



HB PORTFOLIO LIMITED

Regd. Office : Plot No .31, Echelon Institutional Area, Sector - 32, Gurgaon -122001 (Haryana)
Ph. : 0124-4675500, Fax : 0124-4370985, E-mail : corporate@hbportfolio.com
Website : www.hbportfolio.com, CIN No. L67120HR1994PLC034148

Date: May 20, 2016

The Listing Department
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

Stock Code: 532333

Sub: Response to your queries dated 19th May, 2016 (Application No. 35463)

Ref: Scheme of Arrangement between HB Stockholdings Limited (HBSL), HB Portfolio Limited (HBPL / the Company) and HB Estate Developers Limited (HBEDL) and their respective members and creditors proposed to be filed under Sections 391 to 394 read with Sections 100 to 104 of the Companies Act, 1956 or any corresponding provisions of the Companies Act, 2013.

Dear Sir / Madam,

In reference to your query Dated 19th May, 2016 regarding Company's Application No. 35463, we would like to submit as hereunder:

1. From the draft scheme of arrangement and valuation report submitted, it is noted that the value per share of HBPL and HBEDL for the purpose of demerger has been calculated at Rs. 89.90 and 59.84 as on March 31, 2015. However, it is noted that as per secondary market, the market value per share of HBPL and HBEDL is Rs. 20.50 and Rs. 9.51. You are advised to explain such huge difference between the values as calculated for the purpose of demerger and the market values.

Reply:

- (i) The Valuation of Shares is done in accordance with prescribed Accounting Standards. While, the market value of shares is determined by various factors including market sentiments, economic conditions and state of industry etc.
- (ii) There is no co-relation between the market value of shares and fair value of shares calculated for the purpose of determining share exchange ratio based upon the valuation of the businesses of respective demerging undertakings and the resulting companies. The Present Scheme of Arrangement provides for demerger of business division whose value derives mainly from the underlying value of assets being proposed to be transferred.
- (iii) The Shares of HBPL and HBEDL are not frequently traded in the stock market which has resulted into huge difference between the fair value and market value of the Shares.



- (iv) The Valuation of Shares has been done by an Independent Chartered Accountant as per Para 1(A)(4) of Annexure I of SEBI Circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015.
- (v) The valuation methodology varies from case to case depending upon different factors affecting valuation. The basis of valuation depends upon the purpose of valuation, the type of business, the future prospects and other attendant circumstances. Different methodologies are adopted for the valuation of manufacturing, investment, consultancy and trading companies. Investment and property companies are valued based on the market value or fair value of their underlying assets while manufacturing companies are valued in relation to profits from business and relative value of assets with greater weightage to profits.

a) **Valuation of HBPL**

HBPL, the Resulting Company for Demerger 1 is engaged in the business of Investment in Securities and Financial Services. Since the profitability from such Investment business cannot be predicted due to volatility of the markets, Profitability Method is not used. The past revenue performance also does not provide any trend of earnings in the future. Considering the Volatility in the Investment Market, the Company is valued as per the Net Assets owned by the Company as on the Opening hours of April 1, 2015 i.e Net Asset Value Method.

b) **Valuation of HBEDL**

HBEDL, the Resulting Company for Demerger 3, is engaged in the diversified portfolio. The Company has a mixed stream of revenues including income from Hotel Operations, Real Estate and Financial Services. The Company has been valued on Sum of The Parts basis ("SOTP") or Segmental Value method. While valuing HBEDL for Demerger 3, the Value of Division 2 demerging from HBSL to HBEDL has also been considered along with the Investments cancelled in the Demerger 2.

In this method, individual operating segments/assets of the Company are valued as a separate business activity done by adopting an appropriate valuation approach.

2. It is also noted that reduction of capital is being carried out in all the three companies. Please explain the need for carrying out capital reduction.

Reply:

(A) **HB Stockholdings Limited:**

Pursuant to Demerger- 1 and Demerger- 2, Net assets worth Rs. 9,359.71 Lakhs forming part of Investment Undertaking- I (Rs. 5,759.88 Lakhs) and Investment Undertaking- II (Rs. 3,599.83 Lakhs) are being transferred to



HBPL and HBEDL respectively against HBSL's net assets of Rs. 13,516.46 Lakhs.

After Demerger- 1 and Demerger- 2, the issued and paid up equity share capital of HBSL shall be reduced by reducing the face value of the equity shares from 1 (one) equity shares of Rs. 10 fully paid up to 1 (one) equity share of Rs. 3 each fully paid since such capital shall no longer be represented by the assets of the company.

