>	<b>61777223.70</b>

## SCHEDULE '5' : CURRENT ASSETS, LOANS AND ADVANCES (Contd...)

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>B. LOANS AND ADVANCES (Unsecured, Considered good, unless otherwise stated)</b>		
(a) Inter Corporate Deposit (including interest receivable Rs.9,30,629/- (previous year Rs 756882/-))-Standard	10930629.00	10756882.00
(b) Dividend Receivable	159792.00	204450.00
(c) Advances Recoverable in cash or in kind or for value to be received-Standard	2869436.33	2697383.18
(d) Advance Tax & Tax Deducted at Source	23718950.40	12091771.26
(e) Security Deposits with Govt. Department and others (including marg in Deposit paid)	41664282.57	2456137.87
<b>Total 'B'</b>	<b>79343090.30</b>	<b>28206624.31</b>
<b>Total 'A'+ 'B'</b>	<b>88607372.44</b>	<b>56555567.72</b>



## HB STOCKHOLDINGS LIMITED

### SCHEDULE '6' : CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
<b>(A) CURRENT LIABILITIES</b>		
i) Sundry Creditors	—	—
- Due to Micro and Small Enterprises	—	—
- Others	2114152.84	8999634.81
ii) Advances Received	7000000.00	—
iii) Other Liabilities	1344000.00	366738.38
iv) Interest accrued but not due on loan	2966784.00	659791.00
<b>Total - A</b>	<b>76424936.84</b>	<b>10026164.19</b>
<b>(B) PROVISIONS</b>		
i) For Income Tax	11000000.00	305000.00
ii) For Fringe Benefit Tax	225000.00	120000.00
iii) For Gratuity	378160.00	—
iv) For Leave Encashment	1180270.00	121271.00
v) For Diminution in value of Investments	384927715.60	291794435.12
vi) For Loss on Equity Derivative Instruments	0.00	2395893.82
<b>Total - B</b>	<b>397711145.60</b>	<b>294736599.94</b>
<b>Total - (A+B)</b>	<b>474136082.44</b>	<b>304762764.13</b>

### SCHEDULE '7' : INCOME FROM OPERATIONS & OTHER INCOME

Profit/(Loss)(Net) in Securities dealing/ Equity derivative trading	(34241748.17)	(18733352.85)
Interest Income :-		
— On Fixed Deposits with banks (Tax deducted at source Rs.29,965/- (Previous Year Rs.1,08,405/-)	145465.12	483024.46
— On Inter corporate Deposit (Tax Deducted at Source Rs. 18,33,412/- (Previous Year Rs.4,43,838/-)	8090958.00	1998631.00
— On Income Tax Refund	—	1638.00
— On Margin Funding (Gross, TDS Rs. Nil)	755671.00	410639.51
— On Allotment Money received	96956.53	—
Net Gain on sale of Investments	251476843.87	165570596.03
Provision for diminution in value of Investments	(93133280.48)	(126228890.97)
Dividend Income (Gross) Tax deducted at source Rs. Nil	18913974.47	13412282.65
Fees Received (TDS deducted at source Rs. Nil Previous Year Rs. 33,473/-)	—	675591.10
<b>Total</b>	<b>153004840.34</b>	<b>37590158.93</b>

### SCHEDULE "8" : ADMINISTRATIVE & OTHER EXPENSES

Salaries & Benefits	2303742.00	1907170.00
Managerial Remuneration	9215191.00	1222000.00
Contribution to Provident Fund & other funds	534810.00	428654.00
Directors Sitting Fees	446000.00	327000.00
Listing Fees	76500.00	76500.00
Travelling & Conveyance	1938934.45	1138303.20
Communication	338170.13	372461.18
Postage	1046640.90	679894.80
Printing & Stationery	623394.00	560377.00
Office Repairs and Maintenance	547751.40	454569.00
Vehicle running & maintenance	525954.00	317781.80
Electricity	31533.00	144250.00
Rent/Facility Charges	1979409.00	1445760.00
Insurance	52451.90	60677.00
Depository & Custodial	617410.23	226603.20
Subscription & Membership	285818.65	246346.88
Legal & Professional	8333148.00	1340029.00
Advertisement	373414.00	54751.16
Business Promotion	414949.94	335624.66
Miscellaneous	150267.58	167040.34
Bad & Doubtful Assets Written Off	1776057.69	—
Staff welfare	127339.00	189253.00
Securities Transaction Tax	3780710.72	2068258.50
Auditor's Remuneration		
— Audit Fees	112563.00	112444.00
— Tax Audit Fees	28090.00	28060.00
— Certification & Others	28243.00	36504.00
<b>Total</b>	<b>35688493.59</b>	<b>13940312.72</b>

