
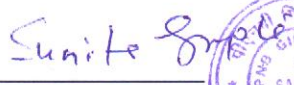




**FORM A**  
(covering letter of the annual audit report to be filed with the stock exchanges)

1.	Name of the Company:	PNB Gilts Ltd.
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	Signed by-	
	a. CEO/Managing Director	  (S. K. Dubey)
	b. CFO	  (Sunita Gupta)
	c. Statutory Auditor – S. Mohan & Co.	  (R. K. Mittal) Partner Membership No. 088767)
	d. Audit Committee Chairman	  (Kamal Gupta)

Date : 26.04.2014  
Place : New Delhi



(A subsidiary of Punjab National Bank)



# 18<sup>th</sup>

Annual Report  
2013-14

## Board of Directors



**Shri K. R. Kamath**  
*Chairman*



**Shri P. K. Mohapatra**  
*Non-Executive Director*



**Shri S. K. Dubey**  
*Managing Director*



**Smt. Sunita Gupta**  
*Executive Director & CFO*



**Dr. O. P. Chawla**  
*Independent Director*



**Dr. Kamal Gupta**  
*Independent Director*



**Shri S. K. Soni**  
*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  
and  
Quality Conscious Company maximising wealth for  
Shareholders**

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## *Chairman's Letter to Shareholders*

**Dear Shareholders,**

It gives me immense pleasure to present the Annual Report of your Company for the Financial Year 2013-14.

The year 2013-14 was full of challenges both for economy and financial sector. GDP grew by 4.7% while industrial production showed a negative growth of 0.1%. Other significant challenges faced by the economy during the year were, persistent high inflation, fiscal imbalances, decelerating saving rate and external sector vulnerability. These macroeconomic weaknesses were reflected in large capital outflows and sliding currency. Rupee witnessed historic low of 68.88 INR per USD on August 28, 2013 and shortage of liquidity in the system added further stress in the economy. Short term interest rates were raised by Reserve Bank of India. It also hiked the Marginal Standing Facility (MSF) rate by 200 basis points and sucked off excess liquidity with a view to defend rupee exchange rate. Monetary policy thus had to face an extra ordinary spell of financial turbulence. Ten year government security yield, which opened at 7.95% as on March 31, 2013, witnessed extreme volatility touching a low of 7.09% to high of 9.46% before closing at 8.80%.

Faced with the aforesaid macro economic conditions and market challenges, your company maneuvered to its best ability to maintain its profitability during the year. The company made some important changes internally, streamlined its risk management and trading operations and also revamped its HR practices. I am happy to inform you that your company registered a Profit Before Tax of Rs. 90.70 crore in FY 2013-14 as against Rs. 88.76 crore in FY 2012-13. Despite significant increase in yields, trading profit of the company amounted to Rs. 31.40 crore. The total secondary market outright turnover stood at Rs. 3.08 lac crore.

During 2013-14, the company made a bonus issue of 1 : 3 (one equity share for every three shares held). On the enhanced equity, for the year 2013-14, the Board of Directors has recommended a dividend of 9%. The Net Worth of your company increased by nearly 7% to Rs. 662.53 crore as on March 31, 2014 as against Rs. 620.08 crore in previous year. The company is adequately capitalized with capital adequacy ratio of 49.14% as on March 31, 2014, against RBI's minimum stipulation of 15%. The company fulfilled all its obligations as a Primary Dealer by successfully achieving the minimum stipulations laid down by the regulator. Besides, robust risk management systems kept the Company's risk profile in check throughout the year.

This year's performance is a testimony to our capabilities, strategic orientation, the discipline of our risk management systems and the dedication of the employees. Continued support of all our shareholders has also been a huge motivating factor for us to improve our endeavors in delivering better results. We are immensely grateful to you for your unwavering support and cooperation, which has helped us to sail smoothly through all these years.

#### **Way forward**

With the new fiscal year upon us, the positive signs of recuperating Indian economic scenario will bring its own mix of opportunities and challenges. Accordingly, we shall continue to realign our strategies and resources in order to ensure the best returns for our shareholders and sustain those returns in the long term. The unseen challenges that lie ahead of us shall be met making best use of our skills, competencies and experience. Your company's competent trading skills and robust risk management systems will ensure that the performance is strengthened in the current year.

We value your partnership as we position the company to lead into the future and I firmly believe that it will be an exciting journey for all of us. I take this opportunity to express my gratitude to all the stakeholders for being with us and providing the opportunity to serve them. I assure that the company will continue to remain focused to deliver more value to all the stakeholders.

**(K.R.Kamath)**  
Chairman

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighteenth Annual Report together with the audited financial statements of the Company for the year ended March 31, 2014.

### 1. FINANCIAL RESULTS

The financial results for the year ended March 31, 2014 along with comparative figures for the previous year are given below:

(Rs. in lacs)

	For the year ended 31.3.2014	For the year ended 31.3.2013
Total Income	34626.38	28865.00
Total Expenditure	25556.11	19988.47
<b>Profit/(loss) Before Tax</b>	<b>9070.32</b>	<b>8876.53</b>
Less : Provision for Income Tax (including deferred tax)	2932.13	2751.97
<b>Profit /(loss) After Tax</b>	<b>6138.19</b>	<b>6124.56</b>
Add: Balance in Profit & Loss Account brought forward	8271.51	6057.48
Amount available for Appropriation	14409.70	12182.04
<b>Proposed Appropriations</b>		
Transfer to Statutory Reserve	1227.64	1224.92
General Reserve	—	—
Capital Reserve	1183.62	1106.09
Proposed Dividend	1620.09	1350.08
Dividend Distribution Tax	275.33	229.44
Balance carried forward	10103.02	8271.51

During FY 2013-14, Company fulfilled all its obligations as a Primary Dealer in both primary and secondary market. With regard to Treasury Bills commitment, Company exceeded the stipulated success ratio of 40 per cent, achieving 40.17 per cent and 46.57 per cent in H1 and H2 respectively. In G-sec category, Company fulfilled the underwriting commitments, thereby supporting the government borrowing program. Company delivered good performance during the year by astutely deriving advantage from volatile G-sec market condition and judicious deployment of funds in high yielding assets. The total Profit Before Tax for FY 2013-14 stands at Rs. 9070.32 lacs as against Rs. 8876.53 lacs in FY 2012-13.

The profitability was boosted by trading performance and judiciously taking advantage of arbitrage opportunity by the Company. During FY 2013-14, Company posted trading income of Rs. 3140.78 lacs under extreme volatility in the bond market. The G-Sec Yields rose due to surging headline inflation, falling domestic currency, apprehensions on U.S stimulus tapering and spike in short term borrowing rates. The commencement of term repo auctions served to infuse adequate liquidity into the market. While short term rates remained under continuous upward pressure due to tight liquidity conditions and hike in policy rates, long term yields rose due to heavy supply over the year. Amid these factors, the yield on 10-yr benchmark paper closed the year at 8.80 per cent after touching a high and low of 9.46 per cent and 7.09 per cent respectively as against 7.95 per cent as on March 31, 2013.

## 2. CAPITAL ADEQUACY

Capital adequacy ratio as on March 31, 2014 stood at 49.14 per cent as against the RBI stipulation of 15 per cent.

## 3. BONUS ISSUE

During the year 2013-14, your Board announced a Bonus Issue in the ratio of 1:3 i.e. 1 (one) Bonus Equity Share of Rs. 10/- for every 3 (three) fully paid-up Equity Shares of Rs. 10/- each held. As a result, the paid-up equity capital of the Company increased from Rs. 13500.76 lacs to Rs. 18001.01 lacs.

## 4. DIVIDEND

Your Board has recommended a final dividend of Rs. 0.90 per share (i.e. 9 per cent) for the financial year 2013-14 on enhanced equity and the proposed dividend amounts to Rs.1620.09 lacs. The total outflow on account of said dividend shall be Rs. 1895.42 lacs (including Dividend Distribution Tax).

## 5. OTHER MATTERS

### 5.1. Directors

During the year, the Board of Directors met five 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 four times; the Share Transfer Committee met twenty six times and Shareholders'/Investors' Grievance Committee met twelve times.

### Changes during the financial year 2013-14

The following changes took place in the Board of Directors of the Company during the financial year 2013-14:

- **Sh P. K. Mohapatra** (DIN : 02660553), General Manager – Punjab National Bank, has been appointed as an Additional Director by the Board in its meeting held on August 10, 2013.
- **Sh. S. R. Bansal** (DIN : 06471984), Executive Director – Punjab National Bank, has resigned from the Directorship of the Company w.e.f. October 4, 2013 on his elevation to the office of Chairman and Managing Director of Corporation Bank.