As a result, the issued and paid up equity share capital shall be reduced from Rs. 23,79,22,180 comprising of 2,37,92,218 shares of Rs. 10 each to Rs. 713,76,654 comprising of 2,37,92,218 shares of Rs. 3 each.

Simultaneously, 10 (ten) equity shares of Rs. 3 each fully paid up shall be consolidated into 3 (one) fully paid- up share of Rs. 10 each fully paid.

The reduction of capital shall lead to a more efficient capital structure, and a better representation before the shareholders.

(B) HB Portfolio Limited:

Pursuant to Demerger- 1, HBPL is receiving net assets of Rs. 5,759.88 Lakhs; However, Demerger- 1 is followed by Demerger- 3, whereby Investment Division- III of HBPL is being demerged to HBEDL, wherein net assets worth Rs. 7,198.96 Lakhs are transferred to HBEDL. Thus, post the demergers, after netting, assets of Rs. 1,439.07 Lakhs shall not appear in the Balance sheet of HBPL. HBPL had net assets of Rs. 12,065.26 Lakhs before such demergers.

Post Demerger- 1 and Demerger- 3, the issued and paid up equity share capital of HBPL shall be reduced by reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid since such capital shall no longer be represented by the assets of the company.

As a result, the issued and paid up equity share capital shall be reduced from Rs. 17,94,03,840 comprising of 1,79,40,384 shares of Rs. 10 each to Rs. 10,76,42,304 comprising of 1,79,40,384 shares of Rs. 6 each.

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid- up share of Rs. 10 each fully paid.

The reduction of capital shall help the company to have a more sustainable capital, reflect better its operational efficiency, improvement in future years and reflect the true shareholder value.

(C) HB Estate Developers Limited:

Pursuant to Demerger- 2 and Demerger- 3, HBEDL is receiving net assets of Rs. 10,798.79 Lakhs and accordingly, shares are being issued to the shareholders of the Demerged Companies.



As per audited financial statements of the company as on 31.03.2015, the company has been having total accumulated losses of Rs. 10,746.99 Lakhs over the years.

In order to maintain a capital that is commensurate with the present income generating capacity and future viability of operations of HBEDL, the issued and paid up equity share capital of HBEDL shall be reduced by reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid pursuant to Demerger- 2 and Demerger- 3

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid- up share of Rs. 10 each fully paid.


The reduction of the capital in the manner proposed would enable the Company to have a rational capital structure, operational efficiency and better representation to the stakeholders of the company.

Hope you would find the same in order.

We request you take it on record and kindly provide necessary "No objection" at the earliest so as to enable us to file the Scheme with the Hon'ble High Court.

Thanking you
Yours faithfully

For HB Portfolio Limited


DINESH KAPOOR
(Company Secretary)



Dinesh Kapoor

From: Neha D'souza [Neha.Dsouza@bseindia.com]
Sent: Thursday, May 19, 2016 3:43 PM
To: Rajesh Chahar; Dinesh Kapoor; Anil Kumar Mittal
Cc: BSE Furtherlisting
Subject: Scheme of arrangement of HB Estate Developers Limited with HB Stockholdings Limited and HB Portfolio Limited

Dear Sirs,

On the captioned matter, you are request to clarify the following:

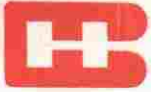
1. From the draft scheme of arrangement and valuation report submitted, it is noted that the value per share of HBPL and HBEDL for the purpose of demerger has been calculated at Rs. 89.90 and 59.84 as on March 31, 2015. However, it is noted that as per secondary market, the market value per share of HBPL and HBEDL is Rs. 20.50 and Rs. 9.51. You are advised to explain such huge difference between the values as calculated for the purpose of demerger and the market values.
2. It is also noted that reduction of capital is being carried out in all the three companies. Please explain the need for carrying out capital reduction.

Regards
Neha D'Souza
Listing Operations

BSE Limited, P J Towers, Dalal Street, Mumbai -400001, India
T:022-22728775, www.bseindia.com

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Date: May 12, 2016

The Listing Department
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

Stock Code: 532333

Sub: Response to your queries dated 05th May, 2016 (Application No. 35463)

Ref: Scheme of Arrangement between HB Stockholdings Limited (HBSL), HB Portfolio Limited (HBPL / the Company) and HB Estate Developers Limited (HBEDL) and their respective members and creditors proposed to be filed under Sections 391 to 394 read with Sections 100 to 104 of the Companies Act, 1956 or any corresponding provisions of the Companies Act, 2013.