### SCHEDULE '9' : INTEREST & FINANCIAL CHARGES

On Vehicle Financed from banks	179616.64	53447.69
On Loan from Body Corporates	9224931.00	1603288.00
<b>Total</b>	<b>9404547.64</b>	<b>1656735.69</b>

### SCHEDULE - 10 : SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED ACCOUNTS

Annexed to and forming part of the statement of Accounts for the Year ended 31<sup>st</sup> March, 2008

#### (A) PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements relate to HB Stockholdings Ltd. (the company) and its subsidiary companies HB Prima Capital Ltd. and Mount Finance Ltd.. The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" on the following basis:

- The Financial statements of the Company and the subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profit or losses.
- As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in the similar circumstances and are presented to, in the same manner as the company's separate financial statements.
- In the case of associates, where the company directly or indirectly through subsidiaries holds more than 20% of the equity (except where significant influence does not exist), Investments in Associates are accounted for using equity method in accordance with the Accounting Standard (AS)-23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- The company accounts for its shares in the change in net assets of the associates, post acquisition after eliminating unrealized profit & loss resulting from transaction between the company and its associates to the extent of its share, through its profit & loss account to the extent such change in attributable to the associate's profit and loss account and through its reserves for the balance, based on available information.

(B) Investments other than in associates have been accounted as per Accounting Standard (AS)-13 "Accounting for Investment"

#### (C) OTHER SIGNIFICANT ACCOUNTING POLICY

These are said out under "Significant Accounting Policies" as given in the Financial Statements of HB Stockholdings Ltd. and its subsidiaries HB Prima Capital Ltd. and Mount Finance Ltd.

### SCHEDULE 11 : NOTES ON CONSOLIDATED ACCOUNTS

Annexed to and forming part of Statement of Accounts for the Year ended 31<sup>st</sup> March, 2008

- The accompanying consolidated financial statement includes the accounts of HB Stockholdings Ltd. and its following subsidiaries:-

Name of Company	Country of Incorporation	Proportion of ownership interest and relationship	Financial Year
HB Prima Capital Ltd.	India	100% subsidiary of HB Stockholding Ltd.	31.03.2008
Mount Finance Ltd.	India	100% subsidiary of HB Stockholding Ltd.	31.03.2008

The parent company HB Stockholdings Ltd. is making provision towards diminution in the value of Investments by charging the said amount to the profit & loss account and correspondingly crediting provisions under the head 'Current Liabilities & Provisions'. The Subsidiary HB Prima Capital Ltd. on other hand is not making such provisions, however in preparing these consolidated financial statements uniform policy is followed and provision for diminution is being made for all investments including those held by subsidiary company.

- The accompanying Consolidated Financial Statements consider the following Associates Companies.

S No.	Name of Associates Company	Country of Incorporation	Proportion of ownership interest
(i)	Taurus Asset Management Co. Ltd.(*)	India	20.11%
(ii)	Pisces Portfolios Private Limited(*)	India	27.26%

(\*)Valuation done on the basis of available last drawn Balance Sheet (un-audited) as on 31.03.2008.

- Contingent Liability in respect of:**

(a) Income Tax demand disputed Rs.80.53 Lacs (Previous year 276 Lacs) against which appeals are pending with appropriate authorities and in respect of which the management is confident that appeals will be decided in favour of the company.

The company has also filed various rectification applications. Moreover substantial refund due to the company for various years are pending adjustment against the aforesaid demand. Once the aforesaid rectification applications are disposed off and refund due to the company are adjusted, there will be no demand outstanding payable.