### Retirement of Directors by Rotation

As per Article 99 of the Articles of Association of the Company, Sh. S. K. Dubey (DIN : 01770805) shall retire by rotation in the forthcoming Annual General Meeting and is eligible for reappointment.

### Appointment of Independent Directors

In terms of Section 149 of the Companies Act, 2013, your Board proposes to fix tenure of Independent Directors [Dr. O. P. Chawla (DIN : 00026712), Dr. Kamal Gupta (DIN : 00038490), Sh. S. K. Soni (DIN : 00046856) and Sh. P. P. Pareek (DIN : 00615296)] for a period of five years w.e.f. the date of ensuing Annual General Meeting i.e. from August 30, 2014. All these directors have submitted the required declaration of independence as required under Section 149(7) of the Companies Act, 2013. In the opinion of Board, the Independent Directors, proposed to be appointed, fulfill the conditions specified under the Companies Act, 2013 and Rules made thereunder and they are independent of the management.

### 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 S. Mohan & Co. (Firm Registration No. 000608N), Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance stipulated by stock exchanges is enclosed with the 'Report on Corporate Governance'.

## 5.2. 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, 2014 and the Profit and Loss Account for the year ended March 31, 2014.
- 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.

## 5.3. Audit, Internal Control Systems & their adequacy

M/s S. Mohan & Co., Chartered Accountants (Firm Registration No. 000608N), Delhi were appointed as the Statutory Auditors of the Company by the Comptroller and Auditor General of India for the financial year ended March 31, 2014. 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 2013-14, the Board appointed M/s Ernst & Young LLP as the Internal Auditor 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, the said firm also audited and reviewed related party transactions on monthly basis and 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.

## 5.4. Human Resources

Total number of employees of the Company as on March 31, 2014 was 33 (including 4 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, 2011 be treated as NIL as none of the employees of the Company draws remuneration in excess of Rs. 500000/- p.m. No employee is related to any Director of the Company.

During the year 2013-14, the Company has not received any case relating to sexual harassment from its employees.

### 5.5. 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 is 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.

### 5.6. Public Deposits

During the year ended March 31, 2014, 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.

### 5.7. Acknowledgement

Your Directors thank Government of India, Reserve Bank of India, Securities and Exchange Board of India, National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., Parent Bank, Commercial Banks, Cooperative & Regional Rural Banks, Financial Institutions, PF Trusts, Public Sector Undertakings, 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 26, 2014

Place : New Delhi

(K. R. Kamath)

Chairman

DIN : 01715073

Address : 20, Rajdoot

Marg, Chanakyapuri,

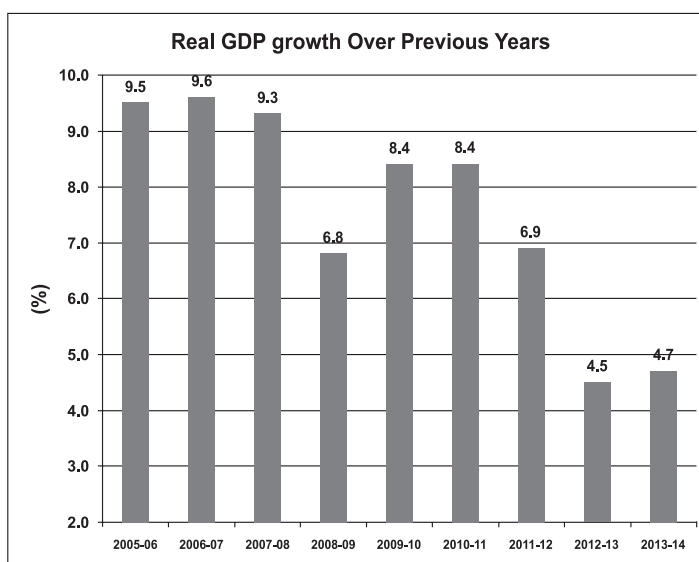
New Delhi - 110021

## MANAGEMENT DISCUSSION AND ANALYSIS

### MACROECONOMIC REVIEW: 2013-14

#### Domestic Overview

During 2013-14, the GDP growth at 4.70 percent was marginally higher than it was in 2012-13 though, it continued to be sub-5 per cent for the second consecutive year. This largely reflected a contraction in the industrial sector even as agricultural growth improved due to the good monsoon while the services sector remained unchanged. Inflation remained elevated during the year mainly due to high food prices. Inflation in terms of the All India Consumer Price Index (CPI)-Combined (Rural + Urban) declined to 8.31 per cent in March, 2014 from a high of 11.16 per cent in November, 2013 induced by a fall in vegetable prices. Despite the moderation, inflation



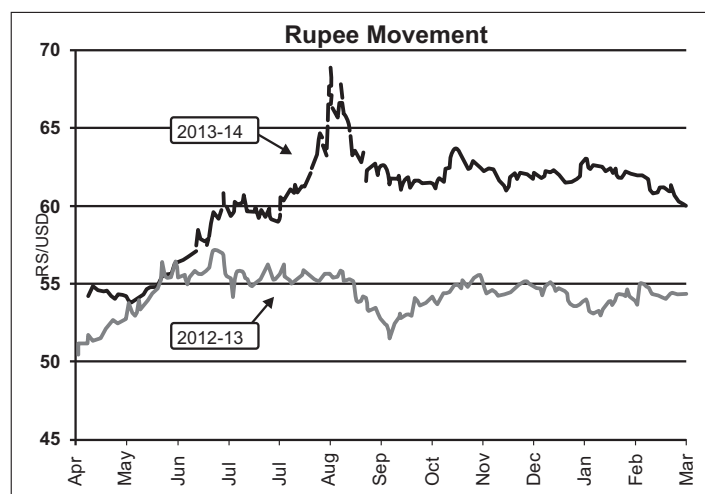
remained persistent with the average CPI inflation at 9.49 per cent during 2013-14 compared to 10.21 per cent in 2012-13. Excluding food and fuel segments, the CPI inflation was around 8 percent.

Low domestic growth and high inflation continued to have an adverse effect on saving-investment dynamics. While household's financial savings (which include bank deposits) as per cent of GDP have been falling, expenditure on valuables (which includes gold) has risen over the last few years though it declined in 2013-14. This trend reflects financial disintermediation with households switching away from financial savings to valuables mainly gold.

India's current account which had been under stress since 2011-12 was brought to a sustainable level during 2013-14 and CAD fell from 4.7 per cent during 2012-13 to 1.7 per cent during 2013-14. Modest recovery in key partner economies and the depreciation of the rupee helped India boost its exports in 2013-14 and robust demand for software exports also improved earnings from invisibles. With a fall in gold imports mainly due to restrictions, the trade balance improved to USD (138.59) billion from USD (190.36) billion in 2012-13. This along with strong capital inflows, particularly NRI deposits, brought stability to the external front. Reduction in CAD, improvement in capital inflows, accretion to foreign exchanges reserves and stability of the exchange rate improved the external sector's resilience.

## Forex Market

During the year, rupee depreciated by over 10 per cent over previous year's closing as fragile global economic scenario weighed on the domestic currency. Rupee eroded sharply in value against the USD in the second quarter of the year, weakening to all time lows as global risk aversion, stemming from US monetary stimulus tapering apprehensions, resulted in diminutive demand for risky assets. Fear of early US stimulus tapering and interest rate hike apprehensions weighed on sentiment pushing rupee below 68 per USD mark. However, rupee recovered by the end of the second quarter, climbing back to



62 per USD levels as US currency weakened due to government shutdown and debt ceiling issues. During the residual part of the year, rupee stabilized due to persistent foreign currency inflows and traded in a narrow range of Rs. 59 to Rs. 61 per USD. Rupee closed the FY 2013-14 at Rs. 59.89 per USD as against Rs. 54.28 per USD as on March 28, 2013.

