



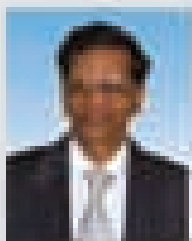
Board of Directors



Shri K. R. Kamath
Chairman



Shri Nagesh Pydah
Non- Executive Director



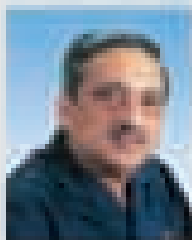
Shri D.V.S.S.V. Prasad
Managing Director



Shri S. K. Dubey
Non-Executive Director



Dr. O. P. Chawla
Independent Director



Dr. Kamal Gupta
Independent Director



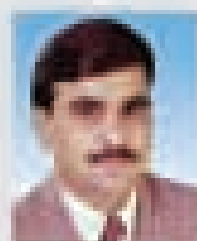
Shri S. K. Soni
Independent Director



Shri A. S. Agarwal
Independent Director



Shri M. S. Aftab
Independent Director



Shri P. P. Pareek
Independent Director

OUR MISSION

*To be a leader in the
Primary Dealer Business
and
to be known as a Knowledge Based Research Oriented
&
Quality Conscience company maximising wealth for
Shareholders*



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Chairman's Letter to Shareholders

Dear Shareholders,

It gives me immense pleasure to state that your company has completed 14 successful years of existence during which it made significant contribution towards the development and enrichment of government securities market. Since inception, the company has consistently been a pioneer in the industry and is known for setting standards year after year.

During the FY 2009-10, the Indian economy shrugged off the slowdown and witnessed gradual and broad based recovery supported by huge fiscal sops offered by the government and benign interest rates prevalent during the period. After remaining subdued in the first quarter, industrial activity picked up considerably registering double- digit growth figures and on back of the same GDP growth for FY 2009-10 is estimated at 7.4% as against 6.7% in FY 2008-09. The WPI inflation rate remained subdued and turned negative on account of high base of the previous year in the first half of FY 2009-10. However, in the second half, inflationary pressures rose considerably on account of spiraling food prices and recovery in crude oil prices.

During the year, RBI followed an extremely accommodative and easy monetary stance to shore up the recovery process. The central bank reduced the repo and reverse repo rates by 25 bps each in April 2009 to 4.75% and 3.25% respectively. After keeping rates at historic lows for almost a year, RBI was one of the first Central Banks to commence with normalization of policy rates, hiking the CRR by 75 bps to 5.75% on January 29, 2010. Repo and reverse repo rates were also hiked by 25 bps each to 5% and 3.5% respectively on March 19, 2010 as part of the calibrated exit from easy monetary stance.

The year was characterized by huge Government borrowing to the tune of Rs. 4,51,000 crore which placed constant upward pressure on G-sec yields. Though the borrowing program was supported by OMO buy backs by RBI and de-sequestering of MSS bonds to the tune of Rs. 28,000 crore, yields continued to harden. Yield on 10-yr benchmark paper firmed up by 84 bps to close the year at 7.85% as against 7.01% as on 31st March 2009.

Despite persistent rise in yields, our company registered a 47% jump in Profit Before tax to Rs. 56.03 crore as against Rs. 38.12 crore in the previous financial year. Resultantly, the net worth of the company has risen by 3.7% to Rs. 557.76 crore as on March 31, 2010. Income from non-core activities also surged significantly to Rs. 8.27 crore from Rs. 4.40 crore in FY 2008-09. The total turnover rose to Rs. 63,726 crore as against Rs. 62,187 crore in the previous year.

With the introduction of various structural changes and new instruments, the debt market has become highly dynamic and liquid. Trading volumes have risen manifold in past few years increasing interest of players in the market. In the coming year, company will lay higher emphasis on core area of operations and will strive to maximize the shareholder value by trading prudently and capture the volatility efficiently. I am confident that your company would scale new heights with your continued support.

With regards,
Yours Sincerely,

(K. R. Kamath)
Chairman

Date : June 12, 2010

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited accounts of the company for the year ended March 31, 2010.

1. FINANCIAL RESULTS

The financial results for the year ended March 31, 2010 along with comparative figures for the previous year are given below:

(Rs. in lacs)

	For the year ended 31.3.2010	For the year ended 31.3.2009
Total Income	10172.94	11246.56
Total Expenditure	4569.66	7434.39
Profit/(loss) Before Tax	5603.28	3812.17
Less : Provision for Income Tax (including deferred tax)	1932.83	1362.98
Profit /(loss) After Tax	3670.45	2449.19
Add: Balance in Profit & Loss Account brought forward	4147.21	3451.64
Amount available for Appropriation	7817.66	5900.83
Proposed Appropriations		
Transfer to Statutory Reserve	735.00	490.00
General Reserve	-	-
Proposed Dividend	1350.08	1080.06
Dividend Distribution Tax	229.44	183.56
Balance carried forward	5503.14	4147.21

During FY 2009-10 yields on G-sec rose consistently indicating market concern over huge government borrowings and inflationary expectations. Nevertheless intermittent easing of yields was also witnessed on account of slow credit off take and easy liquidity conditions. During the year, trading remained highly skewed towards short and medium term papers. Yields firmed up considerably in the second quarter following announcement of revised projection of government borrowing at Rs. 451000 crore as against Rs. 362000 crore estimated in the interim budget. Yields charted up as unabated rise in food inflation and improvement in domestic economic condition weighed on market sentiment. Yields rose traded with a hardening bias during the fourth quarter, as players remained wary of government borrowings for FY 2010-11. However, yields retreated from nearly 18-months high at the close of the year on announcement of lower than expected borrowing quantum for the first half of FY 2010-11. Yield on 10-year benchmark paper firmed up by 84 basis points to close the year at 7.85 per cent as against 7.01 per cent as on March 31, 2009. The company, despite this volatility, made a profit before tax of Rs. 5603.28 lacs during the year ended March 31, 2010 due to prudent funds management and reorientation of trading strategies.

2. CAPITAL ADEQUACY

Capital adequacy ratio as on March 31, 2010 stood at 41.59 per cent as against the RBI stipulation of 15 per cent.

3. DIVIDEND

The Board has recommended a final dividend of Re. 1 per share for the FY 2009-10 amounting to Rs. 1350.08 lacs. The total outflow on account of said dividend shall be Rs. 1579.52 lacs (including Dividend Distribution Tax).

4. OTHER MATTERS

4.1. Directors

During the year, the Board of Directors met seven times to review strategic, operational, technological and financial matters besides laying down policies and procedures for operational management of the company against the required minimum of 4 meetings in a year. The Audit Committee of the Board met five times; the Share Transfer and Issue of Duplicate Shares Certificates Committee met twenty four times and Shareholders' / Investors' Grievance Committee met twelve times.

Changes since last Annual General Meeting

The following changes took place in the Board of Directors of the company since the date of last Annual General Meeting :

- **Sh. K. R. Kamath**, Chairman and Managing Director- Punjab National Bank, has been appointed as an Additional Director and Chairman by the Board in its meeting held on January 21, 2010.
- **Sh. S. Ranganathan**, General Manager - Punjab National Bank, had resigned from Directorship and Managing Directorship on April 3, 2010 due to recall of his services by the parent bank, Punjab National Bank.
- **Sh. D.V.S.S.V. Prasad**, General Manager-Punjab National Bank, has been appointed as an Additional Director and Managing Director by the Board in its meeting held on May 3, 2010, in place of Sh. S. Ranganathan.

Retirement of Directors by Rotation

As per Article 99 of the Articles of Association of the company, Dr. Kamal Gupta and Sh. S. K. Soni shall retire by rotation in the forthcoming Annual General Meeting and are eligible for reappointment.

Corporate Governance

Corporate Governance for the company means achieving high level of accountability, efficiency, responsibility and fairness in all areas of operations. Our workforce is committed towards the protection of the interest of the stakeholders including shareholders, creditors, investors, customers, employees, etc. Our policies consistently undergo improvements keeping in mind our goal i.e. maximization of value of all the stakeholders. The Corporate Governance practices followed by the company are given in the Annual Report. A certificate from M/s Bansal R. Kumar and Associates, Statutory Auditors of the company regarding compliance of conditions of Corporate Governance stipulated by stock exchanges is enclosed with the 'Report on Corporate Governance'.

4.2. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies (Amendment) Act 2000, the Directors confirm that in the preparation of the annual accounts:

- The applicable accounting standards have been followed.
- Appropriate accounting policies have been selected and applied consistently, judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year ended March 31, 2010 and the profit and loss account for the year ended March 31, 2010.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

4.3. Audit, Internal Control Systems & their adequacy

M/s Bansal R. Kumar and Associates, Chartered Accountants, Delhi were appointed as the Statutory Auditors of the company by the Comptroller & Auditor General of India for the financial year ended March 31, 2010. The report of the auditors is self-explanatory.

The company considers Internal Audit to be a very significant part of its corporate governance practices. For the year 2009-10, the Board appointed M/s Ernst & Young Pvt. Ltd. as the Internal Auditors of the company. The scope of Internal Audit included audit of treasury transactions on a monthly basis and reporting to the Audit Committee of the Board that the company has operated within the limits of various risk parameters laid down by the Board, Reserve Bank of India and other statutory authorities. Besides, they also audited and reviewed key business processes, including IT systems of the company, on quarterly basis. All the reports of the Internal Auditors were submitted to the Audit Committee and the monthly audit reports were submitted to Reserve Bank of India as well.

4.4. Human Resources

Total number of employees of the company as on March 31, 2010 was 31 (including 7 employees on deputation from parent bank). The company has maintained peaceful and harmonious relations with its employees.

The information required under Section 217 of the Companies Act, 1956 read with the companies (Particulars of Employees)(Amendment) Rules, 2002 be treated as NIL as none of the employees of the company draws remuneration in excess of Rs 2,00,000/- p.m. No employee is related to any Director of the company.

4.5. Particulars required to be furnished by the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

- a) Part A pertaining to the conservation of energy are not applicable to the company.

With regard to Part B pertaining to technology absorption, the company has installed the integrated treasury management software and RBI's Negotiated Dealing System with the help of IDRBT and reputed IT companies. The company recognizes the growing importance of Information Technology in the emerging business environment. The company has also implemented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) with the help of IDRBT (consultants for implementation of BCP and DRP) to identify and reduce risk exposures and proactively manage any contingencies.

- b) Foreign Exchange earnings and outgoing:

The company has neither used nor earned any foreign exchange during the year under review.

4.6. Public Deposits

During the year ended March 31, 2010, the company has not accepted any deposits from the public within the meaning of the provisions of the Non- Banking Financial Companies (Reserve Bank) Directions, 1977 and RBI's notification no. DFC.118DG/(SPT)-98 dated January 31, 1998.

4.7. Acknowledgement

Your Directors thank Government of India, Reserve Bank of India, Securities and Exchange Board of India, National Stock Exchange Ltd., Bombay Stock Exchange Ltd., Punjab National Bank, Commercial, Cooperative & Regional Rural Banks, Financial Institutions, PF Trusts, Public Sector Undertakings and Private Sector Corporate Bodies and other valued clients for their whole-hearted support. We acknowledge the sincere and dedicated efforts put in by employees of the company at all levels.

On behalf of Board of Directors

Date : June 8, 2010
Place : New Delhi

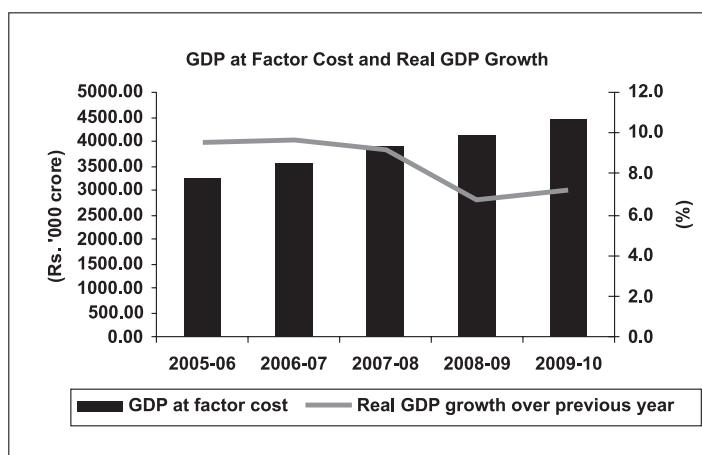
(K. R. Kamath)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW

Gross Domestic Product

The Indian economic scenario transformed significantly in FY 2009-10 after witnessing a spell of slowdown in tandem with the recession in global economy in FY 2008-09. While the global economic scenario still remains uncertain, the Indian economy exhibited strong momentum in recovery supported by swift fiscal and monetary expansionary measures. The recovery remained broad based with an exception of agriculture, which suffered due to deficient monsoons. Industry and services remained the main drivers of Indian economic growth and on back of strong performances by the two sectors, GDP growth for FY 2009-10 has been estimated at 7.2 percent as



against 6.7 per cent in the previous year. Inflationary pressures resurfaced again in the second half of the year after remaining subdued and turned in mid-year as food prices soared to record levels triggered by poor monsoon. Inflationary situation became even more complicated as signs of inflation percolating to non-food components and turning demand driven, became more and more evident after the third quarter.

A sharp recovery of growth during FY 2009-10 despite the worst monsoon in over 3 decades reflects the resilience of the Indian economy. On the demand side, the contribution of various components to growth in FY 2009-10 was 36 per cent for Private Consumption, 14 per cent for Government Consumption, 26 per cent for Fixed Investments and 20 per cent for Net Exports. On a disaggregated basis, agricultural sector registered a contraction of 0.2 per cent in FY 2009-10 compared to growth of 1.6 per cent during the previous year. Drought in key agricultural areas of the country severely affected the kharif output, with output declining to 88 million tonnes from 99 million tonnes in previous year. On the other hand, industrial production, which remained the main growth driver, recovered substantially in FY 2009-10. The Index of Industrial Production (IIP) registered double-digit growth during the period October 2009-February 2010. As per the latest data release, IIP grew by 15.1 per cent in February, 2010. Under use-based classification, double digit growth rates witnessed in capital goods, intermediate goods and consumer durables indicate that the recovery has been broad-based.

International Trade and Debt

As regards Indian exports, net exports of goods and services contributed positively (20.4 per cent) to GDP growth in FY 2009-10, as against a negative contribution of around 36.2 per cent in FY 2008-09. After posting negative growth for 10 consecutive months, exports recovered significantly from November, 2009 onwards reflecting signs of recovery in external demand. Imports also turned around and exhibited an average growth of about 43.0 per cent during the period December, 2009 - February, 2010, mirroring the impact of strong recovery in economic growth. In period April, 2009 - February, 2010, exports stood at USD 152.7 billion as against imports of USD 248.4 billion which resulted in a trade deficit of USD 95.7 billion.

India's external debt increased from USD 224.60 billion at end-March, 2009 to USD 251.40 billion at end-December, 2009. The increase in external debt stock was essentially due to increase in long-term debt. Short-term debt also

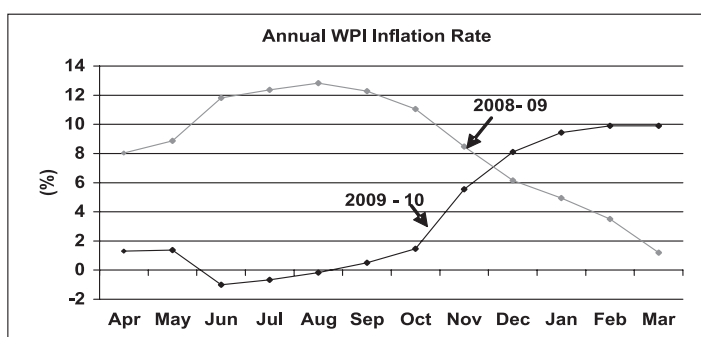
increased marginally from its March-end level at USD 43.4 billion to USD 45.2 billion at end-December, 2009. The ratio of short-term to total debt declined at end-December, 2009 from its level at end-March, 2009.

Consumption Expenditure

The contribution of consumption expenditure both private and Government in overall GDP growth declined significantly during FY 2009-10. While private final consumption expenditure (PFCE) suffered as decline in agricultural output severely impacted rural income, government final consumption expenditure (GFCE) was also lower in comparison to the previous year in absence of fiscal stimulus in FY 2009-10. The moderation in GFCE was even more pronounced in the third quarter owing to high base effect of the previous year at the time when fiscal sops were delivered. PFCE is estimated to grow at 4.1 per cent in FY 2009-10 vis-à-vis 6.8 per cent in previous financial year. On the other hand GFCE is estimated to grow at 8.2 per cent as against 16.7 per cent in the previous year.

Inflation

During the first half of FY 2009-10, the y-o-y WPI inflation remained moderate during the period April-May, 2009 and turned negative during June- August, 2009 on account of the high base effect of the steep rise in prices of petroleum products in June, 2008. After remaining largely subdued in the first half of the year, inflation situation deteriorated with prices rising at an alarming pace in the second half of the year. Steep rise in food articles prices on account of poor monsoon and subsequent decline in kharif output triggered the uptrend in WPI inflation rate. Food articles inflation remained at elevated levels in double digit on account of supply constraints. However, inflation became more generalized and spread to other categories as economic activity gathered steam. WPI inflation rate neared double digits at 9.9 per cent in March, 2010 way ahead of RBI's target of 8.5 per cent for FY 2009-10. Increase in prices of non-food components under manufactured products gave clear evidence of rise in demand side pressures. The non-food manufacturing inflation, which remained in the negative territory up to November, 2009, has clambered up considerably since then rising to 4.7 per cent in March, 2010. Fuel inflation also turned positive in December, 2009 following the up trend in global crude oil prices. Increase in prices of administered fuel further exerted pressure on fuel inflation.

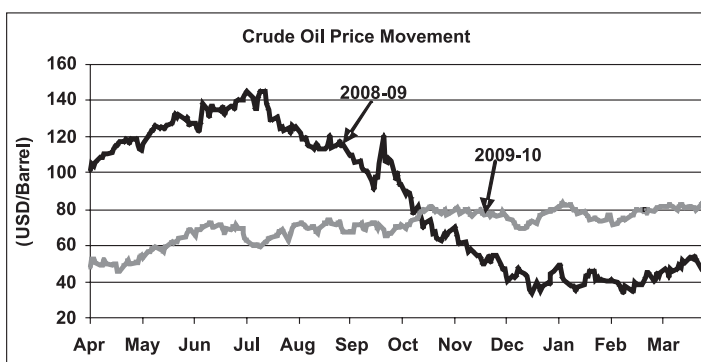


Food articles inflation remained at elevated levels in double digit on account of supply constraints. However, inflation became more generalized and spread to other categories as economic activity gathered steam. WPI inflation rate neared double digits at 9.9 per cent in March, 2010 way ahead of RBI's target of 8.5 per cent for FY 2009-10. Increase in prices of non-food components under manufactured products gave clear evidence of rise in demand side pressures. The non-food manufacturing inflation, which remained in the negative territory up to November, 2009, has clambered up considerably since then rising to 4.7 per cent in March, 2010. Fuel inflation also turned positive in December, 2009 following the up trend in global crude oil prices. Increase in prices of administered fuel further exerted pressure on fuel inflation.

CPI inflation remained at elevated levels during the year even in the first half of the year when WPI inflation hovered in the negative territory. However, the gap between consumer inflation and wholesale inflation narrowed down in the second half of the year as WPI inflation rose alarmingly.

Commodity Prices

After remaining moderate in the first half of the year, international commodity prices inched up gradually supported by improvement in economic conditions. After falling drastically in the second half of FY 2008-09, crude oil prices recovered during FY 2009-10 rising by over 70 per cent during the year under review. However, with trend of recovery in advanced economies such as US and the Euro area still being ambiguous, crude oil prices



witnessed fluctuations and remained highly sensitive to economic data releases. Surplus oil capacity also checked sharp rise in oil prices. During the year, crude oil price touched a high and low of USD 83.76 and USD 45.88 a barrel respectively. International food and metal prices also rose gradually during the year led by improvement in global economic conditions. Rise in food prices was mainly driven by sharp surge in sugar prices.

Fiscal Deficit

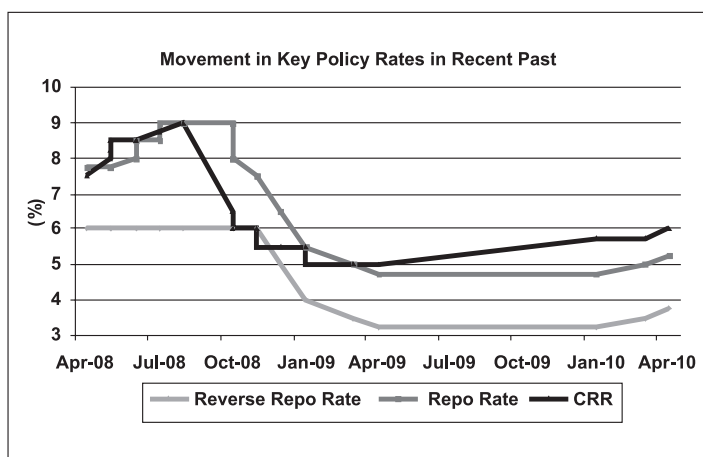
The Central Government finances remained under strain despite significant decline in total expenditure during FY 2009-10. While the revenue expenditure was curbed significantly, key deficits remained on the higher side owing to lower tax collections. Owing to reduction in indirect taxes, gross tax revenue as per the revised estimates for FY 2009-10 stood lower at Rs. 633095 crore as against Rs. 641079 crore as per the budget estimates. The net tax revenue growth as per the revised estimate has been pegged at 4.9 per cent for FY 2009-10. The Revenue Deficit and Gross Fiscal Deficit (GFD) as per the revised estimates for the year 2009-10 widened to 5.3 per cent and 6.7 per cent respectively as against the previous year's figures of 4.5 per cent and 6.0 per cent respectively. The combined fiscal deficit of central and state governments also rose to 9.7 per cent as per the budget estimates for FY 2009-10 as against 8.5 per cent (RE) in FY 2008-09.