- (b) Corporate Guarantee issued to Banks on behalf of other companies amounting to Rs.Nil (Previous year Rs. 8 Crores) in the due course of business.
4. In the opinion of the management, current assets, loans and advances are approximately of the value stated, if realised, in the ordinary course of the business.

**5. Disclosure pursuant to Accounting Standard (AS-19) for Leases Operating Lease**

- a) Particulars of the minimum lease payments under Operating Lease:-
- I. Not Later than One year Rs.10,63,720/- (Previous Year Rs.3,30,400/-)
  - II. Later than one year but not later than five years Rs.9,67,692/- (Previous Year Rs.32,668/-)
  - III. Later than five years Rs. Nil (Previous Year Nil)
- b) Minimum lease payments recognised in the statement of profit & loss account during the year ended 31<sup>st</sup> March, 2008 is Rs.19,79,409/-(Previous Year Rs14,45,760/-)
- c) **General description of the lease arrangement**
- I. In respect of two agreements, the original lease was to be for a period of three years w.e.f June 2002 to May 2005, upon the expiry thereof, at the option of lessee, the lease could be extended for another term of three years at the same terms and conditions except the rent will be increased by 20%. After six years the lease will be finally terminated and premises will be vacated and handed back to the lessor.
  - II. In respect of third agreement, the lease is for an initial period of 3 years, which may be renewed for further period as may be mutually agreed upon.
  - III. Restrictions imposed by lease arrangement:-
    - The Lessee shall not sublet or otherwise part with possession of a part or whole of the premise without the previous consent in writing of the lessor.
    - The lessee shall use the premises for commercial purposes only.
    - The lease can be terminated by the lessee by serving three months notice to the lessor in respect of two agreement and one month notice in respect of third agreement.
6. In the opinion of Management, the Company is mainly engaged in the business/ activity of Sale/Purchase of Securities in current year and all other activities are incidental to/revolve around the main business/activity and therefore there are no separate reportable segments as per Accounting Standard Segment reporting (AS-17).
7. Disclosure of related party transaction in accordance with the Accounting Standard (AS-18) "Related Party Disclosures" as per Annexure attached.
8. Earning per share pursuant to Accounting Standard (AS-20) "Earning Per Share".

Particulars	Current Year (Amount Rs.)	Previous Year (Amount Rs.)
Net Profit for the year as per Profit & Loss Account after Tax	9,54,80,157	2,04,88,754
Share of Profit of Associates	7,68,79,878	44,93,150
Income Tax for earlier year	(53,437)	6,50,989
Net Profit available for Equity Share holders	17,23,06,598	2,56,32,893
<b>Basic Earning Per Share (face value of Rs.10 each)</b>		
Weighted Average Nos. of Equity Share Outstanding	2,37,92,163	2,54,43,254
Earning per share(Rs.)	7.24	1.01
<b>Diluted Earning per share (Face Value of Rs.10/- each)</b>		
Weighted Average Nos. of Equity Share Outstanding	2,53,98,145	2,54,43,254
Earning per share (Rs.)	6.78	1.01

**9. Disclosure pursuant to Accounting Standard - 15**

- a) Consequent upon the adoption of Accounting Standard – 15 (Revised) – Employee Benefits, in accordance with the stipulations contained therein, the company has charged Rs.7,21,971/-below the line in Profit & Loss Account towards the transitional effect of defined benefit obligation in respect of employee benefits up-to 31<sup>st</sup> March, 2007.
- b) **Defined Contribution Plan**  
Amount recognized as expense for defined contribution plans are as under:

Particulars	Amount (in Rs.)	Head under which shown in Profit & Loss Account
Contribution to Provident Fund	2,58,829/-	Managerial Remuneration Rs.1,10,500/-, contribution to Provident Fund & other fund Rs.1,48,329/-
Contribution to Superannuation	1,35,000/-	Managerial Remuneration