## Fiscal Deficit

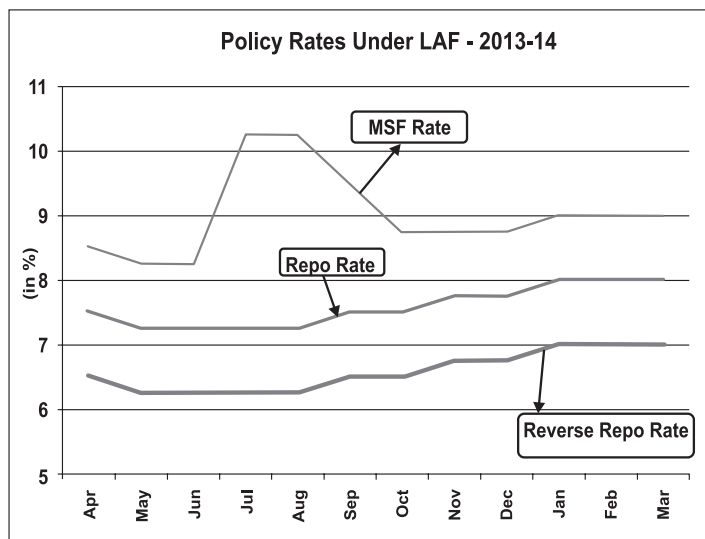
The fiscal consolidation process, which had resumed in 2012-13 through mid-year course corrective measures, was continued in 2013-14. With the growth slowdown affecting tax collections, particularly indirect tax collections, and market conditions not being conducive for meeting disinvestment targets, the reduction in fiscal deficit was mainly achieved through a sharp cutback in planned expenditure and higher receipts of non-tax revenues. The Gross fiscal deficit as a percent to GDP stood at 4.5 per cent against the budget of 4.8 per cent.

## Government Borrowings

The government reduced its market borrowing programme in the G-sec category as squeeze in expenditure limited the government's requirement for additional funds. The gross borrowing during the year was lower by Rs. 15,500 crore to Rs. 5,63,500 crore as against budgeted estimate of Rs. 5,79,000 crore. In addition to this, state governments also raised funds to tune of Rs. 1,96,660 crore through market borrowings as against Rs. 1,77,280 crore during the previous year.

## Monetary Policy & Liquidity Situation

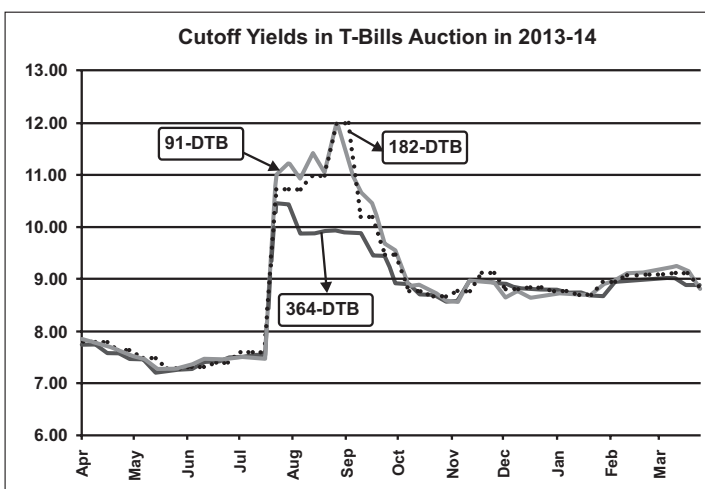
Monetary Policy had to face an extra ordinary spell of financial turbulence caused by persistent inflationary pressures, fiscal imbalances, acute volatility in domestic currency and low economic growth. Liquidity stress increased between mid July, 2013 and end October, 2013 after banks' borrowings from the overnight LAF were capped by the Reserve Bank leading them to borrow from the marginal standing facility (MSF) window. To contain inflation, the repo rate was hiked by 75 basis points in three tranches during FY'14. Reserve Bank also hiked the Marginal Standing Facility (MSF) rate by 200 basis points and sucked excess liquidity with a view to defending rupee exchange rate. However, with the introduction of RBI's term repo window, the liquidity stress fell and call rates were restored within the policy rate corridor.



During the year, net liquidity to the tune of about Rs. 52,000 crore was injected through outright OMOs, besides an average daily net liquidity injection of Rs. 90,600 crore through LAF, MSF and term repos and Rs. 29,400 crore through Export Credit Refinance (ECR).

## Treasury Bill Market

During the year, in view of tight liquidity and high short term rates, the yield on Treasury bills surged significantly. The cut off yield on 91 DTB surged from 7.52 per cent in the beginning of July, 2013 to 9.69 per cent at the end of September, 2013 and 182 DTB yield spiked from 7.60 per cent in the beginning of July, 2013 to 9.47 per cent at the end of September, 2013. Borrowing through T-bills/ CMBs stood higher at Rs. 6,91,000 crore compared to Rs. 6,10,000 crore in the preceding financial year. During the second half of the year, yields on treasury

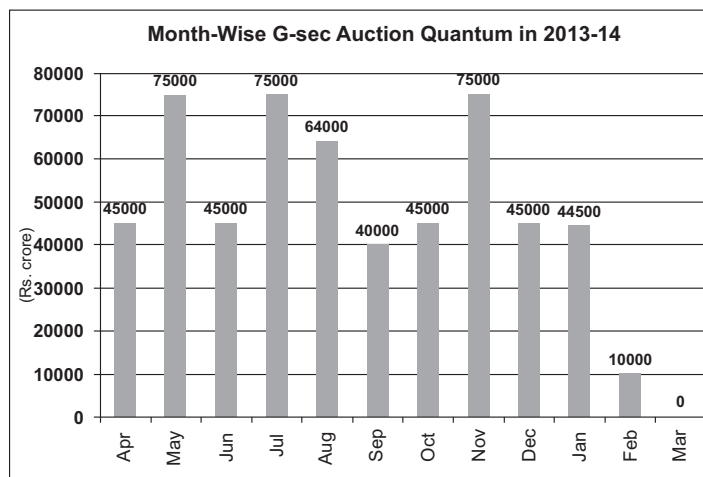


bills eased gradually, post the commencement of term repo auction conducted at regular intervals. Weighted average implicit yield at cut-off price on 91 DTB, 182 DTB and 364 DTB stood at 8.94 per cent, 8.81 per cent and 8.60 per cent as against 8.20 per cent, 8.17 per cent and 8.05 per cent in the previous year respectively.

## Government Dated Securities

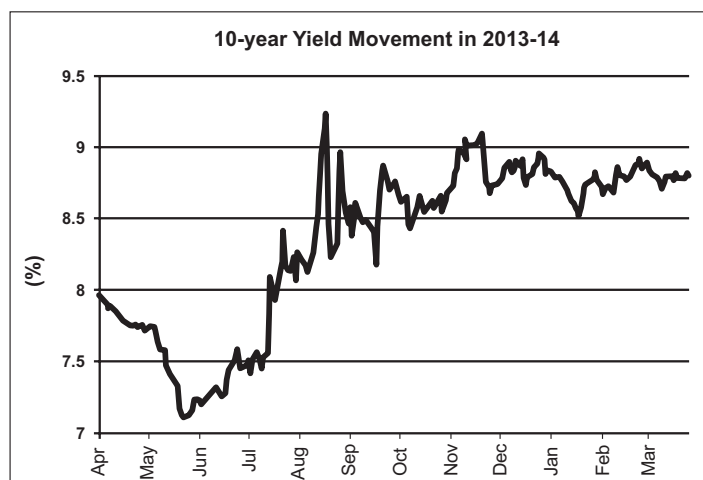
### Primary Market

During FY 2013-14, government managed to keep borrowings well under the budgeted estimate for the year. The gross borrowings through dated issuances stood at Rs. 5,63,500 crore, while net borrowings stood at Rs. 4,68,900 crore. The weighted average maturity of the dated securities issued increased over the year, while the primary yields rose in view of the adverse market conditions and pursuance of hawkish monetary policy to curtail inflation. The weighted average maturity of issuances stood at 14.50 years vis-a-vis 13.50 years in the previous year. The weighted average yield of dated securities issued during FY 2013-14 increased to 8.51 per cent compared to 8.36 per cent during FY 2012-13.



### Secondary Market

During the year, G-Sec yields rose due to surging headline inflation, falling domestic currency, U.S stimulus tapering apprehensions and spike in short term borrowing rates. The commencement of term repo auctions served to infuse adequate liquidity into the market. The yield curve inverted during the first half of the year, owing to sharp rise in short term rates. While short term rates remained under continuous upward pressure due to tight liquidity conditions and hike in interest rates, long term yields rose due to heavy supply over the year. Yield on 10-yr benchmark

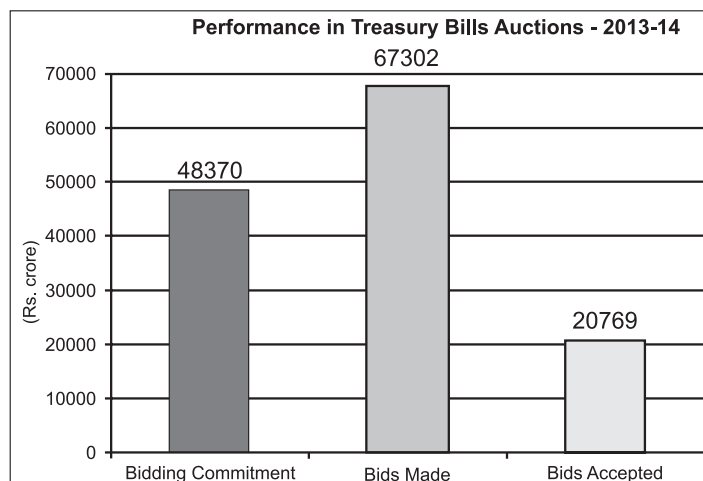


paper closed the year at 8.80 per cent after touching a high and low of 9.46 per cent and 7.09 per cent respectively as against 7.95 per cent as on March 31, 2013.