Government Borrowings

Gross and net market borrowings (dated securities and 364-day Treasury Bills) of the Centre for 2009-10 stood at Rs. 451000 crore (Rs. 318550 crore in FY 2008-09) and Rs. 398411 crore (Rs. 298536 crore in FY 2008-09) respectively. The large market borrowing by the Government put upward pressure on the yields on government securities. However, this was contained by active liquidity management by the Reserve Bank and sluggish private credit demand and comfortable liquidity conditions. In addition to this, state governments also raised the total amount of Rs. 114883 crore through market borrowings as against Rs. 118138 crore during the previous year.

Monetary Policy

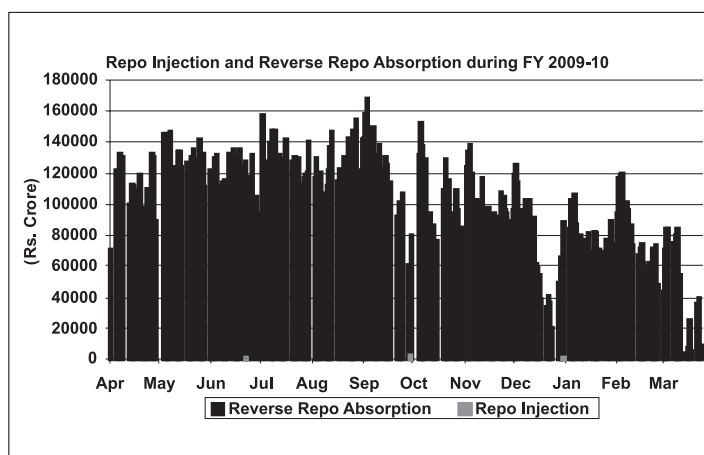
RBI maintained an extremely accommodative monetary stance during the year to assist the economy in recovering completely from the slowdown. RBI policy gratified the needs of the economy and focused on stimulating private demand by maintaining interest rates at record low levels. In the annual monetary policy for FY 2009-10, RBI doled out token rate cut of 25 basis points each in Repo and Reverse Repo rates giving clear indications of its objective to boost domestic demand. Liquidity levels remained at record high levels during the year boosted by low policy rates. During the policy reviews, RBI maintained that supporting full economic recovery remains an imperative task and that the economic growth shall not be compromised with. However, the Central Bank took cognizance of rise in food prices stating that aggravation in inflation condition may stem the economic recovery. The interest rate transmission through lower lending rates also became pronounced though with a lag. When the private demand for credit remained depressed and decelerated till the middle of Q3 of 2009-10, the flow of resources from the non-banking sources to the commercial sector increased. The recent upturn in monetary and credit aggregates also provides evidence of up-trend in economic growth. With inflationary expectations building up strongly and economy posting robust growth figures since third quarter onwards, RBI got room to



commence with normalization of interest rates. It raised the CRR by 75 basis points to 5.75 per cent in the third quarter policy review, which drained out liquidity amounting to Rs. 36000 crore from the system. The Central Bank explicitly pressed upon the need to adopt a calibrated approach towards exit from an extremely accommodative monetary stance, which was adopted at the time of crisis. RBI also hiked the Repo and Reverse Repo rates by 25 basis points each to 5 per cent and 3.50 per cent respectively as signs of demand side pressures on inflation became more discernible. Smooth conduct of huge government borrowings also posed as a major challenge for the Central Bank. RBI conducted OMO purchase auctions during the first half of the year and ensured ample liquidity in the system to boost demand for mammoth G-sec supply. MSS bonds aggregating Rs. 28000 crore were also de-sequestered during the year to support the government borrowings.

Money Market

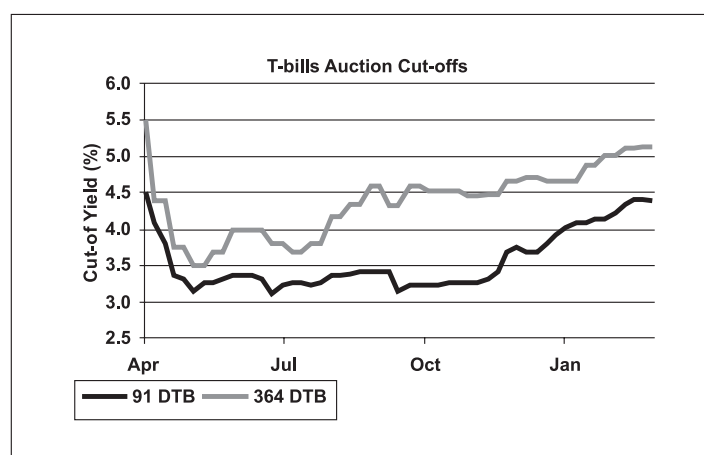
On back of an accommodative monetary stance followed by RBI during the entire year, money market rates also stabilized and hovered near the lower bound of the Liquidity Adjustment Facility (LAF) corridor. Huge Reverse Repo absorptions of over a trillion rupees on a daily basis reflected surplus cash in the system. Subdued credit off-take and huge capital inflows also amounted to rise in liquidity levels in the system. Transaction volumes in the Collateralized Borrowing and Lending Obligation (CBLO) Market, and Repo and Call Money segments remained high during the year reflecting surplus liquidity and active market conditions.



Trading volumes remained heaviest in the CBLO segment. Mutual funds were the largest lenders in money market while banks remained the largest borrowers. The key drivers of liquidity during the first half of FY 2009-10 were open market operations (OMO) to manage colossal Government borrowings coupled with MSS unwinding. The total liquidity released during FY 2009-10 through the unwinding of MSS and auction based OMO purchases amounted to Rs. 142827 crore. Though surplus liquidity declined in the fourth quarter owing to heavy advance tax outflows and pick up in credit demand, the same did not have much impact on money market rates. The average rates of CBLO, market repo and call money were 2.68 per cent, 2.86 per cent and 3.28 per cent respectively, during the year.

Treasury Bill Market

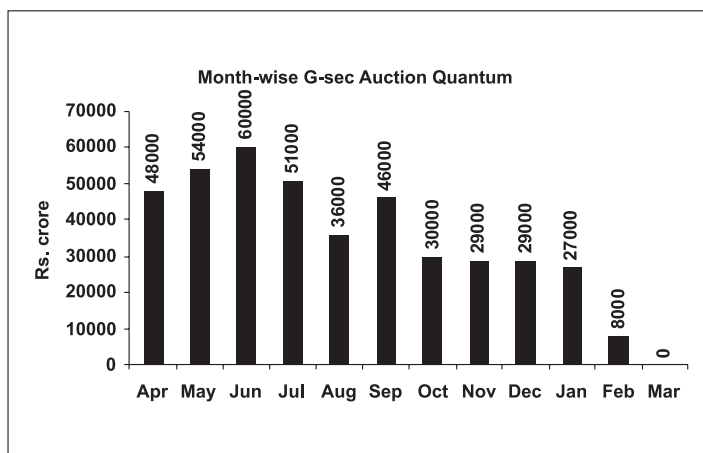
During FY 2009-10, Government relied heavily on borrowing through T-bills. Government Borrowing through T-bills during the year stood at Rs. 380000 crore as against previous year's borrowing of Rs. 299000 crore. Yields in the primary market declined significantly in the beginning of the year following a repo and reverse repo rate cut by RBI. Thereafter, surplus liquidity in the system ensured sufficient demand for T-bills which kept yields low. However, in the second half, yields started rising gradually on account of expectations of policy rate hike and rise in inflationary pressures. Average implicit yield at cut-off price on 91-Days,



182-Days and 364-Days T-bills stood at 3.57 per cent, 4.00 per cent and 4.37 per cent respectively. Average bid-to-cover ratio on 182-Days and 364-Days T-bills increased to 3.35 and 3.67 respectively from 2.91 and 3.47 during the previous year. However, with significant rise in auction quantum and low yield bid-to-cover ratio for 91-Day T-bills declined to 3.08 from 3.43 during the previous year. The yield spread between 364-days and 91-days T-Bills was 76 basis points in March, 2010 as compared to 48 basis points in March, 2009.

Government Dated Securities

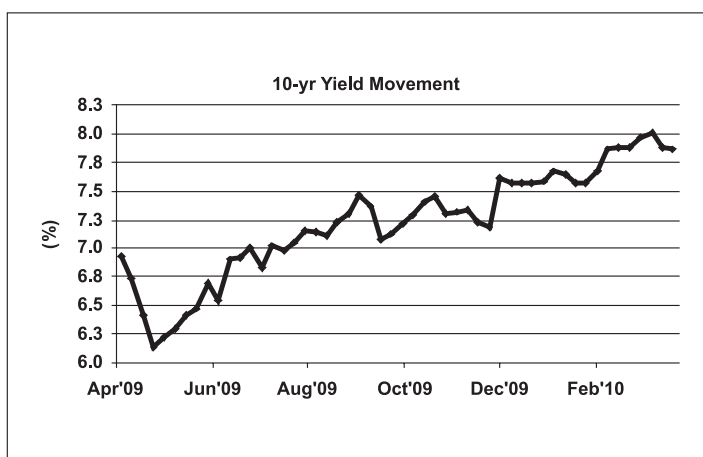
FY 2009-10 was characterized by huge market borrowing to the tune of Rs. 418000 crore, which placed constant upward pressure on G-sec yields. In expectations of pick-up in credit during the second-half, Government's huge borrowing calendar was front-loaded with 70.57 per cent of the total market borrowing being raised in the first six months. RBI strived hard to conduct the same in a non-disruptive way and Synchronized Market Stabilisation Scheme (MSS) buyback auctions and open market purchases with Government's normal market borrowings. These measures along with de-sequestering of MSS balances and comfortable



liquidity condition ensure smooth conduct of Government Borrowing. Nevertheless, the pressure on yields persisted and continuous devolvments in the second half of the year reflected cautious market sentiments.

Borrowings were concentrated in short and medium term securities and the weighted average maturity of issuances declined to 11.2 years from 13.80 years in the previous year. The weighted average yield of dated securities issued during 2009-10 was lower at 7.23 per cent as compared to 7.69 per cent during 2008-09.

In the secondary market for government securities, yields on G-sec rose consistently indicating market concern over huge government borrowings and inflationary expectations. Nevertheless, intermittent easing of yields was also witnessed on account of slow credit off take and easy liquidity conditions. During the year, trading remained highly skewed towards short and medium term papers with long tenor papers finding little favour amid inflationary concerns. Yields firmed up considerably in the second quarter following announcement of revised projection of government borrowing at Rs. 451000 crore as against Rs. 362000 crore estimated in the interim budget. Though expectation

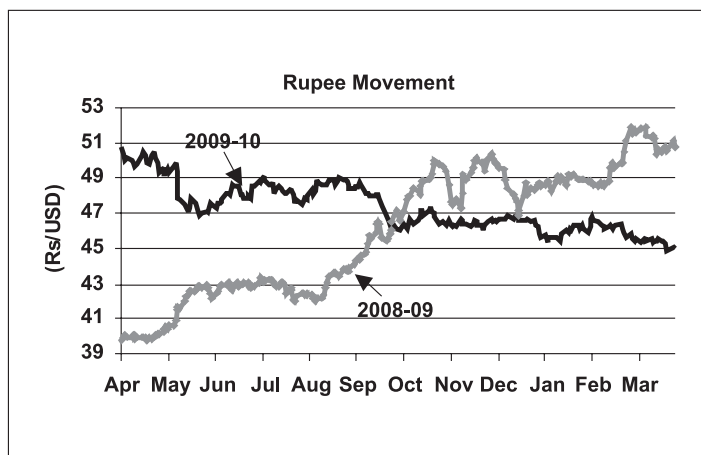


of relaxation in Held-to-Maturity (HTM) norms for banks gave respite to the market, yields charted up again as unabated rise in food inflation and improvement in domestic economic condition weighed on market sentiment. Yields rose steadily during December, 2009 in expectation of rate hike in the January, 2010 policy meet. Global cues too remained negative with US treasury yields touching the highest levels since August, 2009 on back of

improved US economic condition and huge debt sales. Yields rose traded with a hardening bias during the fourth quarter, as players remained wary of government borrowings for FY 2010-11. Robust advance GDP estimates also weighed on sentiments. However, yields retreated from nearly 18-months high at the close of the year on announcement of lower than expected borrowing quantum for the first half of FY 2010-11. During the year, while short-term yields softened on back of surplus liquidity, medium and long-term yields hardened on inflationary pressures. Yield on 10-year benchmark paper firmed up by 84 basis points to close the year at 7.85 per cent as against 7.01 per cent as on March 31, 2009.

Forex Market

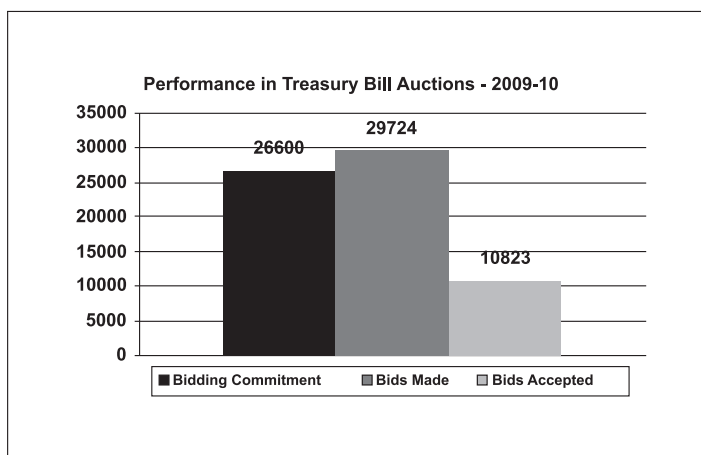
Rupee appreciated against the US dollar by 11.4 per cent during FY 2009-10 after weakening by 21.5 per cent during the previous year. Unlike the previous year, which was marked with heavy capital outflows in the wake of financial turmoil, positive economic growth outlook of emerging economies and decline in risk aversion amongst investors led to heavy capital inflows raising the attractiveness of the domestic unit. Forward premia also exhibited a declining trend during FY 2009-10 on back of easy money supply conditions. Rupee closed the year at Rs. 44.95 versus the USD vis-à-vis previous year's closing of Rs. 50.74 per USD.



COMPANY PERFORMANCE

Primary Market

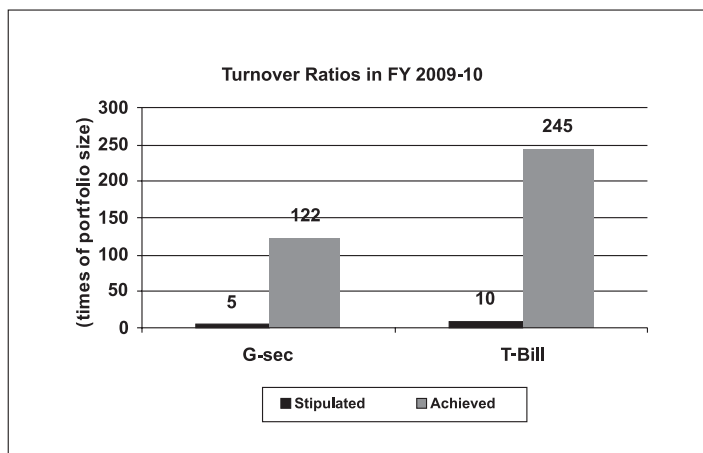
In primary market, the company continued to comply with all the regulatory requirements of bidding under Minimum Underwriting Commitments (MUC) and Additional Competitive Underwriting (ACU) for primary dealers despite a sharp rise in commitments owing to increased issuances of G-sec. During the year, the company earned an underwriting commission of Rs. 3.91 crore as against previous year's commission of Rs. 5.61 crore.



In Treasury bill auctions, in the first half, GOI raised Rs. 187500 crore as against Rs. 78500 crore in the corresponding period of last fiscal. Despite considerable rise in T-bill auction quantum and subsequent increase in company's bidding commitment, company fulfilled its obligations and attained a success ratio of 40.56 per cent. In the second half, GOI raised Rs. 192500 crore worth of T-bills. Company achieved a success ratio of 40.82 per cent during the period as against the minimum stipulated ratio of 40 per cent. During FY 2009-10, company submitted bids aggregating Rs. 29724 crore against the commitment of Rs. 26600 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs. 10823 crore were accepted.

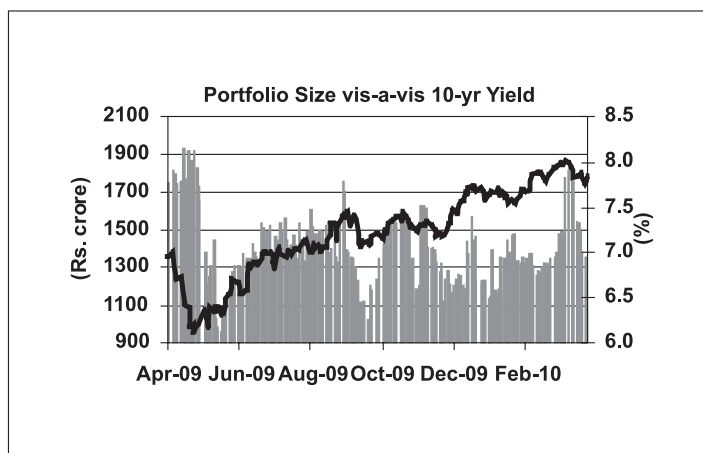
Secondary Market

During the year, Company achieved secondary market turnover of Rs. 48386 crore as against Rs. 46620 crore achieved in FY 2008-09. Turnover remained high in the first three quarters in line with market volumes with the highest volumes traded in the month of April, 2009. Though, market volumes declined in June, 2009 owing to political uncertainty, trading volumes picked up again post formation of a stable government. However, with deterioration in market condition in the fourth quarter owing to CRR hike and fiscal deficit concerns for the next year, company's turnover also remained subdued during the period. The company was able to achieve a turnover ratio (secondary market) of 245 times for treasury bills and 122 times for government-dated securities against the minimum RBI stipulation of 10 times and 5 times respectively.



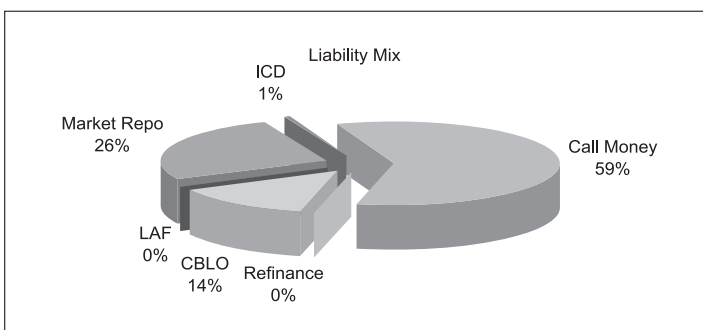
Portfolio Size and Composition

The Company maintained a portfolio size in line with the market conditions. The portfolio size varied between Rs. 966 crore to Rs. 1930 crore and averaged at Rs. 1402 crore. In the first half, the company maintained a comparatively higher stock size when yields remained soft. However, in the second half, company gradually increased proportion of low risk carrying T-bills and reduced exposure dated securities in expectation of rise in yields. The company's T-bill average holding in H1 stood at Rs. 110 crore which rose to Rs. 338 crore in H2. During the year, the company's exposure in the interest rate derivatives declined from Rs. 6775 crore to Rs. 950 crore.



Liability Mix

During the year, the company efficiently utilized various borrowing sources namely Call, CBLO, Repo, LAF, etc. Ample liquidity in the system kept money market rates easy resulting in lower borrowing cost to the company. The average borrowings from all sources amounted to Rs. 1123 crore against Rs. 1107 crore in 2008-09. With reduction in portfolio size, the average leverage during the year also decreased to 1.99 times from 2.06 times in the previous year. Reflecting the



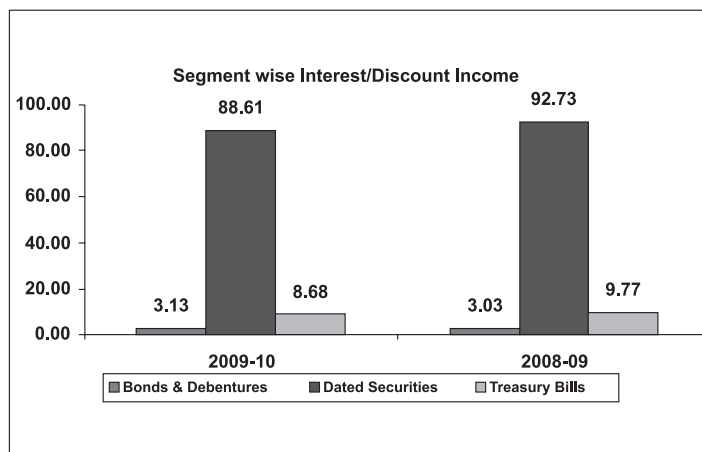
efficiency of company's funding strategy, the average cost of funds at 3.07 per cent (6.04 per cent in FY 2008-09) was about 27 basis points lower than the average NSE overnight MIBOR of 3.34 per cent during the year.