- c) **Defined Benefit Plan**  
Movement in net liability

Particulars	Gratuity (Funded)	Leave Encashment (unfunded)
Present value of obligations as on 01.04.07 (A)	4,62,007/-	1,21,271/-
Adjustment for increase (decrease) in opening obligation (B)	2,05,300/-	5,16,671/-
Interest Cost (C)	53,385/-	51,035/-
Current service cost (D)	1,31,247/-	2,53,383/-
Benefits paid (E)	Nil	8,003/-
Actuarial loss on obligation (F)	2,45,899/-	2,45,913/-
Present value of obligations as on 31.03.2008 (G=A+B+C+D-E+F)	10,97,838/-	11,80,270/-

- d) The amounts recognized in the Balance Sheet and Profit & Loss Account are as follows:

Particulars	Gratuity (Funded)	Leave (unfunded)
Present value of obligation (A)	10,97,838/-	11,80,270/-
Estimated fair value of plan assets (B)	7,19,678/-	Nil
Net Liability (C=A-B)	3,78,160/-	11,80,270/-
<b>Amounts in the Balance Sheet</b>		
Liabilities	3,78,160/-	11,80,270/-
<b>Amount charged to Profit &amp; Loss Account</b>		
Current Service Cost	1,31,247/-	2,53,383/-
Interest Cost	53,385/-	51,035/-
Expected Return on Plan Asset	(37,885)	Nil
Actuarial(Gain)/Loss	2,39,734/-	2,45,913/-
	<b>3,86,481/-</b>	<b>5,50,331/-</b>
Head under which shown in the Profit & Loss account	Contribution to Provident Fund and other Fund	Salary & Other benefits.

- e) The Actual Return on Plan Assets is as follows :

Sl. No.	Particulars	Gratuity
i)	Actual return on plan assets	44,050/-

- f) Following are the Principal Actuarial Assumptions used as at the Balance Sheet date :

Sl. No.	Particulars	Gratuity
i)	Discount Rate	8%
ii)	Expected Rate of Return on Plan Assets	9%
iii)	Salary Escalation Rate	5%

- g) A reconciliation of the opening and closing Balances of the fair value of plan assets :

Sl. No.	Particulars	Gratuity
	Opening Fair Value of Plan Assets	4,62,007/-
i)	Expected Return on Plan Assets	37,885/-
ii)	Actuarial Gains / (Losses)	6,165/-
iii)	Contribution by the Employer	2,13,621/-
iv)	Benefits Paid	Nil
	Closing Fair Value of Plan Assets	7,19,678/-

- h) This being the first year of implementation of AS-15 (Revised, 2005) previous year figures have not been given.

10. During the year the company has forfeited 16,51,094 number of partly paid up equity shares (of the face value of Rs.10/- each) on which allotment money/calls were overdue
11. Previous Year figures have been regrouped/rearranged wherever considered necessary.
12. Schedules 1 to 11 form an integral part of the accounts.

As per our Report of even date

**For P. Bholusaria & Co.**  
Chartered Accountants

Amit Goel  
Partner

Date : Gurgaon  
Date : 24th May, 2008

Anil Kumar Mittal  
Company Secretary

Mahesh Kumar Gupta  
Chief Financial Officer

**For and on behalf of the Board**

J.M.L. Suri  
Executive Director

Vijay Sood  
Managing Director

**ANNEXED REFERRED TO IN NOTE NO. 7 OF SCHEDULE 11 TO THE ACCOUNTS RELATED PARTY DISCLOSURES (AS IDENTIFIED BY MANAGEMENT AND RELIED UPON BY AUDITORS)**

As per Accounting Standard (AS-18) on "Related Party Disclosures", the disclosure of transactions with the related party as defined in the Accounting Standard are given below:

**1. List of related parties with whom transactions have taken place and relationship:**

- a) Key Managerial Personnel
  - i) Shri Vijay Sood, Managing Director (w.e.f 30.04.2007)
  - ii) Shri J.M.L.Suri, Executive Director
  - iii) Shri Anil Kumar Mittal, Company Secretary (joined on 14.01.2008)
  - iv) Shri Santosh Menon, Company Secretary (Left on 05.05.2007)

- b) Person having control/significant influence /major shareholders
  - i) Shri H C Bhasin (no transaction during the year)
  - ii) Shri Lalit Bhasin
- c) Enterprise over where significant influence exist:-
  - i) Pisces Portfolios Private Limited
- d) Enterprises over which control/significant influence exist of the relatives of persons mentioned in(c ) above :-
  - i) RRB Master Securities Delhi Ltd.
- e) Enterprises under direct or indirect common control/significant influence:
  - i) HB Portfolio Ltd.
  - ii) HB Estate Developers Ltd.
  - iii) HB Securities Ltd.(Subsidiary of HB Portfolio Ltd.)