## COMPANY PERFORMANCE

### Primary Market

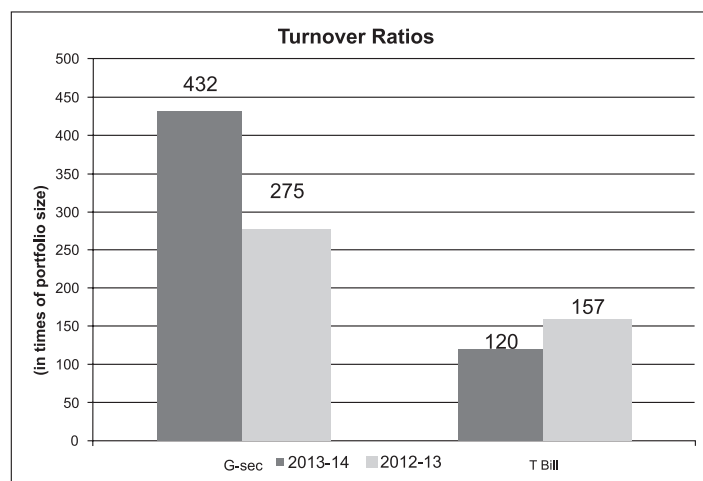
In primary market, the company continued to comply with all the regulatory requirements of bidding under Minimum Underwriting Commitments (MUC) and Additional Competitive Underwriting (ACU) for Primary Dealers. During the year, company earned an underwriting commission of Rs. 14.51 crore as against previous year's commission of Rs. 1.76 crore. In treasury bill auctions, during the first half, GOI raised Rs. 3,92,000 crore as against Rs. 3,40,000 crore in the corresponding period of last fiscal. In the second half, GOI raised another Rs. 2,99,000 crore through



T-bills as against Rs. 2,70,000 crore raised in corresponding period of last fiscal. The company submitted bids aggregating to Rs. 67,302 crore against the commitment of Rs. 48,370 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs. 20,769 crore were accepted. Fulfilling its primary market commitment, company achieved success ratio of 40.17 per cent and 46.57 per cent in H1 and H2 respectively of FY 2013-14.

### Secondary Market

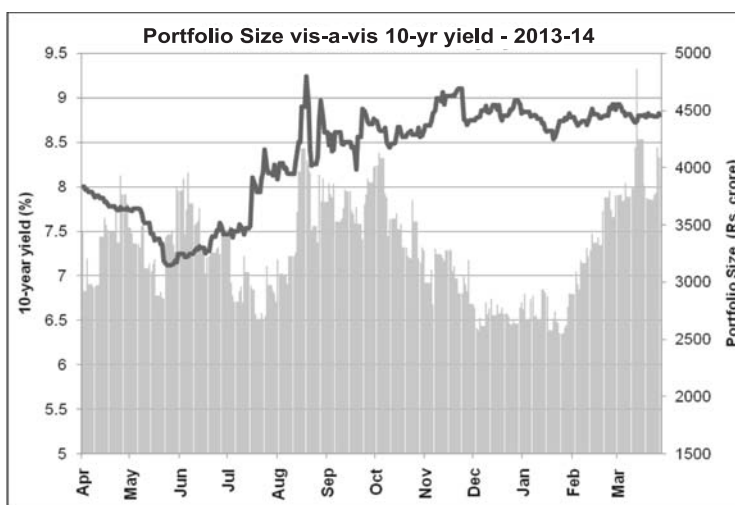
During FY 2013-14, total secondary market out right turnover stood at Rs.3,08,978 crore as against Rs.1,98,139 crore in FY 2012-13. The Central G-sec segment recorded the maximum turnover of Rs. 2, 66,859 crore followed by T-bill segment which registered turnover of Rs. 19,883 crore. Company's total turnover ratio (secondary market) stands at 120 times for treasury bills and 432 times for government-dated securities as on March 31, 2014 against the minimum RBI stipulation of 10 times and 5 times respectively.



## Portfolio Size and Composition

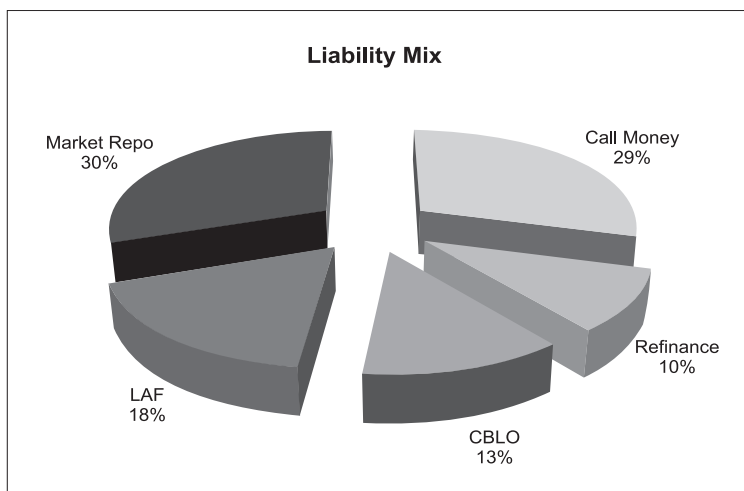
Portfolio size and composition is a function of arbitrage opportunities and tradability. Company maintained high holding of treasury bills in view of positive arbitrage and minimal risk. Daily average holding in T-bills during the year stood at Rs. 1801 crore as against Rs. 1576 crore during the preceding year. The peak holding in T-bills stood at Rs. 2,922 crore. The RBI increased the HTM limit for standalone Primary Dealers from 100 per cent to 200 per cent of Net Owned Funds (NOF) during the year and the company increased the holding of Central G-sec accordingly, as

compared to the previous year. Daily average holding of Central G-sec during FY 2013-14 stood at Rs. 1015 crore as against Rs. 624 crore in FY 2012-13.



## Liability Mix

During the year, the company judiciously utilized different sources of borrowings, namely, Call Money, Collateralized Borrowing and Lending Obligation, Repo, LAF, etc. for active fund management. In view of extreme shortage of funds in the banking system, the company heavily utilized finance support made available by RBI to keep the borrowing cost under check. The average borrowings from all sources amounted to Rs. 2,891 crore as against Rs. 2,330 crore in FY 2012-13. The average



leverage during the year was higher at 4.43 times as against 3.87 times in FY 2012-13, while the maximum leverage for the year stood at 6.54 times the NOF. The average cost of funds during the fiscal through Call, CBLO, etc. at 8.16 per cent was higher than last year at 8.00 per cent. However, the same was about 30 basis points lower than the average NSE overnight MIBOR of 8.46 per cent during the year.

## Trading Stance and Risk Management

During FY 2013-14, despite extreme financial turbulence and yield on 10-year benchmark increasing by 85 basis points, the company posted trading income of Rs. 31.41 crore. Company maintained a balanced composition of securities with an aim to maximize arbitrage income and also with a view to have better

trading opportunities. Risk management is a critical element of company's trading business. The Company's mid-office is primarily responsible for formulating and implementing the risk management policies. Value-at-Risk (VaR), 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 systems and procedures provide adequate defense against the operational risk.

### **Financial Performance**

During the year, the company's Profit Before Tax rose to Rs. 90.70 crore as against Rs. 88.76 crore in the previous year. The profitability was boosted by trading performance and judiciously taking advantage of arbitrage opportunities by the company. During the year, the company registered trading income of Rs. 31.41 crore.

During 2013-14, the company made a bonus issue of 1 : 3 (one equity share for every three shares held) increasing the paid-up capital to Rs. 180.01 crore. The net worth of the company increased by nearly 7 per cent to Rs. 662.53 crore as on March 31, 2014 as against Rs. 620.08 crore in previous year. The company is adequately capitalized with capital adequacy ratio of 49.14 per cent as on March 31, 2014, against RBI's minimum stipulation of 15 per cent. Besides, robust risk management systems kept the Company's risk profile in check throughout the year.