Trading Stance and Risk Management

Unlike, the previous year, in which company operated in a highly volatile market condition, yields remained northbound in FY 2009-10 rising consistently amid inflationary pressures. With food inflation rising to double digits, expectation of reversal in easy monetary stance rose considerably. Despite adequate support to the government borrowing program in form of OMO purchases by RBI and ample liquidity, market participants demanded higher yield on G-sec to compensate for rising inflation. Double digit growth in industrial production and robust GDP figures also weighed on market sentiments. In a rising yield scenario, the company operated on a low portfolio size and focused on intra day trading which resulted in substantial decline in market risk. The company maintained a well-balanced portfolio comprising of liquid securities across the curve, which enabled the company to earn a healthy interest income without exposing itself to substantial market risk. Company tracked market movement closely and ensured timely exit from securities shifting to the illiquid category. Risk management is a critical constituent of company's trading business. The company's mid-office is primarily responsible for formulating and implementing the risk management policies. Value-at-risk, PVBP limits, Sensitivity Analysis and Cut-loss policies form the core of market risk management system. Counterparty exposure limits and instrument-wise exposure limits were the primary tools used for managing the credit risk in the business. Similarly, well-established and documented systems and procedures provide defence against the operational risk.

Financial Performance

During the year, company's profit surged by 47 per cent from Rs. 38.12 crore in FY 2008-09 to Rs. 56.03 crore in FY 2009-10. Despite 84 basis points rise in benchmark yield during the year, active trading stance helped the company in achieving higher profits even in rising interest rate scenario. During the year interest cost of the company declined from Rs. 67 crore to Rs. 35 crore resulting in 48 per cent rise in net interest income. After the first quarter, company consciously reduced its portfolio size in expectation of monetary tightening by RBI which resulted in marginal decline in interest income from dated securities at Rs. 91.78 crore as against Rs. 96.17 crore earned in the previous year. However, reduced portfolio size protected company's profit from high market risk arising out of consistent rise in yields. As a result, diminution in market value of securities declined significantly from Rs. 63.83 crore as on March 31, 2009 to Rs. 9.70 crore as on March 31, 2010. Income from non-core activities also surged considerably by 88 per cent to Rs. 8.27 crore from Rs. 4.40 crore in FY 2008-09. The Profit After Tax amounted to Rs. 36.70 crore as against Rs. 24.49 crore last year, an increase by 52 per cent. The net worth of the company has risen by 3.7 per cent to Rs. 557.76 crore as on March 31, 2010. Capital Adequacy Ratio of the company as on March 31, 2010 stood at 41.59 per cent as against RBI's minimum stipulation of 15 per cent.



Human Resource Development

The company places a lot of emphasis on continuous up gradation of its human resource. The company has a training committee to nominate employees according to the individual training needs. Best HR practices and a

healthy work environment ensure high motivational levels of the employees. Apart from this, in-house lectures and workshops are also conducted to stimulate healthy exchange of ideas.

OPPORTUNITIES AND THREATS

Indian economy showed great resilience with recovery on a firm foothold on back of robust performance by the manufacturing sector. The growth outlook in the near term remains sanguine as envisaged in macro economic surveys by different agencies. Both IMF and RBI have projected a robust 8.0 per cent growth in GDP with an upward bias for FY 2010-11. However, the same is highly dependant on the monsoon behavior. Sustained growth in industrial output shall also govern the momentum of economic growth in the coming year. On the inflation front, demand side pressures may rise on back of economic growth and may become key driver of inflation, whereas supply side pressures may take a backseat on improved rabi crop and expectation of normal monsoon. Impact of monetary steps already taken by the Central Bank may impede rise in inflation to some extent. The major challenge for the debt market in the next fiscal will be absorption of huge government borrowings especially when RBI is expected to bring about further interest rate hikes and tighten liquidity. Further, absence of support from RBI as witnessed in the previous year in form of OMO buyback auctions, MSS unwinding and de-sequestering clubbed with expected rise in credit off take exert upward pressure on yields.

Bond yields are expected to trade with a hardening bias during the first half FY 2010-11 on back of heavy borrowings for the first half of year. However, volatility may remain low as witnessed in FY 2009-10 and hardening of yields may be gradual as RBI is expected to hike interest rates in a calibrated manner. Even amid low volatility trading opportunities may be ample with sideways movement in yields giving opportunity to enter and exit from securities. Strong risk management systems will keep a vigilant check on various risks and help in maintaining an efficient risk return proportion. The company shall continue to make good use of its competencies in debt trading and other fund and non-fund based businesses permitted by RBI.

On behalf of Board of Directors

Date : June 8, 2010

Place : New Delhi

(K. R. Kamath)

Chairman

REPORT ON CORPORATE GOVERNANCE

- ***Company's Philosophy on Code of Corporate Governance***

Corporate Governance for the company means achieving high level of accountability, efficiency, responsibility and fairness in all areas of operation. Our workforce is committed towards the protection of the interest of the stakeholders viz. shareholders, creditors, investors, customers, employees, etc. Our policies consistently undergo improvements keeping in mind our goal i.e. maximisation of value of all the stakeholders.

- ***The goal is achieved through:***

- Infusion of best expertise in the Board
- Consistent monitoring and improvement of the human and physical resources
- Introducing regular checks and audits and continuous improvements in well-defined systems and procedures.
- Board / Committee meetings at regular intervals to keep the Board informed of the recent happenings.

- ***Board of Directors***

1. **Composition of the Board**

The company fulfills this requirement as stipulated by the Code of Corporate Governance. The Board of Directors has only one Executive Director out of nine Directors and the Chairman of the Board is a Non-Executive Director. The composition of the Board as on March 31, 2010 is as under :

The Board of PNB Gilts is headed by Sh. K. R. Kamath, who is the Chairman and Managing Director of Punjab National Bank. He was earlier the Chairman and Managing Director of Allahabad Bank. He is a member of the Managing Committee of Indian Banks' Association, Governing Council of the Indian Institute of Banking & Finance, Governing Board of Institute of Banking Personnel Selection. He is having a rich experience of around 34 years in banking industry. He is also Chairman of PNB Housing Finance Ltd., PNB International Ltd. and PNB Investment Services Ltd. and Director on the Board of Oriental Insurance Co. Ltd.

Sh. Nagesh Pydah, Executive Director, Punjab National Bank, is B.Com, Associate of Indian Institute of Bankers and holding a Diploma in Money Market and Forex Trading from New York University. He has a rich experience of around 36 years at various senior level positions in the Banking Industry. He is also a Director on the Board of PNB Housing Finance Ltd.

Dr. O. P. Chawla is an academican. He was earlier Director of National Institute of Bank Management, Pune. He is Director on the Board of Shree Ram Urban Infrastructure Ltd.

Dr. Kamal Gupta is a qualified Chartered Accountant. He was earlier Technical Director of the Institute of Chartered Accountants of India. Besides, he is also holding the position as a Director in Rajasthan Spinning & Weaving Mills Ltd., H.E.G. Ltd., Maral Overseas Ltd., Malana Power Company Ltd., AD Hydro Power Ltd. and Cambridge Solutions Ltd.

Sh. S. K. Soni has rich experience of 32 years in Banking industry. He retired from Oriental Bank of Commerce as Chairman and Managing Director. He is Director on the Board of HDIL and A.S.P Research Service Pvt. Ltd.

Sh. A. S. Agarwal, Law Graduate, is a socialist. He is Editor-in-Chief and Managing Director of "Tarun Bharat" and Chief Editor, Publisher & Director of "Rashtriya Swarup" - famous Hindi dailies published from Lucknow through Swarup Publications (P) Ltd. He is a member of Executive Body of Agarwal College, Lucknow. Besides, he is also serving as Director on the Board of Swarup Publications (P) Ltd.

Sh. M. S. Aftab is a Gold medallist from Agra University and a Certified Associate of the Indian Institute of Bankers. He has a rich experience of 35 years in Banking Industry in various capacities. He was General Manager of Punjab National Bank and has also served as Executive Director in Vijaya Bank. Presently, he is a Director on the Board of Gujarat Paguthan Energy Corporation, Assets Care Enterprise Ltd., Ramsarup Industrial Corporation Ltd., Archidply Industries Ltd. and Magnum Ventures Ltd.

Sh. P. P. Pareek is a practising Chartered Accountant. He is a senior partner of M/s S. Bhandari & Co. for the last 27 years. He was member of Central Council of and Standing Committees like Executive Committee and Examination Committee of the Institute of Chartered Accountants of India. Presently, he is Director on the Board of Andhra Bank (Shareholders' Representative).

Sh. S. Ranganathan, General Manager-Punjab National Bank, is the Managing Director of company. He is B.Com, F.C.A and has an experience of around 6 years in industry and 27 years in various senior capacities in the PNB group. He is also a Director of Pridhvi Asset Reconstruction and Securitisation Company Ltd. and Primary Dealers Association of India.

• **Other information regarding the Board as on March 31, 2010 is given below:**

Name of the Directors	Category	No. of other Directorships and Committee Memberships/Chairmanships ¹		
		Directorships	Committee Memberships	Committee Chairmanships
Sh. K. R. Kamath	Non-Executive	4	1	-
Sh. Nagesh Pydah	Non-Executive	2	2	-
Dr. O. P. Chawla	Non-Executive/Independent	1	-	1
Dr. Kamal Gupta	Non-Executive/Independent	6	6	3
Sh. S. K. Soni	Non-Executive/ Independent	1	-	-
Sh. A. S. Agarwal	Non-Executive/Independent	-	-	-
Sh. M. S. Aftab	Non-Executive/Independent	5	2	-
Sh. P. P. Pareek	Non-Executive/ Independent	1	-	-
Sh. S. K. Dubey	Non-Executive	1	-	-
Sh. S. Ranganathan ²	Executive	1	-	-

1. In terms of Clause 49 of the listing agreement, only two committees viz. The Audit Committee and the Shareholders' Grievance Committee of public companies are considered for this purpose.

2. Resigned as Director & Managing Director on 03/04/2010.

None of the Directors (except Sh. P. P. Pareek, who holds 1000 shares of the company) are holding any shares / convertible instruments of the company.

2. Meetings and attendance

During the year 2009-10, seven Board Meetings were held on April 24, 2009, June 3, 2009, June 29, 2009, July 23, 2009, October 26, 2009, January 21, 2010 and March 15, 2010. Attendance record of the Directors in the meetings is as under:

Name of Director	No. of Board Meetings attended	Attended last AGM held on August 19, 2009
Dr. K. C. Chakrabarty ¹	2	N.A.
Sh. K. R. Kamath ²	2	N.A.
Sh. Nagesh Pydah ³	3	Y
Dr. O. P. Chawla	7	N
Dr. Kamal Gupta	6	Y
Sh. S. K. Soni	7	N
Sh. A. S. Agarwal	4	Y
Sh. M. S. Aftab	4	N
Sh. P. P. Pareek	6	Y
Sh. S. K. Dubey ⁴	4	Y
Sh. A. K. Gupta ⁵	2	N
Sh. S. Ranganathan ⁶	5	Y

1. Resigned on 14/06/09.

2. Appointed as an Additional Director and Chairman on 21/01/10.

3. Appointed as Additional Director on 03/08/09 and regularised in the Annual General Meeting held on 19/08/10.

4. Appointed as Additional Director on 03/06/09 and regularised in the Annual General Meeting held on 19/08/10.

5. Resigned on 10/06/09.

6. Resigned on 03/04/10.

• Committees of the Board

1. Audit Committee

The Audit Committee formed in pursuance of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 is instrumental in overseeing the financial reporting besides reviewing the quarterly, half-yearly, annual financial results of the company. It reviews company's financial and risk management policies and the internal control systems, internal audit systems, etc. through discussions with internal and external auditors.

During the year 2009-10, five meetings of the Committee were held on April 23, 2009, July 23, 2009, October 10, 2009, January 21, 2010 and March 15, 2010. The composition and attendance of Directors in the Committee is as under:

Name of Directors	Position held in the Committee	No. of Committee Meetings attended
Dr. Kamal Gupta	Chairman	Five
Dr. O. P. Chawla	Member	Five
Sh. S. K. Soni	Member	Five
Sh. P. P. Pareek*	Member	Four
Sh. S. K. Dubey*	Member	Four

*Appointed as Members on 03/06/09.

The Company Secretary acts as the Secretary to the Committee.

2. Remuneration of Directors

Matters of remuneration of Executive Director are considered by the Board of Directors of the company, with the Interested Executive Director not participating/voting. The terms of remuneration of Executive Directors are approved by the shareholders at the general body meeting. The details of remuneration paid to the Executive Director(s) in the financial year 2009-10 is given in Note No. 3 of Notes to Accounts [Schedule 19(B) of the financial statements].

The Executive Director has been appointed for a period of 2 years and his service conditions are regulated by the service regulations of PNB. As per these regulations, his service can be terminated by a notice period of 3 months on either side alternatively, surrender of 3 months salary in lieu thereof. No other severance fees is payable.

Further, only Non-Executive Independent Directors are paid the sitting fees for attending the Board/Committee Meetings @ Rs. 5000/- per meeting. The same is fixed by the Board and is within the limits prescribed under the Companies Act, 1956. No other remuneration or stock option is in place. Therefore, no separate remuneration committee has been constituted.

The details of sitting fees paid to Non-Executive Independent Directors during the financial year 2009-10 is as under:

Name of the Directors	Sitting Fees (Rs.)
Dr. O. P. Chawla	65000/-
Dr. Kamal Gupta	180000/-
Sh. S. K. Soni	125000/-
Sh. A. S. Agarwal	35000/-
Sh. M. S. Aftab	95000/-
Sh. P. P. Pareek	50000/-

The remuneration policy of the company is reviewed periodically.

3. (A) Share Transfer and Issue of Duplicate Share Certificates Committee

During the year 2009-10, twenty four meetings of the said Committee were held.

The composition of Share Transfer and Issue of Duplicate Share Certificates Committee and the attendance of the Members is as under :

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. S. K. Dubey ¹	Chairman	Seventeen
Dr. Kamal Gupta	Member	Twenty Four
Sh. M. Aftab ¹	Member	Fifteen
Sh. A. K. Gupta ²	Member	Five
Sh. S. Ranganathan ³	Member	Nineteen

1. Appointed as Members on 03/06/09.

2. Resigned on 10/06/09.

3. Appointed as Member on 29/06/09 and resigned on 03/04/10.

Only Dr. Kamal Gupta and Sh. M. S. Aftab are being paid sitting fees for these meetings.

As on March 31, 2010, no request for transfer of shares was pending.

The Compliance Officer for the said Committee is Ms. Monika Kochar, Company Secretary.

(B) Shareholders' / Investors' Grievance Committee

During the year 2009-10, twelve meetings of the said Committee were held.

The composition of Shareholders' Grievance Committee and the attendance records of the Members is as under :

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. S. K. Soni	Chairman	Twelve
Sh. A. S. Agarwal ¹	Member	Three
Sh. S. K. Dubey ¹	Member	Nine
Sh. A. K. Gupta ²	Member	Two
Sh. S. Ranganathan ³	Member	Ten

1 Appointed as Members on 03/06/09.

2 Resigned on 10/06/09.

3 Appointed as Member on 29/06/09 and resigned on 03/04/10.

Only Sh. S. K. Soni and Sh. A. S. Agarwal are being paid sitting fees for these meetings.

The company attends to investor grievances/correspondence expeditiously and usually reply is sent within a period of 5 to 7 days of receipt, except in the cases that are constrained by disputes or legal impediments.

During the year, the company had received 40 complaints (mostly in the nature of 'query') from the shareholders / investors. All the complaints have been redressed to the satisfaction of the complainants. No shareholder / investor complaint was pending as on 31/03/10.

The Compliance Officer for the said Committee is Ms. Monika Kochar, Company Secretary.

4. Nomination Committee

During the year 2009-10, one Nomination Committee meeting was held. The composition of Nomination Committee and attendance records of the Members is as under :

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. Nagesh Pydah ¹	Chairman	One
Dr. O. P. Chawla	Member	One
Sh. S. K. Soni	Member	One
Sh. S. Ranganathan ²	Member	One

1. Acting as Chairman of the Committee with effect from 03/08/09.

2. Appointed as Member on 29/06/09 and resigned on 03/04/10.

The Company Secretary acts as the Secretary to the Committee.

• **Resume of Directors Proposed to be Appointed / Re-Appointed**

The brief resume of Directors to be appointed or re-appointed is given in the annexure to the notice conveying the Annual General Meeting.

- ***Code of Conduct for Directors and Senior Management***

The Code of Conduct for Directors and Senior Management of the company has been posted at the company's website (www.pnbgilts.com). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2009-10. A declaration of CEO to this effect is also appended to this report.

- ***CEO/CFO Certification***

The CEO and CFO of the company had submitted required certification to the Board along with the Annual Accounts as per the provisions of Clause 49 of Listing Agreement.

- ***General Body Meetings***

Location and time of last three Annual General Meetings are as under:

Financial year	Venue	Date and time
2008-09	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	August 19, 2009 at 1130 hrs.
2007-08	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	September 27, 2008 at 1130 hrs.
2006-07	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	September 29, 2007 at 1100 hrs.

During last three AGM's no special resolution was passed either through postal ballot or otherwise. At the ensuing AGM also, there is no special resolution proposed to be passed through postal ballot.

- ***Management Discussion and Analysis***

Management Discussion & Analysis has been given separately in the annual report.

- ***Disclosures***

During 2009-10, the company did not have any 'materially significant related party transactions', which is considered to have potential conflict with the interests of the company at large. None of Director is related to each other.

There has not been any non-compliance, penalties or strictures imposed on the company by the stock exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets.

The company has put in place the Whistle Blower Policy. The Audit Committee on time-to time basis reviews the functioning of the same and no employee has been denied access to the Audit Committee.

The company is complying with all the mandatory requirements as given under Clause 49 of Listing Agreement. Compliance with respect to non-mandatory requirement(s) under the said clause is also given in this report.

- ***Means of Communication***

Print

The company publishes unaudited quarterly accounts and half-yearly accounts reviewed by auditors and audited annual financial results in one national newspaper and one regional language newspaper. Generally, these are published in Financial Express and Jansatta. Besides, notice of the Board Meetings fixed for the purpose of approving these results is also published in the same newspaper.

Internet

For the financial results and other relevant information, shareholders may log on to the website of the company www.pnbgilts.com.

• General Shareholder Information

1. Annual General Meeting

Date and time : July 31, 2010 at 11:30 a.m.
 Venue : FICCI Auditorium, Federation House,
 Tansen Marg, New Delhi-110001
 Financial Year : April 1 to March 31
 Date of Book Closure : Final Dividend - FY 2009-10 & Fourteenth AGM
June 1, 2010 to June 8, 2010
(both days inclusive)

Dividend Payment Date : shall be paid within 30 days of declaration.

2. Listing on Stock Exchanges : Listed in September, 2000

The Stock Exchange, Mumbai
 Phiroze Jeejeebhoy Towers,
 Dalal Street, Mumbai

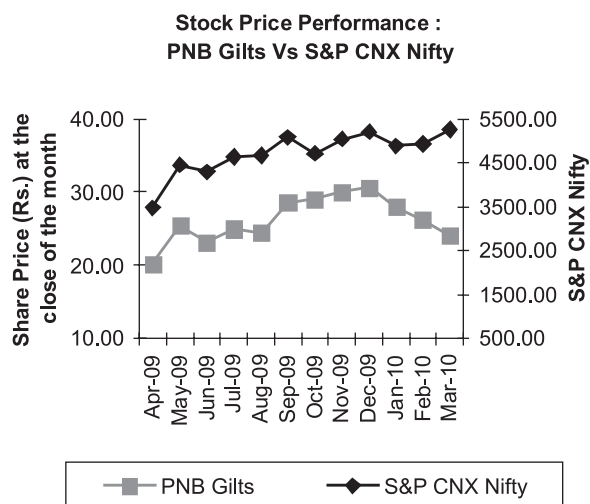
National Stock Exchange of India Ltd.
 Exchange Plaza, 5th Floor, Plot No. C/1,
 G- Block, Bandra Kurla Complex
 Bandra (E), Mumbai 400 051

Annual listing fee of the above-mentioned Stock Exchanges has been paid in time.