Dear Sir / Madam,

In reference to your query Dated 05th February, 2016 regarding Company's Application No. 35463, we would like to submit as hereunder:

1. It is observed from Para 28.1 of the draft scheme that the members of HBSL, being entitled to receive the shares of HBPL but not having been allotted equity shares by HBPL till the HBPL record date shall be entitled to receive the equity shares of HBEDL in the specified ratio. In this regard, kindly clarify how the shareholders of HBSL while not being the shareholders of HBPL as on record date fixed by HBPL will be entitled to receive the shares of HBEDL.

Reply:

The Present Scheme of Arrangement involves the following demergers:

- (A) **Demerger 1:** From HB Stockholdings Ltd. (HBSL) to HB Portfolio Ltd. (HBPL);
- (B) **Demerger 2 ***: From HB Stockholdings Ltd. (HBSL) to HB Estate Developers Ltd. (HBEDL);
- (C) **Demerger 3:** From HB Portfolio Ltd. (HBPL) to HB Estate Developers Ltd. (HBEDL)

**HBPL is not involved in Demerger 2.*

In Demerger 1, HBPL shall allot 59,48,055 Equity Shares to the Shareholders of HBSL as on record date to be fixed by HBSL as a consideration for the transfer and vesting of Demerged Undertaking 1 from HBSL to HBPL. After the said allotment, the Shareholders of HBSL shall become the Shareholders of HBPL resulting into increase in total number of Shares of HBPL from 1,19,92,329 to 1,79,40,384.

In Demerger 3, HBEDL shall allot 1,05,84,826 Equity Shares to the Shareholders of HBPL (on the increased shares of HBPL after Demerger 1 i.e. 1,79,40,384 shares) as on record date to be fixed by HBPL as a consideration for the transfer and vesting of Demerged Undertaking 3 from HBPL to HBEDL.



If for any reasons, HBPL is unable to allot the Shares to the Shareholders of HBSL for Demerger 1 before Demerger 3, the entitlement of the Shareholders of HBSL who shall become the Shareholders of HBPL shall be kept reserved to receive the equity shares of HBEDL in the specified ratio for Demerger 3.

Accordingly, in order to protect the interest of the Shareholders of HBSL, it has been clarified in Para 28.1 that the members of HBSL, being entitled to receive the shares of HBPL but not having been allotted equity shares by HBPL till the HBPL record date shall be entitled to receive the equity shares of HBEDL in the specified ratio.

2. It is also observed that the company has not submitted the additional documents for demerger cases.

Reply: The additional documents are required to be submitted for Demerger cases wherein a division of a listed company is hived off into an unlisted company or where listed company is getting merged with an unlisted company.

The present Scheme of Arrangement provides for demerger of division of listed company into another listed Company. However, we are providing the same as mentioned hereinafter:

- (i) Clarification as to what will be listing status of the Resulting/Transferee Company/ies.

Reply: The Companies involved in the Scheme are already listed on the Stock Exchange(s) as follows:

- HB Stockholdings Limited: Listed on BSE & NSE.
- HB Portfolio Limited: Listed on BSE.
- HB Estate Developers Limited: Listed on BSE.

- (ii) Details of Assets and Liabilities of the Demerged division that are being transferred.

Reply: The complete details of Assets and Liabilities of the Demerged division that are being transferred have been included in Schedule 3 of the Draft Scheme of Arrangement submitted by the Company. Kindly refer Page No. 73 to 74 of the Company's application. Copy of the same is enclosed herewith as **Annexure - I**

- (iii) Confirmation from the Managing Director/ Company Secretary, that:

- a) There will be no change in Share Capital of the resulting/transferee company till the listing of the equity shares of the company on BSE Limited.
- b) The shares allotted by the resulting company pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.

Reply: The Confirmation duly signed by the Company Secretary on the Company's letterhead is enclosed herewith as **Annexure – II**.

- (iv) Confirmation by the Managing Director/ Company Secretary of the resulting/transferee company on the letter head of resulting company that:



- a) Equity shares issued by the company pursuant to the scheme of amalgamation/ arrangement shall be listed on the BSE Limited, subject to SEBI granting relaxation from applicability under Rule 19(2) (b) of the Securities Contract (Regulation) Rules, 1957.
- c) The company shall comply with all the provisions contained in SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015.
- d) The company shall also fulfill the Exchange's criteria for listing and shall also comply with Rules, Byelaws, and Regulations of the Exchange and other applicable statutory requirements.

Reply: The Confirmation duly signed by the Company Secretary on the Company's letterhead is enclosed herewith as **Annexure – III**.