### **Human Resource Development**

Human resource development is given high weightage and company employs the best HR practices to ensure a healthy and motivating work environment for its employees. Employee skills are constantly upgraded and honed by providing training suiting to individual requirements. Besides, in-house lectures and workshops are also conducted on a regular basis to stimulate healthy exchange of ideas.

### **Opportunities and Threats**

Looking ahead, economic activity during the FY 2014-15 is expected to be optimistic with cautiously positive business sentiments, improved consumer confidence, modest recovery in growth and decline in inflation expectations. The net market borrowing of the central government for FY 2014-15 has been budgeted at Rs. 4,57,300 crore, which is lower than the revised estimates at Rs. 4,68,900 crore during the last fiscal year. Besides the fiscal outlook, other factors including private credit off-take, capital flows and the interest rate cycle impact the government market borrowing programme. A planned reduction in deficits and in the government's market borrowing will leave more resources for the private sector. RBI's stance and the monetary policy expectations constitute the root of every strategy formulated to trade in bond markets. Formation of a stable government and the expectation that the new government will address supply side constraints will

have a positive impact on inflationary expectations. Easing of domestic supply bottlenecks and progress on the implementation of stalled projects that have already been cleared should further improve the growth outlook. At the liquidity front, the Central Bank has affirmed to increase the quantum and perform the term repo auction at regular intervals, as it serves to infuse adequate liquidity in the market and hence, sustain the borrowing rates at comfortable level. Against the above backdrop, RBI is expected to cut the policy rates by 50 basis points to 75 basis points during FY 2014-15. However, the rate cuts will be highly dependent upon global condition of advanced economies. The progress of monsoons will also be a key determinant of the RBI's future course of action. Amidst these forces, the markets may remain less volatile than FY 2013-14. The company proposes to be nimble footed in trading and also look for more stable avenues of revenue to maintain consistency in the returns to the stakeholders. The company shall also endeavor to focus on non-traditional sources of income like fee based services and equity markets.

On behalf of Board of Directors

Date : June 26, 2014  
Place : New Delhi

**(K.R.Kamath)**  
Chairman  
DIN: 01715073  
Address: 20, Rajdoot Marg  
Chanakyapuri  
New Delhi-110021

## 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 seven Directors and the Chairman of the Board is a Non-Executive Director. The composition of the Board as on March 31, 2014 is as under:

**The Board of PNB Gilts Ltd. is headed by Sh. K. R. Kamath** (DIN: 01715073), who is the Chairman and Managing Director of Punjab National Bank (PNB). Prior to his appointment in PNB, he was the Chairman & Managing Director of Allahabad Bank. He is Chairman of Indian Banks' Association, Governing Board of the Institute of Banking Personnel Selection. He is also president of Indian Institute of Banking & Finance and Bankers' Club, Delhi. He is the member of Governing Board of National Institute of Bank Management (NIBM), Pune and Governing Council of Institute for Development & Research in Banking Technology (IDRBT), Hyderabad. He is having a rich experience of around 38 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 ECGC Ltd., IIFCL and PNB Met Life India Insurance Co. Ltd.

**Dr. O. P. Chawla** (DIN: 00026712) is an academician. 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** (DIN: 00038490) 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 Bhilwara Energy Ltd.

**Sh. S. K. Soni** (DIN: 00046856) 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 Uttam Value Steels Ltd.

**Sh. P. P. Pareek** (DIN: 00615296) is a practising Chartered Accountant. He is a senior partner of M/s S. Bhandari & Co. for the last 31 years. He was member of Central Council and Standing Committees like Executive Committee and Examination Committee of the Institute of Chartered Accountants of India. Presently, he is Director of Jamuna Dream Estates Pvt. Ltd.

**Sh. P.K.Mohapatra** (DIN: 02660553) is General Manager-Finance of Punjab National Bank. He is having vast experience in the core banking, credit and treasury operations of PNB. He has also served as CEO of Everest Bank Ltd.

**Sh. S. K. Dubey** (DIN: 01770805) is the Managing Director of company since February, 2012. Prior to this assignment, he headed the Treasury Division and International Banking Division of Punjab National Bank. He is having a rich experience of around 37 years in various senior capacities in the PNB group. He is Director on the Board of Primary Dealers' Association of India.

- **Other information regarding the Board as on March 31, 2014 is given below:**

Name of the Directors	Category	No. of other Directorships and Committee Memberships/Chairmanships <sup>1</sup>		
		Directorships	Committee Memberships	Committee Chairmanships
Sh. K. R. Kamath	Non-Executive	5	-	-
Dr. O. P. Chawla	Non-Executive/ Independent	1	-	1
Dr. Kamal Gupta	Non-Executive/ Independent	6	4	4
Sh. S. K. Soni	Non-Executive/ Independent	1	-	-
Sh. P. P. Pareek	Non-Executive/ Independent	-	-	-
Sh. P. K. Mohapatra	Non-Executive	-	-	-
Sh. S. K. Dubey	Executive	-	-	-

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.

None of the Directors (except Sh. P. P. Pareek, who holds 1333 shares of the Company) is holding any shares / convertible instruments of the Company.

## 2. Meetings and attendance

During the year 2013-14, five Board Meetings were held on April 27, 2013, May 23, 2013, August 10, 2013, October 26, 2013 and January 25, 2014. Attendance record of the Directors in the meetings is as under:

Names of Directors	No. of Board Meetings attended	Attended last AGM held on June 22, 2013
Sh. K. R. Kamath	5	Y
Sh. S. R. Bansal <sup>1</sup>	3	Y
Dr. O. P. Chawla	4	Y
Dr. Kamal Gupta	5	Y
Sh. S. K. Soni	4	Y
Sh. P. P. Pareek	5	Y
Sh. P. K. Mohapatra <sup>2</sup>	2	NA
Sh. S. K. Dubey	5	Y

1. Resigned on October 4, 2013 on his elevation to the office of Chairman and Managing Director of Corporation Bank.
2. Appointed as an Additional Director on August 10, 2013.

## • **Committees of the Board**

### 1. **Audit Committee**

The Audit Committee formed in pursuance of Clause 49 of the Listing Agreement, Section 292A/177 of the Companies Act, 1956/2013 and RBI guidelines 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. The terms of reference of the Committee are as per Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013 and Rules made thereunder and RBI guidelines.

During the year 2013-14, four meetings of the Committee were held on April 27, 2013, August 10, 2013, October 26, 2013 and January 25, 2014. The composition and attendance of Members is as under:

<b>Names of Directors</b>	<b>Position held in the Committee</b>	<b>No. of Committee Meetings attended</b>
Dr. Kamal Gupta	Chairman	Four
Dr. O. P. Chawla	Member	Three
Sh. S. K. Soni	Member	Three
Sh. P. P. Pareek	Member	Four
Sh. P. K. Mohapatra <sup>1</sup>	Member	One

1. Appointed as an member of the Committee on August 10, 2013.

Ms. Monika Kochar, Company Secretary acts as the Secretary to the Committee.

### 2. **(A) Share Transfer and Issue of Duplicate Share Certificates Committee**

During the year 2013-14, twenty six meetings of the said Committee were held.

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

<b>Names of the Directors</b>	<b>Position held in Committee</b>	<b>No. of Committee Meetings attended</b>
Sh. S. K. Soni	Chairman	Twenty Five
Dr. Kamal Gupta	Member	Twenty Five
Sh. S. K. Dubey	Member	Twenty Five

Sh. S. K. Soni and Dr. Kamal Gupta were paid sitting fees for these meetings.

As on March 31, 2014, 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 2013-14, twelve meetings of the Committee were held.

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

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. S. K. Soni	Chairman	Eleven
Dr. Kamal Gupta	Member	Twelve
Sh. S. K. Dubey	Member	Eleven

Sh. S. K. Soni and Dr. Kamal Gupta were 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 16 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 March 31, 2014.

Further, pursuant to Section 178 of the Companies Act, 2013, the nomenclature of earlier "Shareholders'/ Investors' Grievance Committee" was changed to "Stakeholders' Relationship Committee". Terms of reference of said Committee shall be as per Section 178 of the Companies Act, 2013 and Clause 49 of Listing Agreement.