3. Market Price Data: High/low share price data in each month during 2009-10 on National Stock Exchange of India Ltd. is given as under :

Month	High (Rs.)	Low (Rs.)
Apr-09	25.00	18.70
May-09	28.80	19.10
Jun-09	26.90	21.05
Jul-09	27.90	22.00
Aug-09	25.65	23.00
Sep-09	30.90	20.15
Oct-09	32.50	23.25
Nov-09	31.25	27.05
Dec-09	35.70	30.10
Jan-10	34.75	26.00
Feb-10	29.80	25.55
Mar-10	27.60	23.80

Source: NSE website



Information on the daily share prices: The quotes can be known from any financial daily like Economic Times, Financial Express, Business Standard, etc. The company has been marked under group B1 by BSE.

The Stock Code of Company at BSE and NSE is as under

BSE: 532366

NSE: PNBG

4. Registrar and Share Transfer Agents:

MCS Limited
F-65, 1st Floor
Okhla Industrial Area
Phase - I, New Delhi-110 020
Tel No.: (011) 41406149-52
Fax No.: (011) 41709881
E-mail : mcsdel@vsnl.com

5. For the shareholders intending to transfer / transmit their shares: Investors' queries/requests for change in address/ bank details, transfer, transmission, issue of duplicate share certificates etc. may please be sent directly to MCS LTD. at the above address.

6. For the shareholders holding shares in dematerialised form: Shareholders holding shares in electronic/ dematerialised mode should address all their correspondence like, change of address/bank details to their respective depository participants (DPs). The updation of particulars in the records of the DP shall result in automatic updation of records of the company.

7. Share Transfer / Dematerialisation System

The shares of the company are traded compulsorily in demat mode. Hence, most of the transfers are executed electronically. However, a few cases of transfer/ transmission are received by the company/registrar in physical mode. For transfer of shares in physical mode the Share Transfer and Issue of Duplicate Share Certificates Committee meets every fortnight. Further, in pursuance SEBI's circular, Secretarial Audit has also been conducted regularly on a quarterly basis. During the course of secretarial audit, no discrepancy in updation / maintenance of the Register of Members or processing of the demat requests was found and the capital held in physical mode and demat mode tally with the issued capital.

• ***Distribution of Shareholding as on March 31, 2010***

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	32651	86.59	3486134	2.58
501-1000	2460	6.52	2162540	1.60
1001-2000	1094	2.90	1795429	1.33
2001-3000	393	1.04	1047467	0.78
3001-4000	211	0.56	770688	0.57
4001-5000	250	0.66	1212513	0.90
5001-10000	335	0.89	2604597	1.93
10001 and above	314	0.84	121928232	90.31
Total	37708	100.00	135007600	100.00

- **Shareholding pattern as on March 31, 2010**

Particulars	No. of Shares held	% of Shareholding
Promoter	100000000	74.07
Financial Institutions, Banks and Insurance Companies	5608040	4.15
Bodies Corporates, Trust & Foundations	6000797	4.45
Indian Public	21840012	16.18
NRI's and FII's	1558751	1.15
Total	135007600	100.00

- **Glance at Equity History of the Company**

	Particulars of Issue	Number of Shares	Total Number of Shares	Nominal value of Shares (Rs. lacs)
July, 1996	Initial Equity Base	50000000	50000000	5000.00
August, 1999	Issue of Bonus shares in the ratio of 1:2	25000000	75000000	7500.00
September, 1999	Issue of Right shares in the ratio of 1:3	25000000	100000000	10000.00
July, 2000	Initial Public Offer	35007600	135007600	13500.76

- **Dematerialisation of Shares**

The Shares of the company are traded compulsorily in demat mode. At present (as on March 31, 2010) 99.64% of the shareholding is held in demat mode.

There are no outstanding GDRs/ADRs/warrants or any convertible instruments.

- **Unclaimed/Unpaid Dividend**

Under Section 205A(5) of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of transfer of dividend to the Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF). No claim shall lie against the company or the said Fund in respect of dividend amounts that remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account. In pursuance of above, Unclaimed Final Dividend for the year 2000-01, Unclaimed Interim & Final Dividend for the year 2001-02 and Unclaimed Interim Dividend for the year 2002-03 have already been transferred by the Company to the Investor Education & Protection Fund.

The shareholders who have not received or claimed the below mentioned dividends till now are requested to make the claim at the earliest. The following dividend amount remain unclaimed as at March 31, 2010:

Financial Year	Amount of Dividend (Rs. Lacs)	Unclaimed Dividend as on 31.03.2010 (Rs. Lacs)	Unclaimed Dividend Percentage	Last date for making claim	Due Date for making transfer to IEPF
2002-03 (Final Dividend)	2,025.11	1.12	0.06	Sept 1, 2010*	Oct 1, 2010*
2003-2004 (Interim Dividend)	1,620.10	1.40	0.09	Nov 24, 2010*	Dec 24, 2010
2003-2004 (Final Dividend)	1,755.10	2.31	0.13	Aug 30, 2011	Sept 29, 2011
2005-06 (Interim Dividend)	1080.06	5.52	0.51	Mar 3, 2013	Apr 2, 2013
2007-08 (Final Dividend)	2025.11	9.27	0.46	Nov 1, 2015	Dec 1, 2015
2008-09 (Final Dividend)	1080.06	5.75	0.53	Sept 18, 2016	Oct 18, 2016

*The company had also sent individual advice letters (along with format of indemnity bond) to shareholders for claiming their dividend(s) not claimed by them. It is hereby once again requested to shareholders who have not yet claimed the said dividend(s), to lodge their claim with the Company by submitting an application and an indemnity bond on or before September 1, 2010 or November 24, 2010, as the case may be. A format of indemnity bond in this respect is also available at the company's website (www.pnbgilts.com). **Kindly note that no claim shall lie against the Company or the IEPF once the dividend amount is deposited in IEPF.**

Shareholders holding shares under more than one Folio/ Client ID: This is in the interest of the shareholders who are holding shares under more than one Folio/Client ID that they get their holding consolidated under a single Folio/Client ID. This leads to a better follow-up on their grievances. Further, this will also help in avoiding multiple mailing of the Annual Reports, Dividend and other Communications to single person.

• **Non-Mandatory Requirements under the Listing Agreement**

1. The Board

a) Chairman of the Board

Chairman of the Board does not maintain his office at the expense of the company.

b) Tenure of Independent Directors

The same will be considered in due course.

2. Remuneration Committee

As mentioned earlier, the matters of remuneration of Executive Director are considered by the Board of Directors of the company, where the Interested Directors, do not participate/ vote. The Board reviews

these policies periodically and the terms of remuneration of Executive Director are approved by the shareholders at the general body meeting. Therefore, no separate remuneration committee has been constituted.

3. Shareholders Rights

The financial results are available on the website of the company (www.pnbgilts.com). Further, the results had also been published in Financial Express and Jansatta.

4. Audit Qualifications

The company's financial statements are subject to Statutory and CAG Audit and both the audit reports are unqualified.

5. Training of Board Members

The same will be considered in due course.

6. Mechanism for evaluating non-executive Board members

The same will be considered in due course.

7. Whistle Blower Policy

The company has put in place the Whistle Blower Policy and the functioning of the same is also reviewed by the Audit Committee annually.

➤ Compliance Officer and contact address

Ms. Monika Kochar, Company Secretary
PNB Gilts Ltd.
5, Sansad Marg
New Delhi 110 001
Tel : 011-23325759/ 23325779
Fax : 011-23325751
Email : pnbgilts@del2.vsnl.net.in

On behalf of the Board of Directors

Date : June 8, 2010
Place : New Delhi

(K. R. Kamath)
Chairman

DECLARATION

To,
The Members of
PNB Gilts Ltd.
5, Sansad Marg
New Delhi - 110 001

Dear Member,

It is hereby certified that as per Clause 49 of Listing Agreement, the Code of Conduct for Directors and Senior Management Personnel has already been laid down and also posted on company's website (www.pnbgilts.com).

Based on the affirmations received from Directors and Senior Management Personnel as covered under the said Code, I, D.V.S.S.V. Prasad, hereby declare that all the Directors and Senior Management Personnel of the company have complied with the Company's "Code of Conduct for Directors and Senior Management" during the year 2009-10.

For and on behalf of Board

Date : May 3, 2010
Place : New Delhi

(D.V.S.S.V. Prasad)
Managing Director

AUDITORS' CERTIFICATE

To,
The Members of
PNB Gilts Ltd.
5, Sansad Marg
New Delhi - 110001

We have examined the compliance of conditions of Corporate Governance by PNB Gilts Ltd. for the year ended March 31, 2010, as stipulated in Clause 49 of the listing agreement of the said company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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, we certify that the company has complied with the condition of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance(s) is pending for a period exceeding one month against the company as per the records maintained by the Shareholders' / Investors' Grievance Committee.

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

For Bansal R. Kumar & Associates
Chartered Accountants

(R. K. Gupta)
Partner

Date : May 8, 2010
Place : New Delhi

Membership No 86851



FINANCIAL REVIEW

AUDITORS' REPORT TO THE MEMBERS OF PNB GILTS LTD.

We have audited the attached Balance Sheet of PNB GILTS LTD., as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

Without qualifying our opinion we draw attention to Note No. 12 of Schedule 19 B pertaining to change in policy regarding transfer of a portion of Government Securities in the HTM category as permitted by the RBI vide circular dated August 31, 2009 (subject to certain conditions) and as a result thereof further diminution in market value of securities as on March 31, 2010 to the tune of Rs. 213.04 lacs not provided in the books.

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable to the Company.

Further to our comments in the annexure we report that:

- (i) 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.
- (ii) 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 those books (and proper returns adequate for the purpose of our audit have been received from the branches not visited by us).
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on March 31, 2010 and taken on record by the Board of Directors in its meeting held on May 3, 2010, we report that none of the Director is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) The Govt. has not notified the rate of cess envisaged under Section 441A(i), of the Companies Act, 1956 hence, no provision/payment has been made for the same (refer Note no. 14 of schedule 19(B)).
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon 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 March 31, 2010;
 - (b) in the case of the Profit and 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 **Bansal R. Kumar & Associates**
Chartered Accountants,

(R. K. Gupta)
Partner

Membership No.: 86851

Date : May 3, 2010
Place : New Delhi

Annexure referred to in our report of even date to the members of PNB Gilts Limited, New Delhi on the accounts of the company for the year ended March 31, 2010

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As informed to us, no material discrepancies were noticed on such verification. Further, no substantial part of fixed assets have been disposed off during the year.
2. (a) The company's stock comprising of Treasury Bills & Dated Govt. Securities is held in the form of Subsidiary General Ledger Account, maintained with the Reserve Bank of India. The said stock in the SGL account was verified with the confirmation certificate received from the Reserve Bank of India. The stock of other securities held by the company in de-materialised form in NSDL / SHCIL was verified with the confirmation certificate received from them at the year end.
- (b) The existing procedures of reconciliation of stock followed by the management at periodical interval is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The company is maintaining proper records of its inventory and no material discrepancies were noticed on the reconciliation as mentioned above, as compared with book records.
3. In our opinion and according to the information and explanations given to us, the internal control procedure for purchase of fixed assets, company's money market operations and trading in Government Securities, Corporate Bonds, Debentures and Equities are commensurate with the size of the company and nature of its business.
4. In accordance with the legal opinion obtained by the company the Directors of the company who are nominees of Punjab National Bank are not to be regarded as concerned or interested. Hence the transactions with Punjab National Bank are not required to be listed in the register to be maintained under section 301 of the Companies Act, 1956. Further, for other transactions as required to be entered into the register in pursuance to Section 301 to the Companies Act, 1956 have been entered. Further, these transactions have been made at prices which are reasonable having regard to the prevailing market price as observed from test check basis.
5. The Company has not accepted any deposits from the public, hence the provisions of Section 58A & 58AA of the Companies Act, 1956 are not applicable.
6. The Company has an Internal Audit System which in our opinion is commensurate with the size of the company and nature of its business.
7. (a) According to the records made available and information provided to us, the company is regular in depositing undisputed statutory dues like Provident Fund, Investor Education and Protection Fund, Service Tax and other Statutory Dues with the appropriate authorities. Further, as explained to us, the provisions for Employee State Insurance, Sales Tax, Wealth Tax, Customs Duty, Excise Duty are not applicable to the company during the year. In the absence of notification/ guidelines for levy of Cess towards rehabilitation of Sick Industries, the dues remain unascertained and not deposited. However, in respect of undisputed Advance Income Tax there have been delays by the Company in depositing the same. The arrears of Advance Income Tax outstanding beyond six months as on March 31, 2010 are as follows:-

Name of the Statute	Nature of the dues	Amount (Rs. in lacs)	Period to which the amount relates	Due date	Date of payment (with interest)
The Income Tax Act, 1961	Advance Income Tax	54.49	1st Installment of Advance Tax for 2009-10	15.06.09	28.04.10
The Income Tax Act, 1961	Advance Income Tax	511.41	2nd Installment of Advance Tax for 2009-10	15.09.09	28.04.10

- (b) According to the information and explanation given to us there are no dues of Income Tax/ Service Tax and other Statutory Dues, which have not been deposited on account of any dispute.

8. According to information and explanation given to us, the Company has not defaulted in repayment of dues to the financial institution / bank / debenture holder during the year.
9. In respect of the Company's dealings in Treasury Bills, Certificate of Deposits, Commercial Paper, Dated Govt. Securities, Corporate Bonds, Debentures and Equities, proper records have been maintained and timely entries have been made thereof. Since the principal business of the company consists of buying and selling of securities, the provisions of Section 49(1) of the Companies Act, 1956, regarding holding of investments in its own name are not applicable to it.
10. According to the information and explanation given to us, no fraud has been committed to or by the Company during the year.
11. The provisions of para (iii), (viii), (x), (xii), (xiii), (xv), (xvi), (xvii), (xviii), (xix) and (xx) are not applicable during the year ended March 31, 2010.

For Bansal R. Kumar & Associates
Chartered Accountants

(R. K. Gupta)
Partner

Date : May 3, 2010
Place : New Delhi

Membership No. 86851

The Board of Directors
PNB Gilts Limited

In terms of Reserve Bank of India, Department of Financial Companies Notification No. DNBS(PD)CC NO146/03.02.001/2009-10 dated July 1, 2009, we report that -

1. The Company is engaged in the business of Non-Banking Financial Institution. The Company has received Registration Certificate, as provided in Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) from Reserve Bank of India on 10th February, 1998.
2. The Company is entitled to continue to hold Certificate of Registration in terms of its asset / income pattern as on March 31, 2010.
3. A resolution for non-acceptance of any public deposits, was passed in the meeting of the Board on April 24, 2009.
4. The Company has not accepted any public deposits during the year ended March 31, 2010.
5. The Company has complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts, as applicable to it.
6. The Company has correctly arrived at the Capital Adequacy Ratio as disclosed in the return submitted to Reserve Bank of India in form NBS-7 and this ratio is in compliance with the minimum CRAR prescribed.
7. The Company has furnished the annual statement of Capital Fund, Risk Assets / Exposures and Risk Asset Ratio (NBS-7) within the stipulated period to Reserve Bank of India.
8. The Profit & Loss account for the year ended March 31, 2010 of the company alongwith Schedule 19 has disclosed the problem exposures and also the effect of valuation of portfolio as per instructions issued by Reserve Bank of India from time to time.

For Bansal R. Kumar & Associates
Chartered Accountants

(R. K. Gupta)
Partner

Date : June 3, 2010
Place : New Delhi

Membership No. 86851

Comments of The Comptroller & Auditor General of India

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF PNB GILTS LIMITED, NEW DELHI FOR THE YEAR ENDED MARCH 31, 2010.

The preparation of financial statements of PNB Gilts Limited, New Delhi for the year ended 31st March, 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 3rd May, 2010.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of PNB Gilts Limited, New Delhi for the year ended 31st March, 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India

(M. K. Biswas)

Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-III,
New Delhi

Date : May 21, 2010
Place : New Delhi

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in lacs)

	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	1	13500.76	13500.76
Reserves & Surplus	2	42558.93	56059.69
Loan Funds :			
Secured Loans	3	28194.02	80406.46
Unsecured Loans	4	46500.00	75450.00
TOTAL		130753.71	209825.22
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	5	1215.69	1161.40
Less: Depreciation		719.06	690.93
Net Block		496.63	470.47
Investments	6	-	381.88
Deferred Tax Assets (Net)	7	239.83	113.67
Current Assets, Loans and Advances:			
A. Current Assets			
Accrued Interest		1714.01	3502.80
Govt. Securities - HTM		13269.55	-
Stock-in-Trade		93535.39	182588.83
Sundry Debtors		68.20	49.28
Cash & Bank Balances		21588.48	22147.18
Other Current Assets		24.10	-
		130199.73	208288.09
B. Loans & Advances			
		7328.13	6024.41
		137527.86	214312.50
Less : Current Liabilities & Provisions			
Liabilities	9	120.74	284.08
Provisions		7389.87	5169.22
		7510.61	5453.30
Net Current Assets		130017.25	208859.20
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	10		
Deferred Premium on Hedge Swaps		-	-
TOTAL		130753.71	209825.22
Accounting Policies and Notes, Cash Flow Statement forming part of the Accounts			
	19		

The schedules referred to above form an integral part of the Balance Sheet.

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
for **Bansal R. Kumar and Associates**
Chartered Accountants

Place: New Delhi
Date : May 3, 2010

(R. K. Gupta)
Partner
Membership No.86851

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in lacs)

	Schedule	2009-10	2008-09
INCOME			
Discount Income	11	909.71	1650.18
Interest Income	12	11210.93	11941.81
<i>[TDS amounting to Rs.312.18 lacs (previous year Rs. 505.67 lacs)]</i>			
Trading Income	13	(3078.27)	(3110.01)
Other Income	14	1130.57	764.58
		10172.94	11246.56
EXPENDITURE			
Interest Expenses	15	3456.51	6712.20
Operating Expenses	16	114.14	121.44
Establishment Expenses	17	288.97	227.31
Administrative & Other Expenses	18	280.13	328.61
Bad Debts written off (See Item 22 of Notes to Accounts)		2.16	-
Provision for Bad & Doubtful Debts (See Item 4 of Notes to Accounts)		381.88	-
Depreciation on Fixed Assets	5	45.87	44.83
		4569.66	7434.39
PROFIT/(LOSS) BEFORE TAXATION		5603.28	3812.17
Less : Taxation Expense			
Current Income Tax		2058.91	1362.16
Adjustment for Earlier Years		0.08	(0.64)
Deferred Tax adjustment		(126.16)	(7.24)
Fringe Benefit Tax		-	8.70
		1932.83	1362.98
PROFIT/(LOSS) AFTER TAXATION		3670.45	2449.19
Balance brought forward from last year		4147.21	3451.64
AMOUNT AVAILABLE FOR APPROPRIATION		7817.66	5900.83
APPROPRIATIONS			
Statutory Reserve Fund		735.00	490.00
General Reserve		-	-
Proposed Dividend		1350.08	1080.06
Dividend Distribution Tax		229.44	183.56
Balance carried to Balance Sheet		5503.14	4147.21
		7817.66	5900.83
Basic Earnings per Share (Rs.)		2.72	1.81
Diluted Earnings per Share (Rs.)		2.72	1.81
Accounting Policies and Notes, Cash Flow	19		
Statement forming part of the Accounts			

The schedules referred to above form an integral part of the Balance Sheet.