**2. Transactions during the Year with Related Parties.**

Sr.	Nature of Transaction	Related Party Referred in 1(a) above	Related Party Referred in 1(b) above	Related Party Referred in 1(c) above	Related Party referred in 1(d) above	Related Party referred in 1(e) above
1	Amount recovered against Loan & Advances	Nil (Nil)	Nil (Nil)	Nil (50000000)	Nil (Nil)	80000000 (Nil)
2	Loan taken	Nil (Nil)	Nil (Nil)	85000000 (NIL)	Nil (Nil)	Nil (Nil)
3	Loan repaid	Nil (Nil)	Nil (Nil)	25000000 (Nil)	Nil (Nil)	Nil (Nil)
4	Interest paid	Nil (Nil)	Nil (Nil)	77260 (Nil)	Nil (Nil)	Nil (Nil)
5	Loans & Advances given	Nil (Nil)	Nil (Nil)	Nil (50000000)	Nil (Nil)	80000000 Nil
6	Security deposit Paid for premises on rent	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3,45,00,000 (Nil)
7	Rent/Facility Charges Paid	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	949949 (Nil)
8	Margin Securities/Advances paid & received back	Nil (Nil)	Nil (Nil)	Nil (Nil)	13000000 (Nil)	796000000 (245500000)
9	Dividend Received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	330000 (300000)
10	Sitting Fee Paid	Nil (Nil)	50000 (40000)	Nil (Nil)	Nil (Nil)	Nil (Nil)
11	Depository Charges	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	575821 (184436)
12	Interest Received	Nil (Nil)	Nil (Nil)	Nil (286493)	Nil (Nil)	6890958 (Nil)
13	Remuneration & Other Services	9411576 (1517013)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
14	Reimbursement of Expenses.	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1148700 (Nil)
15	Purchase of Investment (inclusive of brokerage paid) through them	Nil (Nil)	Nil (Nil)	Nil (Nil)	139379438 (352471516)	62609869 (361449928)
16	Sale of Investment (inclusive of brokerage paid) through them	Nil (Nil)	Nil (Nil)	Nil (Nil)	130784899 (343094041)	30816323 (327144090)
17	Net Turnover of Derivative Trading (inclusive of brokerage)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2464546 Nil	19422921 (19325779)
18	Investments made in Preference Shares	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	10000000 (Nil)
19	Outstanding as on 31.03.2008					
	— Payable in respect of loan & interest thereon	Nil (Nil)	Nil (Nil)	60059753 (Nil)	Nil (Nil)	Nil (Nil)
	— Payable in respect of Current Liabilities	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (6434975)	Nil (Nil)
	— Receivables in respect of Current Assets, Loans & Advances.	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	39000000 (Nil)
20	Corporate Guarantee given	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (80000000)