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

#### (C) Nomination and Remuneration Committee

During the year 2013-14, two Nomination Committee meetings were held on April 27, 2013 and August 10, 2013. The composition of Nomination Committee and attendance of the Members is as under:

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. K. R. Kamath <sup>1</sup>	Chairman	One
Sh. S.R.Bansal <sup>1</sup>	Chairman	One
Dr. O. P. Chawla	Member	Two
Sh. S. K. Soni	Member	One
Sh. S. K. Dubey	Member	Two

1. In absence or non-availability of Chairman of the Committee (who is Executive Director on the Board of PNB and Director on the Board of PNB Gilts Ltd.), Chairman of the Board shall act as Chairman of the Committee.

Further, pursuant to Section 178 of the Companies Act, 2013, the nomenclature of the earlier 'Nomination Committee' was changed to 'Nomination & Remuneration Committee'. Terms of reference of new Committee shall be as per Section 178 of the Companies Act, 2013, Clause 49 of the Listing Agreement and RBI guidelines.

Ms. Monika Kochar, Company Secretary acts as the Secretary to the Committee.

#### (D) Bonus Issue Committee

The Board in its meeting held on May 23, 2013 announced a Bonus Issue in the ratio of 1:3 by capitalizing Share Premium Account as on March 31, 2013 and the same was approved by the shareholders in their Annual General Meeting held on June 22, 2013. The Board also constituted a Bonus Issue Committee to decide on all matters related to Bonus Issue. Four Bonus Issue Committee meetings were held on June 4, 2013, June 24,

2013, July 6, 2013 and August 29, 2013. The composition of Bonus Issue Committee and attendance of the Members is as under:

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Dr. Kamal Gupta	Chairman	Three
Sh. S. K. Soni	Member	Four
Sh. S. K. Dubey	Member	Three

### 3. Remuneration of Directors

Matters of remuneration of Managing Director were considered by the Board of Directors of the company, with the Interested Director not participating/voting. The terms of remuneration of Managing Director were approved by the shareholders at the general body meeting. The details of remuneration paid to the Managing Director (under Executive category) in the financial year 2013-14 is as under –

(Rs. in lacs)

Particulars	Amount
Salary & Allowances	15.80
Performance Linked Incentive*	6.00
Other Perquisites	4.64

\*Performance-linked incentive (PLI) is based on the extent of achievement of the budget in terms of profits, peer group performance, level of responsibility involved etc.

The Managing Director has been re-appointed w.e.f. February 1, 2014 to June 30, 2015 and his service conditions are regulated by the service regulations of the company. As per Regulation 15(iii) of the service regulations, his service can be terminated by a notice period of 3 months on either side or surrender of 3 months salary in lieu thereof. No other severance fees is payable. In addition, he also receives a pension from PNB (being an ex-employee).

Further, only Non-Executive Directors are paid the sitting fees for attending the Board/Committee Meetings. Sitting fee payable for attending the Board meeting and its Sub-Committee Meeting is Rs. 10000/- per meeting and Rs. 5000/- per meeting respectively. The same is fixed by the Board and is within the limits prescribed under the Companies Act, 1956/2013. No other remuneration or stock option is in place. Therefore, no separate remuneration committee was constituted during FY 2013-14.

The details of sitting fees paid to Non-Executive Directors during the financial year 2013-14 is as under:

(In Rs.)

Names of the Directors	Sitting Fees**
Sh. K. R. Kamath*	55000/-
Sh. S. R. Bansal*	35000/-
Dr. O. P. Chawla	65000/-
Dr. Kamal Gupta	275000/-
Sh. S. K. Soni	260000/-
Sh. P. P. Pareek	70000/-
Sh. P. K. Mohapatra*	25000/-

\*Sitting fee payable to these promoter Directors has been paid to Punjab National Bank, who is the promoter of the company, as per the instructions received from said bank/directors.

\*\*Applicable taxes extra.

The remuneration policy of the company was reviewed periodically during FY 2013-14.

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

The brief resume of Directors to be appointed or re-appointed is given in the explanatory statement / 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](http://www.pnbgilts.com)). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2013-14. A declaration of MD/CEO to this effect is also appended to this report.

- ***CEO/CFO Certification***

The MD/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
2012-13	Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines Delhi -110054	June 22, 2013 at 1100 hrs.
2011-12	Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi -110054	July 28, 2012 at 1230 hrs.
2010-11	Air Force Auditorium, Subroto Park, New Delhi -110010	June 25, 2011 at 1200 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 and Analysis has been given separately in the annual report.

- **Disclosures**

During 2013-14, 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 Directors is related to any other Director.

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 Vigil Mechanism i.e. 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 for the approval of the aforesaid results and other notices / communications are also published in the same newspapers.

**Internet**

For financial results and other relevant information, shareholders may log on to the website of the company [www.pnbgilts.com](http://www.pnbgilts.com).

## • General Shareholder Information

### 1. Annual General Meeting

Date and time	:	August 30, 2014 at 11:00 a.m.
Venue	:	Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054.
Financial Year	:	April 1, 2013 to March 31, 2014
Date of Book Closure	:	August 23, 2014 to August 30, 2014 (both days inclusive)
Dividend Payment Date	:	September 23, 2014

### 2. Listing on Stock Exchanges

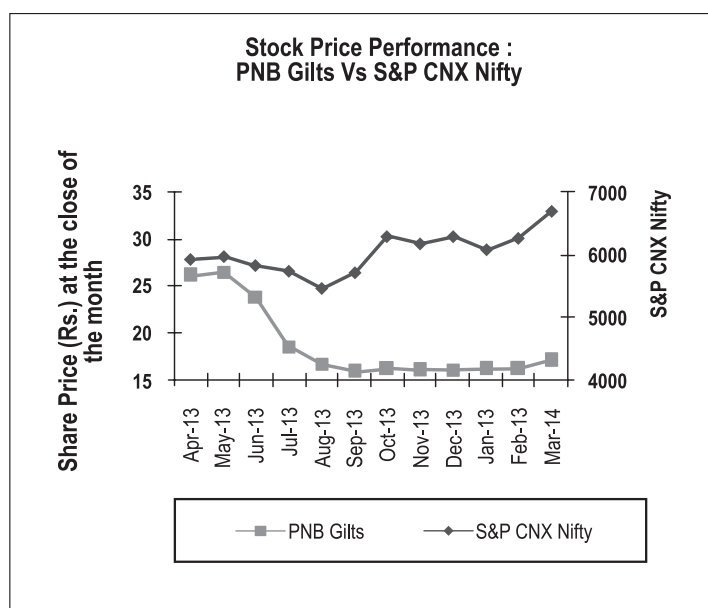
:	Listed in September, 2000
:	BSE Ltd.
:	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.
:	National Stock Exchange of India Ltd.
:	Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G- Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051.

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 2013-14 on National Stock Exchange is given as under :

Month	High (Rs.)	Low (Rs.)
Apr-13	27.60	24.70
May-13	30.45	25.45
Jun-13	27.00	23.25
July-13	25.15	17.80*
Aug-13	19.40*	16.40*
Sep-13	16.95*	15.85*
Oct-13	16.90*	15.55*
Nov-13	16.80*	15.95*
Dec-13	17.10*	15.30*
Jan-14	18.40*	16.00*
Feb-14	16.90*	15.85*
Mar-14	17.45*	15.90*

\*Price post bonus issue.



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 at BSE and NSE** is as under:

BSE: 532366

NSE: PNBGILTS

#### 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 holding shares in physical form:** Investors' queries/requests for change in address/bank details, transfer, transmission, issue of duplicate share certificates, registration of e-mail IDs 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, registration of e-mail IDs etc. 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 of SEBI's circular, Reconciliation of Share Capital Audit is also being 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 tallied with the issued capital.