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
for **Bansal R. Kumar and Associates**
Chartered Accountants

Place: New Delhi
Date : May 3, 2010

(R. K. Gupta)
Partner
Membership No.86851

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
50,00,00,000 Equity Shares of Rs.10/- each	50000.00	50000.00
Issued, Subscribed and Paid-up:		
13,50,07,600 Equity Shares of Rs.10/- each		
fully paid-up (Out of this 2,50,00,000 equity shares		
have been issued as fully paid-up bonus shares by		
capitalising general reserve)	13500.76	13500.76
	13500.76	13500.76

SCHEDULE - 2		
RESERVES & SURPLUS		
General Reserve		
Balance as per last Balance Sheet	9699.54	9699.54
Transfer from Profit & Loss Account	- 9699.54	- 9699.54
Statutory Reserve Fund		
(Created pursuant to Section 45-IC of Reserve Bank of India Act, 1934)		
Balance as per last Balance Sheet	13319.73	12829.73
Transfer from Profit & Loss Account	735.00 14054.73	490.00 13319.73
Share Premium Account	7001.52	7001.52
Market Fluctuation Reserve	6300.00	6300.00
Profit & Loss Account	5503.14	4147.21
	42558.93	40468.00

SCHEDULE - 3		
SECURED LOANS		
LAF Borrowings from RBI (Secured by Govt. Securities -Face Value Rs. 20900 lacs - Book Value Rs. 21569.06 lacs)	19000.00	47500.00
CBLO Borrowings from CCIL (Secured by Govt. Securities -Face Value Rs. 12100 lacs - Book Value Rs 12280.13 lacs)	9194.02	32906.46
RBI Refinance (Secured by Govt. Securities with RBI)	-	-
Loan/OD against FDR	-	-
	28194.02	80406.46

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 4		
UNSECURED LOANS		
From Banks		
Call & Short Notice	21500.00	75450.00
From Others		
Call & Short Notice	-	-
Other Short Term Borrowings	25000.00	-
	46500.00	75450.00

(Rs. in lacs)

SCHEDULE - 5											
FIXED ASSETS											
Sl. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2009	Addition During the year	Adjustments/ Deductions during the year	As at 31.03.2010	As at 01.04.2009	For the year ended 31.03.2010	Accumulated Depreciation on Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	Buildings (Built Up Flats)	589.44	-	-	589.44	212.51	18.84	-	231.35	358.09	376.93
2	Office Equipments	99.22	1.05	2.45	97.82	63.79	5.10	1.32	67.57	30.25	35.43
3	Computers	185.95	13.02	11.69	187.28	174.45	7.26	11.50	170.21	17.07	11.50
4	Furnitures & Fixtures	171.17	0.91	1.75	170.33	138.83	5.95	1.46	143.32	27.01	32.34
5	Vehicles	22.97	17.07	4.04	36.00	15.52	3.19	3.46	15.25	20.75	7.45
6	Intangibles (Software)	92.65	42.17	-	134.82	85.83	5.53	-	91.36	43.46	6.82
	Total	1161.40	74.22	19.93	1215.69	690.93	45.87	17.74	719.06	496.63	470.47
	Previous Year	1157.96	15.64	12.20	1161.40	655.50	44.83	9.40	690.93	470.47	502.46

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 6		
INVESTMENTS		
Unquoted - Non Trade (Long Term)		
Call money lending converted into term deposit with Madhavpura Mercantile Cooperative Bank Ltd (Refer Note No. 4 to Notes to Accounts)	761.88	761.88
Less : Provision	(761.88)	381.88
	-	381.88

SCHEDULE - 7		
DEFERRED TAX ASSETS		
For Provision against Investments	258.96	129.16
For Other Provisions	8.36	9.95
Less : Deferred Tax Liabilities	267.32	139.11
For Fixed Assets	27.49	113.67
NET DEFERRED TAX ASSETS	239.83	113.67

(Rs. in lacs)

	As at 31.03.2010		As at 31.03.2009	
SCHEDULE - 8				
CURRENT ASSETS, LOANS & ADVANCES				
A. CURRENT ASSETS				
a. ACCRUED INTEREST ON				
Government dated & approved securities	973.14		2413.74	
Bonds & Debentures	81.38		38.30	
Interest Accrued on CBLO Lending	0.01		-	
Fixed Deposits with Scheduled Banks	659.48		1050.76	
Investments (Refer Note No.4 of Notes to the accounts)	-	1714.01	-	3502.80
b. GOVERNMENT SECURITIES (AS PER ANNEXURE)				
1. HELD TO MATURITY (HTM)		13269.55		-
2. STOCK-IN-TRADE				
Treasury Bills - 91 days	7918.36		220.22	
Treasury Bills - 182 days	-		10.90	
Treasury Bills - 364 days	10717.06		5186.75	
Certificate of Deposit & Commercial Papers	-		4721.59	
Government Securities	68840.04		175865.39	
Corporate Bonds and Debentures	7029.43		2966.51	
	94504.89		188971.36	
Less: Diminution in market value	(969.50)	93535.39	(6382.53)	182588.83
Constituent Investment A/c	1349086.23		1024639.20	
Less: Constituent Securities A/c	1349086.23	-	1024639.20	-
c. SUNDRY DEBTORS				
(Unsecured considered good unless specifically stated)				
Debts outstanding for more than 6 months	-		-	
Other Debts	68.20	68.20	49.28	49.28
d. CASH & BANK BALANCES				
Balance with Reserve Bank of India	14.58		15.41	
Balance with Scheduled Banks in Current Accounts	47.52		448.43	
Balance with Scheduled Banks in Deposit Accounts (Fixed Deposits to the tune of Rs. 6233 lacs are pledged with the respective banks for availing overdraft Account. As on March 31, 2010, availment of overdraft limit against the Fixed Deposits is NIL)	21501.00		21660.00	
Balance with Scheduled Banks towards Unclaimed Dividends (as per contra)	25.38	21588.48	23.34	22147.18
e. OTHER CURRENT ASSETS				
Repo Price Adjustment Account	-		-	
Others (Accrual on Trading Swaps)	24.10	24.10	-	-

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
B. LOANS & ADVANCES		
(Unsecured considered good unless specifically stated)		
Advances recoverable in cash or in kind or for value to be received:		
i Security Deposits	360.89	511.88
ii Advance Income Tax, Interest Tax	6153.14	4551.64
iii Tax deducted at source	312.18	505.67
iv MAT Credit Entitlement	418.25	418.25
v Others*	83.67	36.97
	7328.13	6024.41
* -Including total advance to staff of Rs. 29.83 lacs (Prev Year : Rs. 33.71 lacs), out of which Rs. 26.71 lacs are against equitable mortgage of properties/hypothecation of vehicles (Prev Year : Rs. 31.27 lacs)		
- Advances to Company Secretary Rs. 2.68 lacs (prev year : Rs 3.54 lacs), maximum amount of advance outstanding during the year Rs. 3.54 lacs (Prev Year : Rs 3.54 lacs)		
	137527.86	214312.50

Annexure to SCHEDULE-8 (b.1)		
DETAILS OF GOVERNMENT SECURITIES UNDER HTM (HELD TO MATURITY) CATEGORY		
S.No.	Nomenclature	Book Value
1	7.02% PUNJAB SDL 2018	9.41
2	7.03% GUJARAT SDL 2018	61.52
3	7.10% A.P. SDL 2018	9.55
4	7.68% PUNJAB SDL 2019	319.30
5	7.77% M.P SDL 2019	219.57
6	7.77% RAJASTHAN SDL 2019	273.85
7	7.83% MAHARASTRA SDL 2019	1262.74
8	7.65 % T.N. SDL 2019	7.82
9	7.98 % J.K. SDL 2019	1010.80
10	8.46% MAHARASTRA SDL 2019	1768.57
11	7.11% A.P. SDL 2019	259.22
12	7.82% PUNJAB SDL 2019	64.79
13	7.83% GUJARAT SDL 2019	175.11
14	7.83% HARYANA SDL 2019	200.12
15	7.83% KERALA SDL 2019	103.55
16	7.83% RAJASTHAN SDL 2019	400.24

(Rs. in lacs)

		As at 31.03.2010	As at 31.03.2009
S.No.	Nomenclature	Book Value	Book Value
17	7.83% KARNATAKA SDL 2019	2020.17	-
18	7.77% RAJASTHAN SDL 2019	2442.53	-
19	7.95% KARNATAKA SDL 2019	250.75	-
20	6.05% GUJARAT SDL 2019	18.82	-
21	7.77% PUNJAB SDL 2019	2391.12	-
		13269.55	-
Annexure to SCHEDULE-8 (b.2)			
DETAILS OF STOCK-IN-TRADE			
I. TREASURY BILLS			
A. 91 DAYS			
1	17-Apr-09	-	5.99
2	01-May-09	-	34.87
3	15-May-09	-	1.49
4	29-May-09	-	12.65
5	05-Jun-09	-	165.22
6	09-Apr-10	293.26	-
7	16-Apr-10	6350.25	-
8	23-Apr-10	98.25	-
9	30-Apr-10	94.95	-
10	21-May-10	16.16	-
11	04-Jun-10	424.89	-
12	11-Jun-10	129.67	-
13	18-Jun-10	510.93	-
	Total (A)	7918.36	220.22
B. 182 DAYS			
1	01-May-09	-	7.21
2	29-May-09	-	1.48
3	22-Aug-09	-	2.21
	Total (B)	-	10.90
C. 364 DAYS			
1	19-Jun-09	-	0.49
2	17-Jul-09	-	0.73
3	29-Jan-10	-	5.30
4	12-Feb-10	-	4800.01
5	25-Mar-10	-	380.22
6	08-Apr-10	22.98	-
7	21-May-10	2896.83	-
8	13-Aug-10	4729.77	-

(Rs. in lacs)

		As at 31.03.2010	As at 31.03.2009
S.No.	Nomenclature	Book Value	Book Value
9	27-Aug-10	196.40	-
10	25-Feb-11	2871.08	-
	Total (C)	10717.06	5186.75
	TOTAL (A)+(B)+(C)	18635.42	5417.87
II. CERTIFICATES OF DEPOSITS			
1	CD BANK OF MAHARASHTRA 07-JAN-2010	-	2367.42
2	CD UNION BANK OF INDIA 12-FEB-2010	-	2354.17
	TOTAL	-	4721.59
III. GOVERNMENT DATED SECURITIES			
A. CENTRAL GOVERNMENT			
1	9.39% GOI 2011	1.15	1.15
2	10.25% GOI 2012	0.23	0.23
3	11.03% GOI 2012	0.12	0.12
4	7.27% GOI 2013	-	284.60
5	6.72% GOI 2014	-	6791.19
6	7.56% GOI 2014	-	15532.49
7	6.49% GOI 2015	4305.23	-
8	7.59% GOI 2016	4860.77	5181.51
9	7.02% GOI 2016	491.56	-
10	7.46% GOI 2017	1382.26	2995.49
11	7.49% GOI 2017	-	0.04
12	8.07% GOI 2017	0.15	0.15
13	8.24% GOI 2018	0.59	13132.86
14	6.05% GOI 2019 (I)	-	15208.40
15	GOI FRB 2020	7.64	-
16	6.35% GOI 2020	911.27	-
17	7.94% GOI 2021	-	8723.54
18	8.35% GOI 2022	0.05	216.05
19	8.20% GOI 2022	4298.33	-
20	8.15% GOI FCI SPL 2022	-	506.56
21	7.95% GOI FERT BONDS 2026	-	5767.49
22	8.24% GOI 2027	2176.91	7595.16
23	7.95% GOI 2032	1.08	7317.53
24	8.28% GOI 2032	-	6935.65
25	7.50% GOI 2034	3.74	989.31
26	7.40% GOI 2035	1190.17	9918.96
27	6.83% GOI 2039	-	1751.82
	Total (A)	19631.25	108850.30

(Rs. in lacs)

		As at 31.03.2010	As at 31.03.2009
S.No.	Nomenclature	Book Value	Book Value
B. STATE GOVERNMENT SECURITIES			
1	9.40% SL (GJ) 2009	-	326.11
2	11.85% SL (TR) 2009	-	475.57
3	12.25% SL (KA) 2009	-	1192.14
4	12.25% SL (WB) 2009	-	2384.54
5	10.52% SL (AP) 2010	0.80	0.80
6	10.52% SL (BH) 2010	314.55	314.55
7	10.52% SL (UP) 2010	1149.04	1149.04
8	11.50% SL (GJ) 2010	204.35	528.90
9	11.50% SL (KA) 2010	119.45	358.36
10	7.87% SL (KE) 2016	0.10	0.10
11	7.89% SL (AP) 2016	0.05	0.05
12	8.50% SL (MH) 2017	0.60	0.60
13	6.95% SL (TN) 2018	-	500.35
14	7.00% SL (UK) 2018	-	667.05
15	7.02% SL (PUN) 2018	-	9.91
16	7.03% SL (GUJ) 2018	-	64.70
17	7.10% SL (AP) 2018	-	10.05
18	8.30% SL (MP) 2018	12.22	12.22
19	8.43% SL (GJ) 2018	0.05	0.05
20	9.89% SL (AP) 2018	0.20	0.20
21	8.50% SL (KE) 2018(I)	2715.06	-
22	6.00% SL (MP) 2019	-	500.35
23	6.05% SL (GJ) 2019	-	1525.70
24	6.10% SL (HP) 2019	-	1510.05
25	6.10% SL (JKD) 2019	-	500.35
26	6.10% SL (KE) 2019	-	1512.30
27	6.10% SL (PB) 2019	-	1008.95
28	6.70% SL (KA) 2019	-	2519.95
29	6.73% SL (MH) 2019	-	1361.60
30	7.09% SL (HP) 2019	401.13	1403.97
31	7.13% SL (AP) 2019	-	1507.18
32	7.65% SL (TN) 2019	-	7.93
33	7.68% SL (PB) 2019	-	319.30
34	7.76% SL (KA) 2019	2903.87	3371.85
35	7.77% SL (MP) 2019	-	1223.98
36	7.77% SL (RJ) 2019	-	1278.08
37	7.80% SL (HR) 2019	-	1512.76
38	7.83% SL (MH) 2019	-	4291.13
39	7.98% SL (JK) 2019	-	1012.23

(Rs. in lacs)

		As at 31.03.2010	As at 31.03.2009
S.No.	Nomenclature	Book Value	Book Value
40	8.13% SL (PB) 2019	161.40	161.40
41	8.24% SL (TN) 2019	1291.25	2322.20
42	8.25% SL (WB) 2019	200.40	200.40
43	8.27% SL (KE) 2019	1005.44	2614.15
44	8.28% SL (RJ) 2019	2515.17	2615.78
45	8.30% SL (MH) 2019	659.40	4169.50
46	8.34% SL (JK) 2019	1004.36	1004.36
47	8.40% SL (GJ) 2019	1180.15	1166.32
48	8.40% SL (HP) 2019	401.87	401.87
49	8.40% SL (MP) 2019	134.00	176.00
50	8.43% SL (AM) 2019	1024.01	1024.01
51	8.45% SL (BH) 2019	1163.64	1163.64
52	8.45% SL (KE) 2019	754.02	804.29
53	8.46% SL (MH) 2019	1572.94	1698.63
54	8.46% SL (RJ) 2019	974.56	974.56
55	8.47% SL (JKD) 2019	1013.09	1013.09
56	8.48% SL (TN) 2019	-	2018.07
57	8.49% SL (KA) 2019	1019.40	1003.34
58	8.57% SL (UP) 2019	2294.82	2253.99
59	8.59% SL (AP) 2019	2132.70	3634.84
60	8.59% SL (UP) 2019	4138.40	201.48
61	8.75% SL (JKD) 2019	502.19	502.19
62	8.78% SL (BH) 2019	731.47	1008.93
63	8.89% SL (AM) 2019	519.10	519.10
64	7.30% SL (JK) 2019	447.30	-
65	7.95% SL (KA) 2019	275.73	-
66	7.95% SL (RJ) 2019	561.35	-
67	7.99% SL (MH) 2019	1830.49	-
68	8.02% SL (WB) 2019	501.53	-
69	8.03% SL (UP) 2019	1800.00	-
70	8.05% SL (KE) 2019	403.10	-
71	8.06% SL (RJ) 2019	907.08	-
72	8.10% SL (WB) 2019	953.12	-
73	8.15% SL (HR) 2019	200.14	-
74	8.20% SL (PB) 2019(I)	250.28	-
75	8.20% SL (RJ) 2019	2385.67	-
76	8.21% SL (GJ) 2019	60.80	-
77	8.25% SL (KA) 2019	25.50	-
78	8.26% SL (UP) 2019	218.49	-
79	8.31% SL (MP) 2019	35.86	-

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
S.No. Nomenclature	Book Value	Book Value
80 8.32% SL (MP) 2019	191.52	-
81 8.35% SL (BH) 2019	224.92	-
82 8.35% SL (RJ) 2019	164.70	-
83 8.25% SL (AP) 2020	93.80	-
84 8.25% SL (HP) 2020	90.70	-
85 8.25% SL (RJ) 2020	128.10	-
86 8.30% SL (MH) 2020	26.52	-
87 8.32% SL (TN) 2020	49.88	-
88 8.33% SL (GJ) 2020	46.47	-
89 8.39% SL (AP) 2020	45.45	-
90 8.48% SL (MH) 2020	210.21	-
91 8.52% SL (TN) 2020	1009.67	-
92 8.56% SL (KE) 2020	770.29	-
93 8.57% SL (WB) 2020	663.16	-
94 8.58% SL (UP) 2020	421.71	-
Total (B)	49208.79	67015.09
TOTAL (A)+(B)	68840.04	175865.39
V. CORPORATE BONDS & DEBENTURES		
1 7.50% IDBI OMNI BONDS 2012	450.00	450.00
2 8.80% PNB 2012	11.46	11.46
3 5.88% BOI 2014	159.32	159.32
4 7.15% UBI 2015	210.00	210.00
5 7.15% VIJAYA BANK 2015	9.88	9.88
6 7.70% IOB 2016	-	9.38
7 DDB NABARD 2017	688.77	616.47
8 9.75% MAHESH HYDRA POWER CORPORATION 2022	500.00	500.00
9 6.85% IIFCL 2014 TAX FREE	1000.00	1000.00
10 8.80% REC 2019 (I)	1000.00	-
11 6.00% IRFC 2015	1000.00	-
12 6.30% IRFC 2017	1000.00	-
13 6.70% IRFC 2020	1000.00	-
TOTAL	7029.43	2966.51
TOTAL (I)+(II)+(III)+(IV)+(V)	94504.89	188971.36
LESS: DIMINUTION IN MARKET VALUE	969.50	6382.53
STOCK-IN-TRADE	93535.39 *	182588.83

The aggregate carrying value and market value as at March 31, 2010 is Rs. 93535.39 Lacs and Rs. 93535.39 Lacs respectively (Prev year: Rs. 182588.83 lacs and Rs. 182588.83 lacs)

*(i) Govt. Securities pledged for availing LAF -Face Value Rs. 20900 lacs, Book Value Rs. 21569.06 lacs.

*(ii) Govt. Securities pledged for availing CBLO borrowing -Face Value Rs. 12100 lacs, Book Value Rs. 12280.13 lacs.

The securities mentioned in (i) and (ii) above were not available for trading as on March 31, 2010.

(Rs. in lacs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - 9		
CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES :		
Sundry Creditors	84.61	20.84
Investor Education and Protection Fund shall be credited by following amounts namely :-		
i) Unclaimed Dividend	25.38	23.29
ii) Interest Accrued on Unclaimed Dividend	-	0.06
Other Liabilities	0.95	1.14
Interest accrued but not due on short term borrowings	9.80	21.06
Accruals on Interest Rate Swaps (Net)	- 120.74	217.69 284.08
b) PROVISIONS FOR :		
Proposed Dividend (including DDT)	1579.52	1263.62
Outstanding Liabilities		
- For Retirement Benefits	23.45	28.11
- Tax Provision	5629.88	3570.97
- Other Provisions	157.02 7389.87	306.52 5169.22
	7510.61	5453.30

SCHEDULE - 10		
MISCELLANEOUS EXPENDITURE		
Deferred Premium on Hedge Swaps	- -	- -
	-	-

(Rs. in lacs)

	Period ended 31.03.2010		Period ended 31.03.2009	
SCHEDULE - 11				
DISCOUNT INCOME				
a) Commercial Papers	-	-	-	-
		-		-
b) Certificate of Deposit				
Sales/ Redemption	4772.21		13909.98	
Add: Closing stock	-	4772.21	4721.59	18631.57
Less: Purchases	9.38		13605.41	
Opening stock	4721.59	4730.97	4353.09	17958.50
		41.24		673.07
c) Treasury Bills				
Sales/ Redemption	1108147.92		1074392.66	
Add: Closing stock*	18624.37	1126772.29	5402.01	1079794.67
Less: Purchases	1120501.81		1078698.83	
Opening stock*	5402.01	1125903.82	118.73	1078817.56
		868.47		977.11
(a)+(b)+(c)		909.71		1650.18

*Adjusted for provision for market value of securities at year end, if any.