## HB STOCKHOLDINGS LIMITED

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year Ended 31st March, 2008 (Amount in Rs. '000)	Year Ended 31st March, 2007 (Amount in Rs. '000)
<b>A) CASH FLOW FROM OPERATION ACTIVITIES</b>		
Net Profit before tax and Extraordinary Items	106705	20934
<b>Adjustment for :</b>		
Depreciation	1207	1059
Net Gain on Sale of Investments/Provision w/back	(158387)	(39342)
Share of Profit in Associates	(76880)	(4493)
Bad & Doubtful Assets Written Off	1284	0
Interest/Dividend	(19499)	(14649)
Operating Profit before Working Capital Changes	(145570)	(36491)
<b>Adjustment for :</b>		
Trade & other Receivables	(52648)	88054
Inventories	0.00	0
Trade Payables	65551.00	881
Cash Generated from operation	-132667	52443
Interest Paid	(9405)	(1657)
Income tax paid	(53)	651
Fringe Benefit Tax	0	(20)
Cash Flow before extraordinary Items	(142125)	51417
Employees Benefit for earlier year	-722	0
<b>Net Cash from Operation Activities</b>	<b>(142847)</b>	<b>51417</b>
<b>B) CASH FLOW FROM INVESTMENTS ACTIVITIES</b>		
Purchase of Fixed Assets	(1440)	-2074
Sale of Fixed Assets	0	0
Purchase of Investments	-1721358	(943536)
Sale of Investments	1589720	827034
Interest Received	9989	2894
Dividend Received	18914	13412
Share of Profit in Associates	76880	4493
<b>Net Cash used in Investing Activities</b>	<b>(27295)</b>	<b>(97777)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital & Share Premium	187	—
Proceeds from Share Application Money & Share Premium	329	—
Proceeds from Borrowings	150315	60886
Dividend Paid	—	—
<b>Net Cash used in Financing Activities</b>	<b>150831</b>	<b>60886</b>
<b>Net Increase in Cash &amp; Cash Equivalents A+B+C</b>	<b>(19311)</b>	<b>14526</b>
<b>Cash and Cash Equivalents</b>	<b>28348</b>	<b>13822</b>
(Opening Balance)		
<b>Cash and Cash Equivalents</b>	<b>9037</b>	<b>28348</b>
(Closing Balance)		

As per our Report of even date

**For P. Bholusaria & Co.**  
Chartered Accountants

**For and on behalf of the Board**

**Amit Goel**  
Partner

**Anil Kumar Mittal**  
Company Secretary

**J.M.L. Suri**  
Executive Director

**Vijay Sood**  
Managing Director

**Place : Gurgaon**

**Mahesh Kumar Gupta**

**Date : 24th May, 2008**

Chief Financial Officer

Folio No. ....  
(To be filled in by the Shareholder)  
No. of Shares .....



## HB STOCKHOLDINGS LIMITED

### PROXY FORM

I/We .....  
of.....  
being a member(s) of **HB STOCKHOLDINGS LTD.** hereby appoint.....  
.....  
of ..... or failing  
him/her of .....  
as my/our proxy to attend and vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held on Thursday, 11th day of  
September, 2008 and at any adjournment thereof. As witness my hand/our hands this day ..... of 2008.

Client Id : .....

Signed by the Said : .....

15 Paise  
Revenue  
Stamp

DP ID : .....

**NOTE :** The Proxy must be deposited at the Registered Office of the Company at Plot No. 31, Echelon Institutional Area, Sector-32, Gurgaon - 122 001, Haryana not less than 48 hours before the time for holding the meeting.



## HB STOCKHOLDINGS LIMITED

### ATTENDANCE SLIP

#### 21ST ANNUAL GENERAL MEETING

Time : 10.00 A.M., Thursday, 11th day of September, 2008

Place : GIA House, I.D.C. Mehrauli Road, Opp. Sector - 14, Gurgaon - 122 001, Haryana

FULL NAME OF THE FIRST SHAREHOLDER.....

Joint Shareholders, if any.....

Father's/Husband's Name .....

Address in full.....

FULL NAME(S) OF THE PERSON ATTENDING THE MEETING AS A PROXY/SHAREHOLDER(S)  
.....

I/We hereby record my presence at the 21st Annual General Meeting held on 11th September, 2008 at 10.00 A.M. at GIA House, I.D.C. Mehrauli Road, Opp. Sector - 14, Gurgaon - 122 001, Haryana

Folio No. : .....

No. of Shares : .....

Client ID : .....

DP ID : .....

Signature

Members may please note that the Auditorium Authorities do not permit carrying of bags/articles/snack packets etc. inside the meeting hall. The Company will not make any arrangements for safe keeping of articles etc. outside the Hall. Members may make their own arrangements which shall be solely at their risk and cost and the Company will in no way be responsible for any loss/theft of articles etc.