#### • **Distribution of Shareholding as on March 31, 2014**

No. of equity shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	20821	74.36	2515226	1.40
501-1000	3321	11.86	2296600	1.28
1001-2000	2063	7.37	2938516	1.63
2001-3000	524	1.87	1362109	0.76
3001-4000	285	1.02	1052623	0.58
4001-5000	140	0.50	654242	0.36
5001-10000	440	1.57	3062847	1.70
10001 and above	406	1.45	166127971	92.29
<b>Total</b>	<b>28000</b>	<b>100.00</b>	<b>180010134</b>	<b>100.00</b>

- **Shareholding pattern as on March 31, 2014**

Particulars	No. of shares held	% of Shareholding
Promoter (PNB)	133333333	74.07
Financial Institutions, Other Banks, Mutual Funds / UTI and Insurance Companies	6351300	3.53
Bodies Corporates, Trust and Foundations	11263604	6.26
Indian Public	25942539	14.41
NRI's and FII's	3119358	1.73
<b>Total</b>	<b>180010134</b>	<b>100.00</b>

- **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
June, 2013	Issue of Bonus shares in the ratio of 1:3	45002534	180010134	18001.01

- **Dematerialisation of shares**

The shares of the company are traded compulsorily in demat mode. At present (as on March 31, 2014) 99.69% 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, unpaid/unclaimed final dividend for the year 2000-01, interim and final dividend for the year 2001-02, interim and final dividend for the year 2002-03, interim and final dividend for the year 2003-04 and interim dividend for the year 2005-06 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, 2014:

Financial Year	Amt of dividend (Rs. Lacs)	Unclaimed Dividend as on 31.03.2014 (Rs. Lacs)	Unclaimed dividend Percentage	Last date for making claim	Due Date for making transfer to IEPF
2007-08(Final Dividend)	2025.11	7.88	0.39	1 <sup>st</sup> Nov 2015	1 <sup>st</sup> Dec 2015
2008-09(Final Dividend)	1080.06	4.95	0.46	20 <sup>th</sup> Sep 2016	20 <sup>th</sup> Oct 2016
2009-10(Final Dividend)	1350.08	4.82	0.36	5 <sup>th</sup> Sep 2017	5 <sup>th</sup> Oct 2017
2010-11(Final Dividend)	1620.09	5.96	0.37	31 <sup>st</sup> Jul 2018	30 <sup>th</sup> Aug 2018
2011-12(Final Dividend)	1350.08	4.98	0.37	30 <sup>th</sup> Aug 2019	29 <sup>th</sup> Sep 2019
2012-13(Final Dividend)	1350.08	5.71	0.43	23 <sup>rd</sup> Jul 2020	22 <sup>nd</sup> Aug 2020

\*The company is regularly sending 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 the last date for making claim. A format of indemnity bond in this respect is also available at the company's website ([www.pnbgilts.com](http://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 instruments and other communication(s) to single person. Consolidation also provides convenience in maintaining the track of shares in best and easiest manner.

• **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**

Tenure of Independent Directors is being fixed in this Annual General Meeting. Details of the same are given in the Directors' Report, Notice of AGM and explanatory statement thereto.

**2. Remuneration Committee**

As mentioned earlier, the matters of remuneration of Managing Director were considered by the Board of Directors of the Company, where the Interested Directors, do not participate/ vote. The Board reviewed these policies periodically and the terms of remuneration of Managing Director were approved by the shareholders at the general body meeting. Therefore, no separate remuneration committee was constituted.

The Board has changed the nomenclature of its existing 'Nomination Committee' to 'Nomination & Remuneration Committee' in terms of Section 178 of Companies Act, 2013, notified on April 1, 2014. The terms of reference of said Committee inter-alia include recommendation of remuneration policies of the Company to Board for its review/approval.

### 3. Shareholders Right

The financial results are available on the website of the company ([www.pnbgilts.com](http://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 & Asso. Vice President  
PNB Gilts Ltd.  
5, Sansad Marg  
New Delhi 110 001  
Tel : 011-23325759/ 23325779  
Fax : 011-23325751  
Email : [pnbgilts@ndb.vsnl.net.in](mailto:pnbgilts@ndb.vsnl.net.in), [m.kochar@pnbgilts.com](mailto:m.kochar@pnbgilts.com)

On behalf of the Board of Directors

Date : June 26, 2014  
Place : New Delhi

**(K.R.Kamath)**  
Chairman  
DIN: 01715073  
Address: 20, Rajdoot Marg  
Chanakyapuri  
New Delhi-110021

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## DECLARATION

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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](http://www.pnbgilts.com)).

Based on the affirmations received from Directors and Senior Management Personnel as covered under the said Code, I, S. K. Dubey, 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 2013-14.

For and on behalf of Board

Date : April 19, 2014  
Place : New Delhi

**(S. K. Dubey)**  
Managing Director

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## AUDITORS' CERTIFICATE

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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 31<sup>st</sup> March, 2014, 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 **S. Mohan & Co.**  
Chartered Accountants

Date : April 26, 2014  
Place : New Delhi

**(R. K. Mittal)**  
Partner  
Membership No. 088767



# FINANCIAL REVIEW

## REPORT OF THE AUDITORS

To

**The Members of PNB Gilts Ltd.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of M/s. PNB Gilts Ltd ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and
- (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors in meeting held on April 26, 2014, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **S. Mohan & Co.**  
Chartered Accountants

**(R. K. Mittal)**

FCA

Partner

Membership No. 088767

Place : New Delhi  
Date : April 26, 2014

## Annexure to the Auditors' report

(Referred to in Paragraph 1 of Report on Other Legal and Regulatory Requirements of our report of even date)

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of our audit, we report that to the best of our knowledge and belief:-

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has conducted physical verification of its fixed during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The company's inventory comprising of Treasury Bills & Dated Govt. Securities are held in the form of Subsidiary General Ledger (SGL) account maintained with the Reserve Bank of India and the said stock is verified with the confirmation certificate received from Reserve Bank of India. The stock of other securities are held by the company in de-materialised form with NSDL/SHCIL and the same is verified with the confirmation certificates received from them at the year end. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. No discrepancy is noticed on physical verification of inventory as compared to book records.
- (iii) 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. The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Act. The company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods and services. We have not observed any continuing failure to correct major weakness in internal control system during the course of the audit.

- (v) 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. Based on the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that there are no transactions which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) To the best of our knowledge, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) To the best of our knowledge and according to the information/explanations given to us, maintenance of the cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956.
- (ix) To the best of our knowledge and according to information / explanations given to us the Company is regular in depositing undisputed statutory dues including Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. There were no arrears of outstanding undisputed statutory dues as at the last day of the financial year for a period of more than six months from the date they become payable.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion & according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders as applicable.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records, where the company has granted loans and advances on the basis of security by way of pledge of securities.
- (xiii) In our opinion and according to the information and explanations given to us, the provisions of special statute applicable to a chit fund or a nidhi/ mutual benefit fund/ societies are not applicable to the company.
- (xiv) According to the information and explanations given to us, the company is dealing or trading in shares, securities, debentures and other investments and proper records have been maintained for the same. All the shares, securities, debentures and other investments are held in the name of the company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not raised any term loan during the year under audit.
- (xvii) To the best of knowledge and information and explanation given to us, funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to information and explanations given to us, the Company has not issued any debenture during the year.
- (xx) According to information and explanations given to us the Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor have we been informed of such case by the management during the course of our audit.

For **S. Mohan & Co.**  
Chartered Accountants

**(R. K. Mittal)**  
FCA

Partner

Membership No. 088767

Place : New Delhi  
Date : April 26, 2014

## PNB Gilts Limited

In terms of Reserve Bank of India, Department of Financial Companies Notification No. DNBS(PD)CC NO. 344/03.02.001/2013-14 dated July 1, 2013, 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 February 10, 1998.
- 2) The Company is entitled to continue to hold Certificate of Registration in terms of its asset /income pattern as on March 31, 2014.
- 3) A resolution for non-acceptance of any public deposits was passed in the meeting of the Board held on April 27, 2013.
- 4) The Company has not accepted any public deposits during the year ended March 31, 2014.
- 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, 2014 of the company along with Note 1 and 2 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 **S. Mohan & Co.**  
Chartered Accountants

**(R. K. Mittal)**  
Partner

Date : April 26, 2014  
Place : New Delhi

Membership No. 088767

## Comments of the Comptroller and 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, 2014.

The preparation of financial statements of PNB Gilts Limited, New Delhi for the year ended March 31, 2014 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 Standards on auditing 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 April 26, 2014.