SCHEDULE - 12				
INTEREST INCOME				
Call & Notice Money Lending		-		-
Repo / ST Lending		4.49		41.20
Government Dated Securities		8860.59		9273.48
Corporate Bonds and Debentures		313.12		302.68
Interest on Investments (Long term)		-		-
Interest on Fixed Deposits with Scheduled Banks		2032.73		2324.45
		11210.93		11941.81

SCHEDULE - 13				
TRADING INCOME				
a) Sale of Govt. dated securities				
Sales/ Redemption/HTM**	9325586.32		7527170.12	
Add: Closing stock *	67881.58	9393467.90	169498.72	7696668.84
Less : Purchases/HTM**	9226998.94		7516957.30	
Opening stock *	169498.71	9396497.65	182616.47	7699573.77
		(3029.75)		(2904.93)
b) Sale of Corporate Bonds & Debentures				
Sales/ Redemption	62743.42		16576.25	
Add: Closing stock*	7029.43	69772.85	2966.51	19542.76
Less: Purchases	66789.10		14130.90	
Opening stock*	2966.51	69755.61	5429.92	19560.82
		17.24		(18.06)

(Rs. in lacs)

	Period ended 31.03.2010	Period ended 31.03.2009
c) Equity Shares	-	-
d) Derivatives	(65.76)	(187.02)
(a) + (b) + (c) + (d)	(3078.27)	(3110.01)

* Adjusted for diminution of Rs. 969.50 lacs in market value of securities at year end

** Adjusted for diminution of Rs. 64.51 lacs on transferring to HTM category as permitted by RBI (refer note no. 12 of Notes to accounts)

SCHEDULE - 14

OTHER INCOME

Commission and fee	791.01	345.52
Underwriting fee	288.30	316.01
Income from Equity	-	-
Profit on Sale of Fixed Assets	0.49	-
Miscellaneous income	50.77	103.05
	1130.57	764.58

SCHEDULE - 15

INTEREST EXPENSES

Call & Short Notice Money Borrowing	2209.50	3264.27
CBLO Borrowing	402.03	1585.67
Repo Borrowing	793.25	1237.00
RBI Borrowing	27.98	492.62
Overdraft Borrowing	0.88	38.59
Short term Borrowing	22.87	94.05
	3456.51	6712.20

SCHEDULE - 16

OPERATING EXPENSES

Brokerage on Securities & Financial Instruments	0.22	0.47
Financial Information Services	21.02	21.83
Operating Expenses for Equity Transactions	-	1.97
Transaction charges	85.60	80.04
Bank charges	3.71	3.84
Other expenses (Project Appraisal processing fees)	3.59	13.29
	114.14	121.44

(Rs. in lacs)

	Period ended 31.03.2010	Period ended 31.03.2009
SCHEDULE - 17		
ESTABLISHMENT EXPENSES		
Salaries & Allowances	161.48	135.96
Contribution to Provident Fund & Gratuity Fund	16.97	16.66
Staff welfare & other Establishment Expenses	109.59	74.68
Staff Recruitment & Training	0.93	0.01
	288.97	227.31

SCHEDULE - 18		
ADMINISTRATIVE & OTHER EXPENSES		
Rent of Business Premises	66.02	66.90
Postage, Telephone & Telegram	36.90	37.56
Travelling, Conveyance & Motor Car Expenses	17.13	19.63
Printing & Stationery	15.78	21.50
Repairs & Maintenance-others	27.18	26.98
Repairs to Buildings	11.48	12.66
Internal Audit Fee & Expenses	12.74	12.80
Legal & Professional Fees	6.74	28.15
Listing Fee	2.12	2.13
Books and Periodicals	2.26	2.40
Workshop & Business Meet	21.07	29.10
Power & Fuel	14.95	16.22
Insurance Charges	1.89	1.80
Directors' Sitting Fee	5.50	3.65
Auditors Remuneration		
- Statutory Audit Fee	3.31	2.81
- Tax Audit Fee	0.83	0.70
- Certification Fee	4.14	3.51
Loss on Sale of Fixed Assets	-	0.85
Share Transfer Fees	4.72	4.11
Corporate Membership	2.08	2.07
Advertisement & Publicity	2.32	3.11
Miscellaneous Expense	20.98	29.97
	280.13	328.61

SCHEDULE - 19

ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The company follows accrual system of accounting and the financial statements are prepared on historical cost basis, in accordance with generally accepted accounting principles and Reserve Bank of India guidelines as applicable to the Primary Dealers.

2. Sales / Purchases of Treasury Bills and Government Dated Securities, as disclosed in Profit & Loss Account includes repo transactions.

3. Revenue Recognition

- i) The difference between the acquisition cost and maturity value of Certificates of Deposit, Commercial Papers, Bills Re-discounted, Treasury Bills and Zero Coupon Bonds is apportioned on time basis. The above is recognised as accrued income and included in the carrying cost of the securities.
- ii) Interest accrued on Government Dated Securities and Corporate Bonds and Debentures is recognised at its coupon rate and that of floating rate bonds is recognised on the yield of instruments to which these are linked.
- iii) Purchase and sale price of fixed income securities is bifurcated into cost and accrued interest paid or realised. Accrued interest paid on purchase & received on sale is netted and reckoned as expense/income.
- iv) Profit/loss on sale of securities is accounted on weighted average cost method and is recognised on settlement date. Profit on sale of securities is netted with loss on sale of securities.
- v) Brokerage and front-end fee received on subscription of securities is deducted in arriving at the cost of relevant securities. Underwriting fee earned in respect of devolvement in respect of underwriting commitments is proportionately reduced from the cost of securities devolving and the remaining amount is directly recognised as income.
- vi) In cases where performance is basically complete with the execution of a single act over a short duration (e.g. Merchant Banking Activities like Project Appraisal) revenue is accrued on the completion of the single act. For continuing or long duration activities (e.g. Mutual Fund Distribution), the fee is accrued proportionately as per performance (Proportionate Completion Method). The revenue is recognised only if there is no significant uncertainty regarding the amount of consideration.
- vii) In case of Units of Mutual Fund, the company has invested in Daily Dividend Reinvestment Plan and the income (Dividend) is accounted based on the dividend declaration by the Mutual Fund.

4. Expenses Recognition

The brokerage paid in connection with acquisition of securities is added to the cost of acquisition and on sale of securities it is charged to Profit & Loss Account.

5. Valuation of Stock-in-Trade

- i) All securities in which the company deals are regarded as Current Assets (Stock-in-Trade) and grouped as hedge and non-hedge portfolio.
- ii) The stock of Central Government Securities, Treasury Bills, State Development Loans and PSU/Corporate Bonds & Debentures, Equity Shares are valued at weighted average cost or market value whichever is lower (except securities transferred under HTM category as permitted by RBI vide circular dated August 31, 2009 - refer note no.12 given below for further explanation). Market Value is determined by the prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA) except for Equity Shares. Market value of Equity Shares is determined by the closing rates provided by the stock exchanges. For this purpose, the securities in each category are considered scrip-wise and the cost and market value aggregated for all securities in each category. Net diminution, if any, for each category of securities is provided for and charged to trading income in the Profit and Loss Account. Net appreciation, if any, is ignored. The diminution in one category of securities is not set off against appreciation in another category.
- iii) Certificates of Deposit, Commercial Papers, Bills Re-discounted and Zero Coupon Bonds held on the Balance Sheet date are valued at carrying cost.
- iv) All the Non-SLR securities issued by the Government of India will be valued at a spread of 25 basis points (previously 50 basis points) above the corresponding yield on Government of India securities.

v) In case of units of Mutual Fund valuation is done on the basis of closing NAV declared by the Mutual Fund.

6. Accounting for Repo Transactions

Securities sold under repo transactions are excluded from stock-in-trade and the securities purchased under reverse repo are included in the stock-in-trade.

The securities purchased under reverse repo are valued in accordance with the valuation norms applicable for the respective category of security.

In case of securities sold under repo, the notional loss, if any, arising out of the difference between the transaction price and book value in the first leg of the repo transaction is provided for, notional gains, if any, are ignored.

7. Interest Rate Swaps (IRS)

Assets and Liabilities in respect of notional principal amount of IRS are nullified. The related interest is recognized on accrual basis.

i) Trading Swaps

Trading Interest Rate swaps outstanding at Balance Sheet date are marked to market and the resultant loss, if any, is recorded in Profit and Loss Account. Any other charges relating to Trading Interest Rate Swaps are charged to Profit and Loss Account.

ii) Hedge Swaps

Hedge Swaps are accounted for on accrual basis. A Hedge Swap designated to an asset/liability is carried at market value. The resulting mark-to-market loss/gain on swap is recorded as an adjustment to the market value of designated asset/liability. Gains or losses on the termination / redesignation of hedge swaps is recognized against the offsetting gain or loss recognized on the designated asset or liability.

On redesignation of a Hedge Swap from one item of asset/liability to another item of asset/liability, the mark-to-market profit/loss of the Hedge Swap on the day of redesignation is amortized over the shorter of the remaining life of the swap or the remaining life of the asset/liability.

8. Accounting for Future and Options Transactions

- i) Initial Margin payable at the time of entering into future contract/sale of option is adjusted against the deposits with the exchanges in the form of fixed deposits, cash deposits and securities.
- ii) Transactions in Future Contracts are accounted as Purchases and Sales at the notional trade value of the contract. The open interest in futures as at the Balance Sheet date is netted by its notional value.
- iii) The difference in the settlement price or exchange closing price of the previous day and exchange closing price of the subsequent day, paid to or received from the exchange is treated as Mark to Market Margin. The balance in the Mark to Market Margin Account represents the net amount paid or received on the basis of movement in the prices of open interest in futures contracts till the Balance Sheet date. Net debit balance in the Mark to Market Margin Account is charged off to revenue whereas net credit balance is shown under current liabilities.
- iv) Premium paid or received on purchase and sale of options and the difference paid or received on exercise of options is accounted as Purchases or Sales. In case of open interest in options sold as on the Balance Sheet date, provision is made for the amount by which premium prevailing on the Balance Sheet date exceeds the premium received for those options. The excess of premium received over the premium prevailing on the Balance Sheet date is not recognized. Similarly, in case of options bought, provision is made for the amount by which the premium paid for the option exceeds the premium prevailing on the Balance Sheet date and the excess of premium prevailing on the Balance Sheet date over the premium paid is ignored. In case of multiple open positions, provision is made or excess premiums are ignored after netting off the balance in buy as well as sell positions.

9. Investment

Long Term Investment in debt is valued at carrying cost. However, provision for diminution is made, when there is a decline other than temporary in the value of long-term investment.

10. Deferred Tax

Deferred tax is recognized in accordance with the provisions of Accounting Standard 22 issued by The Institute of Chartered Accountants of India on "Accounting for Taxes on Income".

11. Depreciation

Depreciation on fixed assets is charged on written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956. Intangible Assets comprises of software acquired by the company to facilitate its operations and these are depreciated @ 40 per cent on WDV basis.

12. Preliminary Expenses

Preliminary expenses are written off in the year in which these are incurred.

13. Share Issue Expenses

Share issue expenditure is charged to Profit and Loss account in the year of occurrence.

14. Tax on Dividend

Dividend Distribution Tax payable on dividend declared in terms of Section 115-O of the Income Tax Act, 1961, is accounted for in the year to which the dividend relates.

15. Retirement Benefits - Provident Fund, Gratuity & Leave Encashment (As per Accounting Standard 15)

- Gratuity contribution made under the Employee Group Gratuity cum Life Insurance Scheme of LIC is charged to revenue.
- Leave Encashment is accounted for on actuarial valuation carried at year-end.
- Contribution to Recognised Provident Fund is charged to revenue.

B. NOTES TO ACCOUNTS

- The company has adopted the rates provided by FIMMDA for determining market value of securities in terms of Accounting Policy no. 5(ii) and net diminution in the value of securities as on March 31, 2010 amounting to Rs. 969.50 lacs has been provided for in the valuation of closing stock.

2. Repo transactions outstanding are as under:

(Rs. in lacs)

	As at 31 st March			
	2010		2009	
	Face Value	Book Value	Face Value	Book Value
Purchases (Rev. Repo)	NIL	NIL	NIL	NIL
Sales (Repo)	NIL	NIL	NIL	NIL

In terms with RBI guidelines for uniform accounting for Repo Transactions, no provision was made during the previous year for loss as there were no outstanding repo transactions as at the close of the year.

3. Managerial Remuneration paid to the Managing Director during the year 2009-10:

(Mr. A.K. Gupta was Managing Director till June 10, 2009 and subsequently Mr. S. Ranganathan was appointed as Managing Director w.e.f. June 29, 2009)

(Rs. in lacs)

	Remuneration paid to Mr. A. K. Gupta	Remuneration paid to Mr. S. Ranganathan
Salaries and allowances	2.57	5.46
Company's contribution to Provident Fund	0.08	0.34
Other perquisites	0.55	2.55

Computation of Net Profits under Section 349 of the Companies Act, 1956 has not been made, as commission by way of percentage of profits is not payable to the Managing Director.

- An amount of Rs.1000 lacs was lent in Call Money to Madhavpura Mercantile Cooperative Bank Limited (MMCB) in March, 2001 which became overdue as on March 31, 2001. Therefore a provision of Rs. 500 lacs was made against the same. Thereafter, during the year 2001-02, a reconstruction scheme was formulated under the aegis of Government of India and the lending inclusive of interest upto the date of implementation was converted into term deposit of Rs.1036.58 lacs carrying interest @ 7.50 per cent p.a (payable semi-annually) and the principal repayable in five equal instalments starting from 5th year. Further in the year 2004-05, the rate of interest was revised to 3 per cent p.a. w.e.f. August 24, 2004

in terms of the notification issued by the Central Registrar of Cooperative Societies. The interest and principal on the term deposit with Madhavpura Mercantile Cooperative Bank Limited was serviced regularly after its last restructuring in August, 2004 upto March 31, 2007. In view of the regular servicing of the principal and the interest amount, as a conservative approach the management decided to reverse the provision in proportion to the original provision made vis a vis the original principal amount and recovery of the principal amount till March 31, 2007. Accordingly an amount of Rs.120 lacs was reversed during the year 2006-07 from the original provision of Rs. 500 lacs made in the year 2000-01. The provision thus stood at Rs. 380 lacs as on March 31, 2007.

During the year 2007-08, an amount of Rs. 25.91 lacs only was received from MMCBL on May 3, 2007. Government of India (Ministry of Agriculture, Department of Agriculture & Cooperation, New Delhi) vide its notifications instructed that all payments by the bank including next installment of repayment due in August, 2007, August, 2008 and August, 2009 (totalling to Rs. 554.57 lacs) and payments of interest to banks on their deposits are deferred till August, 2010. In view of the modification in the Reconstruction Scheme, no further amount was due, till August, 2010. However, as per RBI's prudential norms on "Income Recognition and Asset classification and Provisioning" the Board of Directors has decided to make 100% provision for the concerned investment.

Therefore, an additional provision of Rs. 381.88 lacs was made during the year 2009-10. As on March 31, 2010, the total principal outstanding was Rs. 761.88 lacs (previous year Rs.761.88 lacs) against which provision of Rs. 761.88 lacs (previous year Rs. 380 lacs) is outstanding.

5. Appropriation of Profits

- The Company has proposed a final dividend of Re. 1 per share subject to approval of shareholders in Annual General Meeting amounting to Rs. 1350.08 lacs. Accordingly, a provision of Dividend Distribution Tax of Rs. 229.44 lacs has been made @ 15 per cent plus surcharge @ 10 per cent plus Education Cess @ 2 per cent and Secondary Higher Education Cess @ 1 per cent.
- A sum of Rs. 735 lacs has been transferred to Statutory Reserve Fund.
- Board of Directors, in its meeting held on January 9, 2003, had decided to build up Market Fluctuation Reserve over a period of time with the cap equal to paid up capital of the company, with the condition that at time of approval of annual accounts each year, Board may decide the quantum of amount to be transferred to this Reserve, if necessary. At the time of approval of accounts relating to FY 2002-03 - a sum of Rs. 2700 lacs and FY 2003-04 - a sum of Rs. 3600 lacs respectively, had been transferred to this Reserve. For FY 2009-10, the Board of Directors had decided not to appropriate any amount to this reserve.

- Reportable segments in respect of business operations of the company have been identified on the basis of varied risk and return profile attached to each business segment which is the primary reporting format and which are in terms of Accounting Standard - 17 on Segment Reporting. The company does not have any geographical segments, as such there is no secondary reporting format.

The Segment information is as under:

FY 2008-09

(Rs. in Lacs)

	T-Bills / CP / CDs	Corp. Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (Other Income)	Total
Segment Revenue	1650.18	284.62	6684.56	(187.02)	2324.45	226.84	262.93	11246.56
Total Allocable Expenses	(950.33)	(168.07)	(5653.03)	-	-	-	(56.46)	(6827.89)
Segment Results	699.85	116.55	1031.53	(187.02)	2324.45	226.84	206.47	4418.67
Less : Unallocable Expenses								(606.50)
Profit Before Tax								3812.17
Segment Assets	10246.43	3036.51	180160.04	-	23472.63	49.28	-	216964.89
Segment Liabilities	8274.27	2447.04	151538.74	476.58	380.00	-	-	163116.63

FY 2009-10

(Rs. in Lacs)

	T-Bills / CP / CDs	Corp. Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (Other Income)	Total
Segment Revenue	909.71	330.36	6119.14	(65.76)	2032.73	696.48	149.79	10172.45
Total Allocable Expenses	(586.54)	(92.78)	-	-	-	-	(8.08)	(3568.35)
Segment Results	323.16	237.58	3238.20	(65.76)	2032.73	696.48	141.71	6604.10
Less : Unallocable Expenses								(1000.82)
Profit Before Tax								5603.28
Segment Assets	18701.80	7136.14	83378.68	-	22922.36	67.29	49.98	132256.25
Segment Liabilities	12802.90	4880.71	57989.71	44.65	761.88	-	-	76479.85

Note: Diminution of Rs. 958.45 lacs on Government Securities and Rs. 11.05 lacs on Treasury Bills and Rs. NIL on Corporate Bonds (as there is net appreciation) as on March 31, 2010 has been provided for. (Prev. Year Rs. 6366.67 lacs on Government Securities, Rs. 15.86 lacs on Treasury Bills and Rs. NIL on Corporate Bonds and Debentures).

Fixed Deposits placed by the company are funded out of the net owned funds and thus have not been apportioned any costs. Consequently, the total allocable expenses have been allocated to all other segments. Figures for the previous year have been regrouped and rearranged accordingly.

7. Related Party Transactions

As per Para 9 of the Accounting Standard 18 on Related Party Disclosures, the company being a state controlled enterprise is not required to make disclosures of related party relationships with other state controlled enterprises and transactions with such enterprises. Other information as per the Standard is as under:

- The overall supervision and control of company vests with Board of Directors. The Managing Director of the company is on deputation from Punjab National Bank and is working full time with the company. Details of managerial remuneration are disclosed vide Note No. 3 above in the Notes to Accounts.
- Out of a total of ten Directors on the Board of the company as at March 31, 2010, six are Independent Directors. Only the Independent Directors are paid sitting fees for the Board / Committee meetings at the rate of Rs. 5,000/- per meeting. During the year the company has paid a sum of Rs. 5.50 lacs (Prev. Year Rs. 3.65 lacs) towards sitting fee.

8. Earnings per share (EPS)/Diluted Earnings per share (DEPS)

Computation of EPS/DEPS is as under:

	2009-10	2008-09
Weighted Average Number of shares outstanding (of Rs. 10/- each)	135007600	135007600
Profit after Tax (Rs. in lacs)	3670.45	2449.19
Basic Earnings per share (in Rs.)	2.72	1.81
Diluted Earnings per share (in Rs.)	2.72	1.81

There has been no change in the share capital during the year. There are no potential equity shares outstanding. Hence there is no dilution of the Basic EPS.

9. Deferred Tax

The calculation of deferred tax assets and liabilities as per Accounting Standard 22 of The Institute of Chartered Accountants of India as given in Schedule 7 is detailed hereunder:

(Rs. in Lacs)

	As at 31-03-2010	As at 31-03-2009
Deferred Tax Assets		
For Provision against Investments	258.96	129.16
For Other Provisions	8.36	9.95
Total Deferred Tax Assets	267.32	139.11
Deferred Tax Liabilities		
For Fixed Assets	27.49	25.44
Total Deferred Tax Liabilities	27.49	25.44
Net Deferred Tax Assets	239.83	113.67

An adjustment for the current year amounting to Rs. (126.16) lacs {Previous Year Rs. (7.24) lacs} has been made to the taxation expenses for the current year.

10. Disclosure on Interest Rate Swaps

(Rs. in Lacs)

	Hedging Swaps as at		Trading Swaps as at	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Notional Principal	NIL	NIL	95000.00	677500.00
Marked to Market Positions	NIL	NIL	94931.25	677241.11
Max. of 100*PV01 observed during the year	NIL	NIL	280.92	225.70
Min. of 100*PV01 observed during the year	NIL	NIL	13.11	86.92

Market risk : In the event of 100 basis points adverse movement in interest rates there will be a negative impact of Rs. 38.04 lacs (Prev. Year Rs. 165.61 lacs) on Trading Swaps in the swap book.

Company has not initiated any new swap transaction during the current financial year.

The losses, which would be incurred if, counter parties failed to fulfill their obligations works out to Rs. 789.97 lacs (Prev. Year Rs. 5682.05 lacs)

Company's exposure with regard to outstanding swap transactions is limited to Banks and Primary Dealers.

Collateral : No Collateral is insisted upon from counterparty

Credit Risk Concentration : State Bank of India. - Rs. 251.62 lacs.

11. As on March 31, 2010, Secured loans (excluding market repo) of Rs. 28194.02 lacs comprise of Rs. 19000 lacs under RBI's LAF repo facility and Rs. 9194.02 lacs under CBLO. Unsecured loans of Rs. 46500.00 lacs comprise of Call Money Borrowings of Rs. 21500 lacs & Inter Corporate Borrowings of Rs. 25000 lacs. During the year 2009-10, average and peak net borrowings in call money amounted to Rs. 66538.01 lacs and Rs. 118200.00 lacs respectively. For the year, the average and peak leverage ratio stands at 1.99 and 2.99 times respectively.

12. As on March 31, 2010, the total stock of Rs. 93535.39 lacs comprise of Government Securities (including Treasury Bills) of Rs. 86505.96 lacs and Rs. 7029.43 lacs of Corporate Bonds & Debentures. The portfolio of Corporate Bonds & Debentures comprises Rs. 6200.23 lacs of AAA rated and Rs. 829.20 lacs of AA+ rated bonds.