- (v) Percentage of Net Worth of the company, that is being transferred in the form of demerged undertaking and percentage wise contribution of the Demerged division to the total turnover and income of the company in the **last two years** as per the following format:

Reply: Necessary details / information provided as follows:

	Financial Year	Networth (Rs. in Crores)	% to total	Turnover (Rs. in Crores)	% to total	Profit after Tax (Rs. in Crores)	% to total
Demerged division	2015	71.99	59.68	1.13	12.00	0.36	44.44
	2014	70.01	58.08	1.08	4.50	0.66	12.87
Other divisions	2015	48.63	40.32	8.29	88.00	0.45	55.56
	2014	50.53	41.92	22.92	95.50	4.47	87.13
Total	2015	120.62	100.00	9.42	100.00	0.81	100.00
	2014	120.54	100.00	24.00	100.00	5.13	100.00

Hope you would find the same in order.

We request you take it on record and kindly provide necessary "No objection" at the earliest so as to enable us to file the Scheme with the Hon'ble High Court.

Thanking you
Yours faithfully

For HB Portfolio Limited



DINESH KAPOOR
(Company Secretary)



Encl: As Above

SCHEDULE 3

ASSETS & LIABILITIES FORMING PART OF DEMERGED UNDERTAKING 3

Part-I

Schedule of Assets of HB Portfolio Limited (Demerged Company) to be transferred and vested in HB Estate Developers Limited (Resulting Company)

	Face Value (Rs.)	Qty. (Nos.)	Amount (Rs.)
<u>FULLY PAID-UP REDEEMABLE PREFERENCE SHARES (UN-QUOTED)</u>			
HB ESTATE DEVELOPERS LIMITED (9% NON CUMULATIVE)	100	750000	75000000
GEMINI PORTFOLIO PRIVATE LIMITED (9% NON CUMULATIVE)	100	100000	10000000
VENUS PORTFOLIO PRIVATE LIMITED (9% NON CUMULATIVE)	100	1190000	119000000
<u>PREFERENCE SHARE APPLICATION (UNQUOTED)</u>			
FALCON PORTFOLIO MANAGEMENT PRIVATE LIMITED (9% NON CUMULATIVE)	100	500000	50000000
HB GROWTH FUND LIMITED (9% NON CUMULATIVE)	100	1000000	100000000
Total (A)			354000000
<u>SHORT TERM LOANS AND ADVANCES</u>			
Name of the Company			Amount (Rs.)
<u>LOANS:</u>			
HB ESTATE DEVELOPERS LIMITED			90000000
VENUS PORTFOLIO PRIVATE LIMITED			35000000
<u>ADVANCES:</u>			
JUPITER PORTFOLIOS PRIVATE LIMITED			99250000
GEMINI PORTFOLIO PRIVATE LIMITED			100000000
MOUNT ESTATES PRIVATE LIMITED			42000000
Total (B)			366250000
Total (A + B)			720250000

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Part-II

Schedule of Liabilities of HB Portfolio Limited (Demerged Company) to be transferred and vested in
HB Estate Developers Limited (Resulting Company)

	Amount (Rs.)
Employees/staff cost including retiring benefits	201624
Other Expenses Payable	152355
Total	353979





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Website : www.hbportfolio.com, CIN No. L67120HR1994PLC034148

Annexure - II

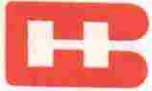
CERTIFICATE

- a) There will be no change in Share Capital of the resulting/transferee company till the listing of the equity shares of the company on BSE Limited.
- b) The shares allotted by the resulting company pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.

For HB Portfolio Limited


DINESH KAPOOR
(Company Secretary)





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Website : www.hbportfolio.com, CIN No. L67120HR1994PLC034148

Annexure - III

CERTIFICATE

- a) Equity shares issued by the company pursuant to the scheme of amalgamation/ arrangement shall be listed on the BSE Limited, subject to SEBI granting relaxation from applicability under Rule 19(2) (b) of the Securities Contract (Regulation) Rules, 1957.
- b) The company shall comply with all the provisions contained in SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015.
- c) The company shall also fulfill the Exchange's criteria for listing and shall also comply with Rules, Byelaws, and Regulations of the Exchange and other applicable statutory requirements.

For HB Portfolio Limited


DINESH KAPOOR
(Company Secretary)



BSE LISTING CENTRE

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BSE Remarks

Comment

Date

Time

Please Comment

Nehad

Dear Sir, (1) It is observed from Para 28.1 of the draft scheme that the members of HBSL, being entitled to receive the shares of HBPL but not having been allotted equity shares by HBPL till the HBPL record date shall be entitled to receive the equity shares of HBEDL in the specified ratio. In this regard, kindly clarify how the shareholders of HBSL while not being the shareholders of HBPL as on record date fixed by HBPL will be entitled to receive the shares of HBEDL. (2) It is also observed that the company has not submitted the additional documents for demerger cases. Please submit the same.

05-05-2016

05:57 PM

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