As per the RBI circular dated August 31, 2009, the company has categorized a portion of Government Securities portfolio in the Held To Maturity (HTM) category (an amount of Rs. 13269.55 lacs). The details of securities so transferred to this category have been given in the Annexure to Schedule 8 (b.1). As per the said circular, such transfers should be done with the approval of the Board, at the acquisition cost/ book value/ market value on the date of transfer, whichever is the least, and the diminution, if any, on such transfer shall be fully provided for. Accordingly, diminution has been charged to trading income in the Profit & Loss Account to the extent of Rs. 64.51 lacs on the date of transfer. Securities (HTM) have not been marked to market and diminution not provided as on March 31, 2010. Initially this categorization was available up to March 31, 2010, but RBI vide circular IDMD.PDRD No. 3483/03.64.00/2009-10 dated March 9, 2010 extended the same until further advice. Due to change in the policy (as permitted by RBI) these securities were not marked to market as on March 31, 2010 and further diminution in market values of these securities of Rs. 213.04 lacs not provided in the books. As a consequence, the profit as per Profit & Loss Account has increased by Rs. 213.04 lacs and stock in trade increased by Rs. 213.04 lacs, on account of change in accounting policy (permitted by RBI). These securities have been shown under Current Assets, as these securities have been permitted to be considered for retransfer to trading category once in every quarter, if necessary.

Issuer Composition of Investments in Non Government Securities during the year 2009-10 are as under :

(Rs. in lacs)

Sl. No.	Issuer	Amount (Book Value)	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	1000.00	N.A.	N.A.	N.A.	N.A.
2	FIs	4688.77	N.A.	N.A.	N.A.	N.A.
3	Banks	840.66	N.A.	N.A.	N.A.	N.A.
4	Other PDs	NIL	N.A.	N.A.	N.A.	N.A.
5	Private Corporates	500.00	N.A.	N.A.	N.A.	N.A.
6	Subsidiaries/ Joint Ventures	NIL	N.A.	N.A.	N.A.	N.A.
7	Others	NIL	N.A.	N.A.	N.A.	N.A.
8	Provision held towards Diminution	NIL	N.A.	N.A.	N.A.	N.A.
	Total	7029.43	N.A.	N.A.	N.A.	N.A.

13. Capital Adequacy Ratios as on June 30, 2009, September 30, 2009, December 31, 2009 and March 31, 2010 were 26.99 per cent, 29.55 per cent, 37.17 per cent and 41.59 per cent respectively as against RBI stipulation of 15 per cent. Net Owned Funds of the company stands at Rs 55776.40 lacs as against the minimum stipulated capital of Rs. 10500.00 lacs. Return on Net Worth for the year 2009-10 stands at 6.70 per cent.

CRAR

Sl. No.	Particulars	As on 31-03-2010	As on 31-03-2009
i)	CRAR (%)	41.59	25.96
ii)	CRAR- Tier I Capital (%)	41.59	25.96
iii)	CRAR- Tier II Capital (%)	N.A.	N.A.

Exposure to Real Estate sector (direct and indirect) is NIL both in current year and previous year (as it is not applicable to the company).

Derivatives

Forward Rate Agreement/Interest Rate Swap

(Rs. in Lacs)

Sl. No.	Particulars	As on 31-03-2010	As on 31-03-2009
i)	The notional principal of swap agreements	95000.00	677500.00
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	789.97	5682.05
iii)	Concentration of credit risk arising from the swaps	251.62	2155.58
iv)	The fair value of the swap book	94931.25	677241.11

Quantitative Disclosures for Financial Year 2009-10 are as under:

(Rs. in Lacs)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	NIL	NIL
	b) For trading	NIL	95000.00
(ii)	Marked to Market Positions		
	a) Asset (+)	NIL	NIL
	b) Liability (-)	NIL	94931.25
(iii)	Credit Exposure	NIL	789.97
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	NIL	NIL
	b) on trading derivatives	NIL	38.04
(v)	Maximum and Minimum of 100*PV01 observed		
	a) on hedging	NIL	NIL
	b) on trading	NIL	280.92 & 13.11

Asset Liability Management

Maturity pattern of certain items of assets and liabilities for Financial Year 2009-10 are as under:-

(Rs. in Crore)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks	405.00	-	-	-	-	-	-	-	405.00
Market Borrowings	341.94	-	-	-	-	-	-	-	341.94
Assets									
Advances	0.50	-	-	-	0.04	-	-	0.30	0.84
Investments	-	-	-	-	-	-	-	-	-

14. In the absence of any government notification the company has not provided for cess envisaged in terms with the Section 441A (1) of the Companies Act, 1956.
15. As per Schedule VI of the Companies Act, 1956, total outstanding dues of Small and Micro Enterprises (SME) should be disclosed separately. The total sundry creditors are of Rs. 84.61 lacs, which include Rs. 13.72 lacs kept in sundry operations. The actual recipients of this amount are not known, as claims are not received by the Company. Therefore, it is not possible to give information of outstanding dues of SME.
16. Tax deducted at source on interest, miscellaneous income and commission & fees during the FY 2009-10 amounted to Rs. 312.18 lacs. (Prev. Year : Rs. 505.67 lacs).
17. Provision for leave encashment has been done in accordance with the requirement of AS - 15 (revised) as per actuarial valuation and as per Projected Unit Credit Method for the year 2009-10, details of which are given hereunder :

a) The principal assumptions used in actuarial valuation are as below:

Attrition Rate (per annum)	5.00%
Imputed Rate of Interest (per annum)	8.50%
Salary Rise (per annum)	7.00%
Remaining Working Life (in years)	18.95
Mortality Table	LIC 1994-96 Ultimate

b) Changes in the present value of the Long Term obligations (in Rs.)

Present Value of obligation at the beginning of the I.V.P	2300761.00
Interest Cost	181607.00
Current Service Cost	564819.00
Benefits Paid	(328408.00)
Actuarial (Gain)/ Loss on obligation	(971462.00)
Present Value of obligation at the end of the I.V.P.	1747317.00

c) Short Term Obligation Rs. 597241.00

d) Fair Value of Plan Assets (In Rs.)

Fair Value of Plan Assets at the beginning of the I.V.P.	NIL
Actual Return on Plan Assets	NIL
Contribution	NIL
Benefits Paid	(328408.00)
Fair Value of Plan Assets at the end of the I.V.P.	NIL
Present Value of Long Term obligation at the end of the I.V.P	1747317.00
Funded Status	(1747317.00)

e) Amount To Be Recognized In The Balance Sheet (in Rs.)

Present Value of Long Term Obligation at the end of the I.V.P	1747317.00
Fair Value of Plan Assets at the end of the I.V.P	NIL
Funded Status	(1747317.00)
Unrecognized Actuarial (Gain)/ Loss at the end of the I.V.P	NIL
Net Asset/ (Liability) Recognized in the Balance Sheet	2344558.00*

* Including short term liability of Rs. 597241/- as given in 17(c)

f) Expenses Recognized in the Statement of Profit & Loss (in Rs.)

Current Service Cost	564819.00
Interest Cost	181607.00
Benefits paid	(328408.00)
Expected Return on Plan Assets	NIL
Actuarial (Gain)/ Loss Recognized in the I.V.P	(971462.00)
Short Term Liability (Additional)	87230.00
Expenses Recognized in the Statement of Profit & Loss Account	(466214.00)

18. During the year 2009-10, the carrying amount of assets were reviewed and none of the assets of the company are found to be impaired for which the procedure prescribed as per Accounting Standard 28 needs to be applied.
19. The company has discontinued its Merchant Banking activities w.e.f. March 15, 2010. The company has also closed its Kolkatta & Bangalore branches w.e.f. March 30, 2010 and the public / clients of these regions will be served from HO at Delhi.
20. The Mutual Fund Commission accrued (Rs. 67.29 lacs) as on March 31, 2010, has been taken to income on an estimated basis to the extent that the commission on reinvestment of dividend (in case of reinvestment plan) cannot be calculated accurately.
21. Amount of Rs. 2.16 lacs receivable as Income from Project Appraisal pertaining to previous years could not be received, in spite of tremendous follow up, due to the reasons that the parties were not available at their registered address. It was decided to write off this amount of Rs. 2.16 lacs as bad debts written off.
22. Figures for the previous year have been regrouped and rearranged wherever considered necessary, in order to make them comparable with those of the current period

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
for **Bansal R. Kumar and Associates**
Chartered Accountants

Place: New Delhi
Date : May 3, 2010

(R. K. Gupta)
Partner
Membership No.86851

Balance Sheet Abstract & Company's General Business Profile

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II. Capital Raised during the Year (Amount in Rs.Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation & Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus
 Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc.Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs.Thousands)

Turnover/Income Total Expenditure
 Profit Before Tax Profit After Tax
 Earning per share in Rs.p. Dividend @ %

V. Generic Names of Three Principal Products/Services of Company (As per Monetary Terms)

Item Code No.(ITC Code) NIL
 Service Description
 Item Code No.(ITC Code) NIL
 Service Description
 Item Code No.(ITC Code) NIL
 Service Description

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
 for **Bansal R. Kumar and Associates**
 Chartered Accountants

Place: New Delhi
 Date : May 3, 2010

(R. K. Gupta)
 Partner
 Membership No.86851

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in lacs)

	For the year ended 31.03.2010		For the year ended 31.03.2009	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit as per Profit & Loss Account	5603.28		3812.17	
Add: Depreciation on Fixed Assets	45.87		44.83	
Decrease/(Increase) in Govt. Securities - HTM	(13269.55)		0.00	
Decrease/(Increase) in Stock in Trade	94466.46		10421.47	
Provision for Diminution in Portfolio	(5413.03)		(641.55)	
Increase/(Decrease) in Current Liabilities & Provisions	64.38		(2894.44)	
Decrease/(Increase) in Interest Receivable	1788.80		1611.71	
Decrease/(Increase) in Other Current Assets	61.27		1375.54	
Taxes Refund	-		800.18	
Taxes Paid	(1408.09)		(2072.21)	
(A) Net Cash Flow from Operating Activities	81939.39		12457.70	
CASH FLOW FROM FINANCING ACTIVITIES				
Add: Increase/(Decrease) in Secured/Unsecured Loans	(81162.44)		(12979.96)	
Dividend Distribution including DDT	(1263.61)		(2369.28)	
(B) Net Cash Flow from Financing Activities	(82426.05)		(15349.24)	
CASH FLOW FROM INVESTING ACTIVITIES				
Add: Sale Proceeds of Fixed Assets	2.67		1.95	
Reduction/(Increase) in Investments	-		-	
Less: Purchase of Fixed Assets	(74.22)		(15.64)	
Loss/(Profit) on Sale of Fixed Assets	(0.49)		0.85	
(C) Net Cash flow from Investing Activities	(72.04)		(12.84)	
Consolidated Cash Flow during the FY (A+B+C)	(558.70)		(2904.38)	
Cash at the beginning of the year	22147.18		25051.56	
Cash at the end of the year :				
Balance in Unclaimed Dividend Account (not available for use by the Company)	25.38		23.34	
Balance in Fixed Deposits {Rs. 6233 lacs as on 31.03.2010 pledged with bank (Bank of Maharashtra) for availment of overdraft (availment NIL) not available for use by the Company}	21501.00		21660.00	
Balance in RBI Current Account	14.58		15.41	
Balance in PNB Current Account	47.52		448.43	
	21588.48		22147.18	

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
for **Bansal R. Kumar and Associates**
Chartered Accountants

Place: New Delhi
Date : May 3, 2010

(R. K. Gupta)
Partner
Membership No.86851

**SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING
NON-BANKING FINANCIAL COMPANY FOR THE YEAR ENDED 31ST MARCH, 2010**
[as required in terms of para 13 of Non-Banking Financial (Non-Deposit Accepting or Holding)
Companies Prudential Norms (Reserve Bank) Directions, 2007]

(Rs. in lacs)

Particulars		
Liabilities Side :		
(1) Loans and advances availed by the non-banking financial company inclusive of Interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	—	—
: Unsecured	—	—
(Other than falling within the meaning of public deposits*)		
(b) Deferred Credits	—	—
(c) Term Loans	—	—
(d) Inter-Corporate loans and borrowing(unsecured)	25000.00	—
(e) Commercial Paper	—	—
(f) Other Loans (specify nature)	49694.02	—
Secured Loans		
1 Borrowings from RBI	19000.00	—
2 CBLO Borrowings	9194.02	—
Unsecured Loans		
1 Call Money Borrowings	21500.00	—
* Please see Note 1 below		
Assets Side :		
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured	26.71	—
(b) Unsecured	7301.42	—
(3) Break up of Leased Assets and Stock on hire and other assets counting towards AFC activities	N.A.	N.A.
(I) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	—	—
(b) Operating lease	—	—
(ii) Stock on hire including hire charges under sundry debtors :	—	—
(a) Assets on hire	—	—
(b) Repossessed Assets	—	—
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	—	—
(b) Loans other than (a) above	—	—

(Rs. in lacs)

(4) Break-up of Investments / Stock-in-trade :		Amount outstanding	
Current investments (Stock-in-trade):			
1. Quoted :			
(I) Shares : (a) Equity		—	
(b) Preference		—	
(ii) Debentures and Bonds		7029.43	(Market Value Rs. 7267.11 lacs)
(ii) Units of mutual funds		—	
(iv) Government Securities		87475.46	(Market Value Rs. 86505.96 lacs)
(v) Others (Please specify)		—	
2. Unquoted :			
(I) Shares : (a) Equity		—	
(b) Preference		—	
(ii) Debentures and Bonds		—	
(iii) Units of Mutual Funds		—	
(iv) Government Securities		—	
(v) Others (please specify)		—	
Long Term Investments :			
1. Quoted :			
(I) Shares : (a) Equity		—	
(b) Preference		—	
(ii) Debentures and Bonds		—	
(iii) Units of mutual funds		—	
(iv) Government Securities		—	
(v) Others (Please specify)		—	
2. Unquoted :			
(I) Shares : (a) Equity		—	
(b) Preference		—	
(ii) Debentures and Bonds		—	
(iii) Units of Mutual Funds		—	
(iv) Government Securities		—	
(v) Others (please specify)		—	
(Term Deposit)		—	
TOTAL :		94504.89	

**(5) Borrower group-wise classification of Assets financed as in (2) and (3) above :
(Please see Note 2 below)**

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	—	—	—
(b) Companies in the same group	—	—	—
(c) Other related parties	—	—	—
2. Other than related parties	—	—	—
TOTAL:	—	—	—

(Rs. in lacs)

(6) 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	—	—
(b) Companies in the same group	10.30	10.30
(c) Other related parties	—	—
2. Other than related parties	93762.77	93525.09
TOTAL :	93773.07	93535.39
** As per Accounting Standard of ICAI (Please see Note 3)		

(7) Other Information

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

Notes :

- As defined in paragraph 2 (1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All accounting standards and guidance notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

(K. R. Kamath) Chairman	(Nagesh Pydah) Director	(Dr. O. P. Chawla) Director	(Dr. Kamal Gupta) Director	(S. K. Soni) Director	(A. S. Agrawal) Director
(M. S. Aftab) Director	(P. P. Pareek) Director	(S. K. Dubey) Director	(D.V.S.S.V. Prasad) Managing Director	(P. Rajendran) Exec.Vice President (Accts.)	(Monika Kochar) Company Secretary

In terms of our report of even date
for **Bansal R. Kumar and Associates**
Chartered Accountants

Place: New Delhi
Date : May 3, 2010

(R. K. Gupta)
Partner
Membership No.86851

NOTICE

PNB GILTS LTD.
REGD. OFFICE : 5, SANSAD MARG, NEW DELHI - 110 001

NOTICE is hereby given that the **FOURTEENTH** Annual General Meeting of the Members of **PNB GILTS LIMITED** will be held at FICCI Auditorium, Federation House, Tansen Marg, New Delhi - 110 001 on **July 31, 2010 at 11:30 a.m.** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended March 31, 2010.
3. To appoint a Director in place of Dr. Kamal Gupta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sh. S. K. Soni, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the year 2010-11 and fix their remuneration.

SPECIAL BUSINESS

Appointment of Director

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-
"RESOLVED THAT Sh. K. R. Kamath, Chairman & Managing Director of Punjab National Bank, who had been co-opted as an Additional Director of the company and who in terms of Section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting, and for the appointment of whom the company had received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company whose period of office will not be liable to retirement by rotation."

Appointment of Director

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-
"RESOLVED THAT Sh. D.V.S.S.V. Prasad, who had been co-opted as an Additional Director of the company and who in terms of Section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting, and for the appointment of whom the company had received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company whose period of office will be liable to retirement by rotation."

Appointment of Managing Director

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-
"RESOLVED THAT in terms of Section 269, 309, 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and Article 132-134 of the Articles of Association of the company, the consent of the company be and is hereby accorded to appointment of Sh. D.V.S.S.V. Prasad as the Managing Director of the company for a period of 2 years w.e.f. May 3, 2010 on the terms and conditions as set out in the Explanatory Statement annexed to the notice."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to effect any change or modification in the terms of appointment including remuneration of the Managing Director subject to the relevant provisions of the Companies Act, 1956 including Schedule XIII of the said Act."

BY ORDER OF THE BOARD

Place : New Delhi
Date : June 8, 2010

(Monika Kochar)
Company Secretary

NOTES FOR MEMBER'S ATTENTION :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the company remained closed from June 1, 2010 to June 8, 2010 (both days inclusive) (for both the shares held in physical mode and in demat mode) in connection with the Annual General Meeting to be held on Saturday, the July 31, 2010 and for the purpose of determining the names of the shareholders entitled to receive the Final Dividend for the Financial Year 2009-10. A notice to this effect was published in the newspapers – Financial Express (English) and Jansatta (Hindi) on May 19, 2010, pursuant to Section 154 of the Companies Act, 1956. (The Board in its meeting held on May 3, 2010 had recommended Final Dividend of Re. 1/- each per equity share of Rs.10/- each (i.e. 10%) for the financial year 2009-10, subject to its declaration in the AGM).

The Transfer Deed(s) along with Share Certificate(s) received upto Monday, May 31, 2010 i.e. the previous day of the opening of Book Closure Dates had been considered for entitlement of shareholders to receive the Final Dividend for FY 2009-10.

4. The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid within 30 days of declaration thereof, to those members or their mandates whose names stand registered on the Company's Register of Members :-
- a) As Beneficial Owners as at the end of the business on May 31, 2010 as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - b) As Members in the Register of Members of the company after giving effect to valid share transfers in physical form lodged with the company on or before May 31, 2010.
5. Members are requested to notify the change of address (with pincode), dividend mandate, bank details (including complete details of bank account, branch & bank name, address of branch etc), nomination etc. quoting reference of their folio number to the Share Transfer Agents at the following address :

MCS Ltd (Unit – PNB Gilts Ltd.)
F-65, 1st Floor, Okhla Industrial Area, Phase - I,
New Delhi - 110 020

In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.

6. The members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, etc. to their depository participant (DP). These changes will be automatically reflected in the Company's records, which will help the company to provide efficient and better service to members.
7. Under the provisions of Section 109A and 109B of the Companies Act, 1956, every individual member is entitled to nominate in the prescribed manner, a person to whom his/her shares in the Company, shall vest in the event of his/her death. Members who are interested in availing this nomination facility are requested to write to the company.
8. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting, is contained in explanatory statement for the items of Special Business and is separately annexed hereto for the items of Ordinary Business.
9. The Company's shares are listed on The Stock Exchange, Mumbai and National Stock Exchange of India Ltd. The listing fees of these Exchanges have been paid on time.

10. NATIONAL ELECTRONIC CLEARING SERVICES (NECS)

The Reserve Bank of India has introduced National Electronic Clearing Services i.e. NECS to bring in further efficiency and uniformity in electronic credit and has instructed the banks to move to the NECS platform.

The advantages of NECS over ECS (Electronic Clearing Services) include faster credit of remittance to beneficiary's account, wider coverage with no limitations of location in India besides ease of operations for remitting agencies.

NECS, for the purpose of centralised processing of instructions and efficiency in handling bulk transactions, is operational only for banks / bank branches leveraging on Core Banking Solution (CBS), which provide ten or more digit bank account numbers to its customers. Shareholders who wish to avail the NECS facility should therefore send the new bank account numbers, allotted by banks post implementation of CBS, to our Share Transfer Agents, MCS Ltd. by filling up the NECS Mandate Form where shares are held in physical form or to their Depository Participant (DP) where shares are held in electronic form, in the event they have not done so earlier. A format of NECS mandate form is also appended to this notice. Shareholders are therefore requested to fill the same and submit to MCS Ltd or to their DP, as the case may be.

11. NON-RECEIPT OF DIVIDEND:

The Company has received back some undelivered envelopes containing dividend warrants in the past due to various reasons. As such, shareholders who have not received dividend(s) of previous years, are requested to contact the company by giving details like Folio No./DP ID & Client ID, Address, Contact No. etc. Please refer page no. 25 and 26 of 'Report on Corporate Governance' for detailed explanation/procedures.

12. REQUEST TO SHAREHOLDERS:

- a) Due to strict security reasons, Mobile Phones, brief cases, eatables and other belongings are not allowed inside the auditorium.
- b) Shareholders may kindly note that no gift /coupon will be distributed at the Annual General Meeting in view of the strict guidelines issued by SEBI in this regard.
- c) Shareholders are advised to bring their copy of the Annual Report, as the same will not be distributed at the venue of the Annual General Meeting.

ANNEXURE TO NOTICE**I. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

Sh. K. R. Kamath, Chairman & Managing Director of Punjab National Bank, was co-opted as an Additional Director by the Board of Directors in its meeting held on January 21, 2010. Under Section 260 of the Companies Act, 1956 read with Article 101 of the Articles of Association of the company, Sh. K. R. Kamath vacates the office on the forthcoming Annual General Meeting.

A notice has been received from a member as required under Section 257 of the Companies Act, 1956 proposing Sh. K. R. Kamath as a candidate for the office of Director.

Prior to his appointment as Chairman & Managing Director of Punjab National bank, Sh. K. R. Kamath was Chairman & Managing Director of Allahabad Bank. He is having a rich experience of around 35 years in banking industry. He is also Chairman on the Board of PNB Housing Finance Ltd., PNB Investment Services Ltd., PNB International Ltd. and Director on the Board of Oriental Insurance Co. Ltd. He is not holding any shares of the company.

Sh. K. R. Kamath may be deemed to be interested or concerned in the Resolution at Item No. 6.

ITEM NO. 7

Sh. D.V.S.S.V. Prasad was co-opted as an Additional Director by the Board of Directors in its meeting held on May 3, 2010. Under Section 260 of the Companies Act, 1956 read with Article 101 of the Articles of Association of the company, Sh. D.V.S.S.V. Prasad vacates the office on the forthcoming Annual General Meeting.

A notice has been received from a member as required under Section 257 of the Companies Act, 1956 proposing Sh. D.V.S.S.V. Prasad as a candidate for the office of Director.

Sh. D.V.S.S.V. Prasad, M.Sc. and Certified Associate of the Indian Institute of Bankers, is General Manager, Punjab National Bank. He is having a rich experience of around 35 years in various senior capacities of PNB group especially in the field of Forex Operations. He has also served on the Board of Everest Bank Ltd., Nepal as an Executive Director for around 2 years. He is also Non-Executive Director of Druk PNB Bank Ltd. He is not holding any shares of the company.

Sh. D.V.S.S.V. Prasad may be deemed to be interested or concerned in the Resolution at Item No. 7.

ITEM NO. 8

The services of Sh. S. Ranganathan have been recalled by the parent bank i.e. Punjab National Bank. Consequently, Sh. S. Ranganathan has tendered his resignation as Director & Managing Director w.e.f. April 3, 2010, which has been accepted by the Board on May 3, 2010. In his place, the Board has appointed Sh. D.V.S.S.V. Prasad as the Managing Director of the Company w.e.f. May 3, 2010.

The terms and conditions of appointment of Managing Director, Sh. D.V.S.S.V. Prasad are given as under :

The Managing Director shall be vested with powers of management of the Company subject to the supervision and control of the Board of Directors and shall also perform such duties and services as shall from time to time be entrusted to him by the Board.

The appointment shall be for a period of 2 years effective from May 3, 2010.

The salary, allowances and other perquisites of Sh. D.V.S.S.V. Prasad shall be governed by the Service Regulations of Punjab National Bank and any modifications, revision therein, including revision on account of promotion in his cadre that may take place from time to time, subject to the limits prescribed under Schedule XIII of the Companies Act, 1956.

Subject to the aforesaid, the present salary, allowances and other perquisites of Sh. D.V.S.S.V. Prasad as advised by Punjab National Bank shall be as under:

Basic Pay	Rs. 29340-680(2)-30700-900(1)-31600-1000(1)-32600/-
Present Pay (Basic)	Rs. 30700/- p.m.
House Rent Allowance	Accommodation will be provided
Fixed Personal Allowance	Rs. 645/- p.m.
Dearness Allowance	As per rates applicable for PNB officers. At present Rs. 22159.26/- p.m.
City Compensatory Allowance	4% Basic Pay, Maximum of Rs. 540/- p.m.
Deputation Allowance	4% Basic Pay, Maximum of Rs. 750/- p.m.

Allowances and other perquisites:

- a) Provided with furniture at residence as per prescribed limits on payments of further sum equal to 0.4 % of the pay in the first stage of the scale of pay.
- b) Conveyance Allowance : Use of bank's car for official purpose with the facility of personal use upto 3000 k.m. every half year on payment of Rs. 150/- p.m. for such use. For use beyond 3000 k.m. every half year, he shall be required to pay to the Bank at the end of the half year Re.1/- per k.m. Journeys from residence to office and back is being treated as duty runs.
- c) Provident Fund: Contribution to the recognised Provident Fund Trust 10% of the basic pay with equal contribution by the employer.
- d) Leave Travel Concession:
 - During each block of four years, he shall be eligible for leave travel concession for travel to his home town once in every block of two years. Alternatively, he may travel in one block of two years to his home town and in the other block to any place in India by the shortest route.
 - Once in block of four years, at the time of availing leave travel concession, he may be permitted to surrender and encash privilege leave not exceeding one month at a time. For the purpose of such encashment, all emoluments payable for the month during which the availment of Leave Travel Concession commences shall be admissible.
 - He may travel by train AC 1st Class or by Air (Economy Class).
 - He may travel by car between places not connected by Air or Rail provided that the distance does not exceed 500 kms. However, when the major part of the distance between the two places can be covered by air or rail, only the rest of the distance should normally be covered by car.
 - Alternatively, he may, by exercising an option anytime during a four year block or two year block, as the case may be, surrender and encash his LTC (other than travel to place of domicile) upon which he shall be entitled to receive an amount equivalent to 75% of the eligible fare for the class of travel by train to which he is entitled upon a distance of 5500 kms (one way). If he opts to encash his LTC, he shall prefer the claim for himself and his family members only once during the block / term in which such encashment is availed of. The facility of encashment of privilege leave while availing of LFC is also available while encashing the facility of LFC.
 - Telephone, Entertainment, Medical and other facilities as per service regulations of the company.

The Managing Director shall not be entitled to sitting fees for attending the meetings of the Board of Directors of the company or any Committee or Sub-Committee thereof.

Sh. D.V.S.S.V. Prasad may be deemed to be interested or concerned in the Resolution at Item No. 8.

II. DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT IN FOURTEENTH ANNUAL GENERAL MEETING

ITEM NO. 3

Name of Director	Dr. Kamal Gupta
Date of Birth	12/02/1946
Date of Appointment/Reappointment	11/04/1996
Expertise in Specific functional area	Former Technical Director of Institute of Chartered Accountants of India
Qualifications	FCA, Ph.D.
List of outside Directorships held	<ul style="list-style-type: none"> • AD Hydro Power Ltd. • Rajasthan Spinning & Weaving Mills Ltd. • HEG Ltd. • Maral Overseas Ltd. • Malana Power Company Ltd. • Cambridge Solutions Ltd
Chairman/Member of the Committee of the Board of Directors of the Company.	<ul style="list-style-type: none"> • Chairman - Audit Committee
Chairman/Member of the Committees of Director of other Companies in which he is a Director.	
a) Audit Committee	<ul style="list-style-type: none"> • Chairman - Rajasthan Spinning & Weaving Mills Ltd. • Chairman - Maral Overseas Ltd. • Member - HEG Ltd. • Member - Malana Power Company Ltd. • Member - AD Hydro Power Ltd. • Member - Cambridge Solutions Ltd.
b) Shareholders' Grievance Committee	<ul style="list-style-type: none"> • Chairman - Maral Overseas Ltd. • Member - Rajasthan Spinning & Weaving Mills Ltd. • Member - HEG Ltd.
No. of Shares held in Company	Nil

ITEM NO. 4

Name of Director	Sh. S. K. Soni
Date of Birth	03/12/1936
Date of Appointment/Reappointment	23/01/2002
Expertise in specific functional area	Former Chairman and Managing Director of Oriental Bank of Commerce.
Qualifications	B.Sc., LL.B., CAIIB(I)
List of outside Directorships held	<ul style="list-style-type: none"> • HDIL • A.S.P. Research Service Pvt. Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	<ul style="list-style-type: none"> • Chairman - Shareholders' Grievance Committee • Member - Audit Committee
Chairman/Member of the Committees of Director of other Companies in which he is a Director	
a) Audit Committee	-
b) Shareholders' Grievance Committee	-
No. of Shares held in Company	Nil

BY ORDER OF THE BOARD

Place : New Delhi
Date : June 8, 2010

(Monika Kochar)
Company Secretary

FINANCIALS AT A GLANCE

FINANCIAL PARAMETERS

	2009-10 (%)	2008-09 (%)	2007-08 (%)	2006-07 (%)
Financial Performance				
Interest Income/ Total Income	119.15	120.85	105.18	124.23
Trading Income/ Total Income	(30.26)	(27.65)	(7.51)	(27.80)
Other Income/ Total Income	11.11	6.80	2.33	3.57
Interest Expense/ Total Income	33.98	59.68	57.27	81.95
Interest Expense/ Total Expense	75.64	90.28	93.61	94.19
Establishment Expense/ Total Expense	6.32	3.05	2.04	1.80
Admn and other Expense/ Total Expense	9.63	6.65	4.35	4.01
PBT/ Total Income	55.08	33.89	38.82	12.99
PAT/ Total Income	36.08	21.77	26.16	12.66
Human Assets				
Security Turnover per employee (Rs. Crore)	2055.68	1776.77	1618.05	905.86
Profit before tax per employee (Rs. crore)	1.81	1.08	1.81	0.44
Average Age of the employees (years)	43	43	43	43
Per Share Data				
Earnings Per Share (Rs.)	2.72	1.81	3.34	1.18
Cash Earnings Per Share (Rs.)	3.80	6.73	10.00	6.00
Book Value Per Share (Rs.)	41.31	39.89	38.92	37.25
Price Earnings, end of year (Rs.)	8.75	10.28	8.35	15.38
Price/ Cash Earnings, end of year (Rs.)	6.26	2.76	2.79	3.03
Price/ Book Value, end of year (Rs.)	0.58	0.47	0.72	0.49
Dividend Per Share (Rs.)	1.00	0.80	1.50	-

FINANCIALS (Last 10 Yrs.)

(Rs. Crore)

Financials\Financial Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
INCOME	224.64	234.39	230.09	237.94	11.31	127.06	126.14	172.63	112.47	101.73
I Interest & Discount on Securities	200.41	104.62	126.50	121.89	112.99	143.43	156.70	181.57	135.92	121.21
II Profit on Sale of Securities	21.78	128.05	101.79	113.30	(103.85)	(22.86)	(35.07)	(12.97)	(31.10)	(30.78)
III Other Income	2.45	1.72	1.80	2.75	2.17	6.49	4.51	4.03	7.65	11.30
EXPENDITURE	143.95	58.13	80.08	69.29	79.44	98.54	109.75	105.62	74.35	45.70
I Interest Expenses	134.56	50.65	70.69	61.62	71.86	91.69	103.37	98.87	67.12	34.57
II Operating Expenses	4.00	6.85	8.45	6.73	6.54	6.06	5.75	6.22	6.78	6.83
III Depreciation on Fixed Assets	0.39	0.63	0.94	0.94	1.04	0.79	0.63	0.53	0.45	0.46
IV Bad Debts Written off										0.02
Prov. Against Overdue Call Lending	5.00									3.82
PROFIT BEFORE TAX	80.69	176.26	150.01	168.65	(68.13)	28.52	16.38	67.01	38.12	56.03
Less: Prov./ (Release) for Taxation	33.64	63.67	57.50	61.69	0.12	(1.12)	0.42	21.85	13.63	19.33
PROFIT AFTER TAX	47.05	112.59	92.51	106.96	(68.25)	29.64	15.96	45.16	24.49	36.70
PAID UP CAPITAL	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01
RESERVES	198.64	279.66	337.44	406.32	338.07	355.40	371.36	392.82	404.68	425.59
NET WORTH	333.65	414.67	472.45	541.33	471.51	485.58	502.85	525.41	538.48	557.76
Turnover (Outright)	33306	106800	102875	116336	61740	53390	33552	59868	62187	63726

NECS (NATIONAL ELECTRONIC CLEARING SYSTEM) MANDATE FORM
FOR PAYMENT OF DIVIDEND ON EQUITY SHARES*
(For Shareholders holding shares in Physical Form)

To,
MCS Ltd.
(UNIT : PNB GILTS)
F-65, Okhla Industrial Area, Phase - I
New Delhi - 110 020

Dear Sir,

I hereby authorise PNB Gilts Ltd. to credit dividend (to be declared in future, if any) amount directly to my bank account through NECS, details of which are as under :

1. First / Sole Shareholder's Name (in Block letters) :
2. Address :
3. Regd. Folio No. :
(If shares are in Physical Form)
- DPID No. and Client ID No. :
(If shares are in Dematerialised Form)
4. Telephone No. :
5. E-mail ID :
6. Particulars of Bank Account :
 - A. Bank Name :
 - B. Branch Name & Address (with Pin code & Tel. No.) :
 - C. Bank Account No. (as appearing on the Cheque Book) :
 - D. Account Type (Please tick ✓) : SB ☐ Current ☐ Cash Credit ☐ Others ☐
 - E. 9 Digit MICR Code No. of the Bank & Branch :
appearing on the MICR cheque issued by the bank :
7. Please attach a photocopy of a cheque leaf or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the above mentioned code numbers.

*** Shareholders holding shares in Demat Form - Please send a similar duly filled in form to your Depository Participant**

DECLARATION

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold PNB Gilts Ltd. responsible. In case of NECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument.

Place :
Date :

Signature of the first / sole shareholder

Notes :

1. If above mandate has already been submitted, please ignore this communication.
2. Kindly fill all columns. Incomplete forms shall not be entertained.
3. Please note that NECS facility is available only at Core Banking Solution Branches (CBS Branches) of the Banks. Therefore, please ensure that you provide only your new bank account number (not more than 15 digits), allotted by your Bank post implementation of Core Banking System, to avail NECS.

----- Tear Here -----

In case the shareholder is not in a position to give blank "cancelled" cheque or a photocopy thereof, a certificate of the shareholder's Bank may be furnished as under:

Certificate of the Shareholder's Bank

(To be submitted only if blank "cancelled" cheque or a photocopy thereof is not enclosed)

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp :
Date :

Signature of the Authorised Official of the Bank



PNB GILTS LTD.

5, Sansad Marg, New Delhi - 110 001

For Dematerialised Shares -

DP ID No. and

Client ID No.

For Shares in Physical Form -

Regd Folio No.

PROXY FORM

(To be filled and signed by the shareholder)

I/We _____ resident/s of _____ in
the District of _____ in the state of _____ being a
shareholder/s of PNB Gilts Ltd., hereby appoint Shri/Smt _____
resident of _____ or failing him/her,
Shri/Smt _____ resident of _____
_____ as my/our proxy to vote for me/us on my/our behalf at the
FOURTEENTH ANNUAL GENERAL MEETING of the shareholders of the Company to be held on Saturday, 31st July, 2010
at 1130 hrs. at FICCI Auditorium, Federation House, Tansen Marg, New Delhi and at any adjournment thereof.
Signed this _____ day of _____ 2010.

Please Affix
Revenue
Stamp (not less
than 15 paise)

Signature of the Proxy

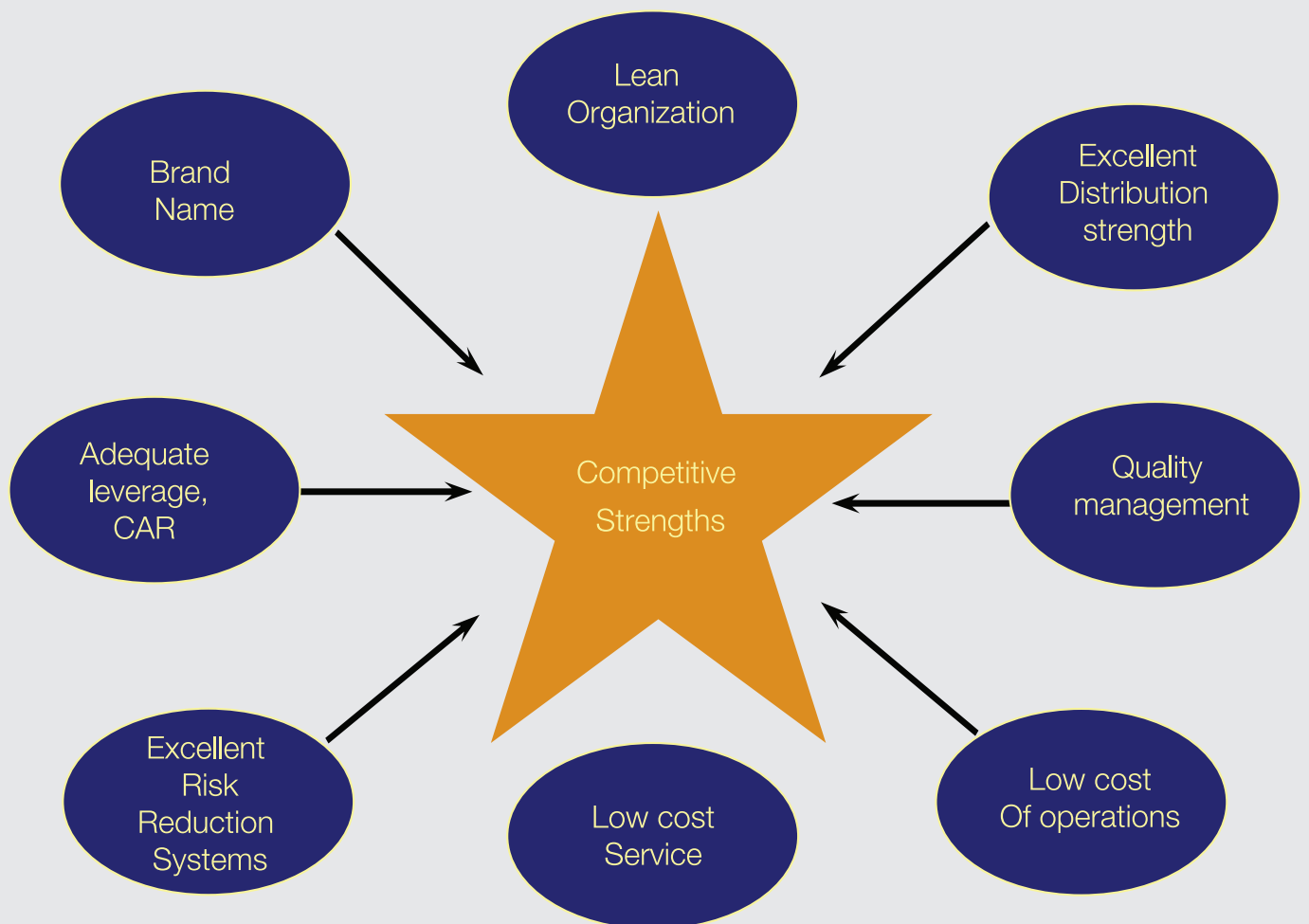
Signature of the Shareholder

..... (TEAR HERE)

INSTRUCTIONS FOR SIGNING AND LODGING THE PROXY FORM

- The instrument of proxy to be valid:
 - In the case of any individual shareholder, shall be signed by him/her or by his/her attorney duly authorized in writing.
 - In the case of joint holders, shall be signed by the shareholders, first named in the Register of Members or by his/her attorney duly authorized in writing.
 - In the case of a body corporate, shall be signed by its officer and executed under its common seal, if any, or otherwise signed by its attorney duly authorized in writing.
- An instrument of proxy, in which the thumb impression of the shareholder is affixed, will be valid provided it is attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or any Government Gazetted Officer or an officer of PNB Gilts Ltd.
- The Proxy together with :
 - The power of attorney or other authority, if any, under which it is signed; or
 - A copy of that power of attorney or authority, certified by a Notary Public or Magistrate.should be deposited at PNB Gilts Ltd., 4th Floor, 5, Sansad Marg, New Delhi-110001, not later than 1130 hrs. on 29th July, 2010 i.e. 48 hrs before the meeting.
- No proxy shall be valid unless proper revenue stamp is affixed on it.
- An instrument of proxy deposited with the Company shall be irrevocable and final.
- In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.
- The shareholder who has executed an instrument of proxy shall not be entitled to vote in person at the meeting to which such instrument relates.

OUR STRENGTHS



COMPANY SECRETARY

Ms. Monika Kochar

STATUTORY AUDITORS

Bansal R. Kumar & Associates
Chartered Accountants
G-7 & 8, Namdhari Chambers,
9/54, D.B. Gupta Road, Karol Bagh,
New Delhi - 110 005

INTERNAL AUDITORS

Ernst & Young Pvt. Ltd.
Golf View, Corporate Tower B, Sector 42,
Sector Road, Gurgaon - 122 002

BANKERS

Reserve Bank of India
Punjab National Bank

REGISTERED-CUM-CORPORATE OFFICE

5, Sansad Marg, New Delhi – 110001
Tel: 011- 2332 5759 / 2332 5779
Fax: 011- 23325751
E-mail: pnbgilts@del2.vsnl.net.in
Website: www.pnbgilts.com

BRANCHES

PNB House, Sir P.M.Road,
Fort, Mumbai-400 001.
Tel: 022-22691811 / 22692248
Fax: 022-22691811 / 22692248

Sudershan Building, 14, Whites Road,
Chennai – 600 014.
Tel: 044- 28591750 / 28418579
Fax: 044-28591751

Navdeep House, Near Income Tax Circle,
Ashram Road, Ahmedabad – 380 014.
Tel: 079 - 27542143 / 27542455
Fax: 079-27541808