I, on 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 March 31, 2014. 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

**(Tanuja S Mittal)**

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

Date : June 4, 2014  
Place : New Delhi

## BALANCE SHEET AS AT MARCH 31, 2014

(Rs. in lacs)

		Note	As at 31.03.2014		As at 31.03.2013	
I. EQUITY & LIABILITIES						
1. Shareholders' Funds						
(a)	Share Capital	2.1	18001.01		13500.76	
(b)	Reserves & Surplus	2.2	48551.33	66552.34	48808.82	62309.58
2. Share Application Money pending allotment			—		—	
3. Non-Current Liabilities						
(a)	Long Term Provisions	2.3		48.05		42.14
4. Current Liabilities						
(a)	Short Term Borrowings	2.4	376748.57		312173.36	
(b)	Trade Payables	2.5	49.85		64.97	
(c)	Other Current Liabilities	2.6	278.84		287.21	
(d)	Short Term Provisions	2.7	11985.87	389063.13	8733.81	321259.35
TOTAL			455663.52		383611.07	
II. ASSETS						
1. Non-Current Assets						
(a)	Fixed Assets	2.8	410.08		436.65	
	– Tangible Assets		363.29		383.88	
	– Intangible Assets		46.79		52.77	
(b)	Non Current Investments	2.9	69537.94		18229.58	
(c)	Deferred Tax Assets (Net)	2.10	252.37		248.53	
(d)	Long Term Loans & Advances	2.11	685.13	70885.52	662.50	19577.26
2. Current Assets						
(a)	Inventories	2.12	338719.42		325175.92	
(b)	Trade Receivables	2.13	—		14.90	
(c)	Cash & Cash Equivalents	2.14	31809.70		29593.55	
(d)	Short Term Loans & Advances	2.15	11.68		9.16	
(e)	Other Current Assets	2.16	14237.20	384778.00	9240.28	364033.81
TOTAL			455663.52		383611.07	

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NOTE 2 - NOTES TO ACCOUNTS

(Both are forming part of Balance Sheet and Statement of Profit and Loss account)

(K. R. Kamath)  
Chairman

(O. P. Chawla)  
Director

(Kamal Gupta)  
Director

(S. K. Soni)  
Director

(P. P. Pareek)  
Director

(S. K. Dubey)  
Managing Director

(Sunita Gupta)  
Chief Financial Officer

(Monika Kochar)  
Company Secretary

In terms of our report of even date  
For **S. Mohan & Co.**  
Chartered Accountants

(R.K. Mittal)

Partner

Membership No. 088767

Date : April 26, 2014

Place : New Delhi

## STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(Rs. in lacs)

	Note	As at 31.03.2014	As at 31.03.2013
<b>CONTINUING OPERATIONS</b>			
<b>I. Revenue Operations</b>			
(a) Discount Income	2.17	16188.31	12901.51
(b) Interest Income	2.18	14224.26	11535.17
(c) Trading Income	2.19	3140.78	4005.63
(b) Other Operational Income	2.20	1013.27	364.29
<b>II. Other Income</b>	2.21	59.76	58.40
<b>III. Total Revenue (I + II)</b>		34626.38	28865.00
<b>IV. Expenses</b>			
(a) Interest Expenses	2.22	24266.65	18864.88
(b) Operating Costs	2.23	369.72	276.66
(c) Employees Benefits Expenses	2.24	397.44	399.04
(b) Depreciation & Amortization on Fixed Assets	2.8	55.26	70.54
(e) Other Expenses	2.25	466.99	377.35
<b>V. Profit Before Exceptional &amp; Extra ordinary Items &amp; Tax (III-IV)</b>		9070.32	8876.53
<b>VI. Exceptional Items</b>		—	—
<b>VII. Profit Before Extra ordinary Items &amp; Tax (V-VI)</b>		9070.32	8876.53
<b>VIII. Extra ordinary Items</b>		—	—
<b>IX. Profit Before Tax – (PBT) (VII-VIII)</b>		9070.32	8876.53
<b>X. Tax Expenses</b>			
(a) Current Tax		2935.98	2774.60
(b) Deferred Tax Adjustment		(3.85)	(22.63)
(c) Adjustment for earlier years		—	—
<b>XI. Profit (Loss) for the period from Continuing Operations (IX-X)</b>		6138.19	6124.56
<b>XII. Profit (Loss) from Discontinuing Operations</b>		—	—
<b>XIII. Tax Expenses for Discontinuing Operations</b>		—	—
<b>XIV. Profit (Loss) for the period from Discontinuing Operations (XII-XIII)</b>		—	—
<b>XV. Profit (Loss) for the period (XI-XIV)</b>		6138.19	6124.56
<b>XVI. Earning per Equity (in Rs.)</b>			
(a) Basic		3.41	3.40
(b) Diluted		3.41	3.40

There are no potential equity shares outstanding. Hence, there is no dilution.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NOTE 2 - NOTES TO ACCOUNTS

(Both are forming part of Balance Sheet and Statement of Profit and Loss account)

**(K. R. Kamath)**  
Chairman

**(O. P. Chawla)**  
Director

**(Kamal Gupta)**  
Director

**(S. K. Soni)**  
Director

**(P. P. Pareek)**  
Director

**(S. K. Dubey)**  
Managing Director

**(Sunita Gupta)**  
Chief Financial Officer

**(Monika Kochar)**  
Company Secretary

In terms of our report of even date  
For **S. Mohan & Co.**  
Chartered Accountants

**(R.K. Mittal)**

Partner

Membership No. 088767

Date : April 26, 2014

Place : New Delhi

## NOTE - 1

### SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 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.

#### 1.2 Sales/Purchases of Treasury Bills (including Cash Management Bills) and Government Dated Securities, as disclosed in Statement of Profit & Loss Account do not include Repo transactions in accordance with revised RBI guidelines.

#### 1.3 Revenue Recognition

- i) The difference between the acquisition cost and maturity value of Certificates of Deposit, Commercial Papers, Bills Re-discounted, Treasury Bills (including Cash Management 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 and 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 is reduced from the cost of securities devolved/allotted and the remaining amount is directly recognised as income.
- vi) For continuing or long term duration activities (e.g. Mutual Fund Distribution), the fee is accrued proportionately as per performance (Proportionate Completion Method). The revenue is recognized only if there is no significant uncertainty regarding the amount of consideration.
- vii) For Mutual Fund (MF) Investment, in case of Daily Dividend Reinvestment Plan the income (dividend) is accounted based on the dividend declaration by the Mutual Fund. In case of growth plan, the income is accounted daily on the basis of closing NAV declared by Mutual Fund.

#### 1.4 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 and Loss Account.

#### 1.5 Valuation of Inventories/Investment

##### a Inventories

- i) All securities in which the Company deals are regarded as Inventory (Stock-in-Trade) and grouped as hedged and non-hedged portfolio.
- ii) The stock of Central Government Securities, Treasury Bills (including Cash Management Bills), State Development Loans and PSU/Corporate Bonds, Debentures and equity Shares are valued at weighted average cost or market value, whichever is lower (except securities under HTM category as per RBI guidelines). 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 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) In case of units of mutual fund, valuation is done on the basis of closing NAV declared by the Mutual Fund.
- v) In case of Hedging Contracts, the diminution/appreciation of hedged assets will be netted with diminution/ appreciation of hedging swaps and net diminution if any, is charged to Profit and Loss Account and net appreciation, if any, is ignored.

**b. Non-Current Investments**

The securities under HTM category shall be valued as per the guidelines issued by RBI from time to time, and important provisions are under:

- Securities classified under HTM category need not be Marked-to-Market and will be carried out at the value at which they were transferred to HTM portfolio.
- Transfer to/from HTM category shall be done at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation if any, on such transfer shall be fully provided for.
- Investments classified under HTM will be carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the remaining period to maturity. The book value of the security should continue to be reduced to the extent of the amount amortized during the relevant accounting period
- The profit on sale of securities, if any from HTM category shall first be taken to the Profit and Loss Account and thereafter be appropriated to the Capital Reserve Account (net of tax). Loss on sale shall be recognized in the Profit and Loss Account. The balance in the reserve account shall be utilized strictly as per the regulatory guidelines.

**1.6 Accounting for Repo Transactions**

In conformity with RBI guidelines, securities sold under Repo transactions are not excluded from stock-in-trade and the securities purchased under Reverse Repo are not included in the stock-in-trade. Contra heads are used to reflect the transfer of securities.

Repo seller continues to accrue coupon/discount on securities as the case may be, even during the repo period while the repo buyer shall not accrue the same.

**1.7 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 Marked-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.

**1.8 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 Marked-to-Market Margin. The balance in the Marked-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 Marked-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.

## **1.9 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.

## **1.10 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".

## **1.11 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 comprise of software acquired by the company to facilitate its operations and these are depreciated @40 per cent on WDV basis.

## **1.12 Preliminary Expenses**

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

## **1.13 Share Issue Expenses**

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

## **1.14 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.

## **1.15 Retirement Benefits – Provident Fund, Gratuity and Leave Liability (As per Accounting Standard - 15)**

- i. Gratuity contribution made under the Employee Group Gratuity cum life insurance scheme of LIC is charged to Revenue.
- ii. Leave Liability is accounted for on actuarial valuation carried at year-end.
- iii. Contribution to recognised provident fund is charged to Revenue.

## **1.16 Operating Cycle**

As the Company is a trader in Government and Fixed Income Securities, the Company buys and sells securities depending upon the market condition. There is no normal fixed period for sale of stock. However, for the purpose of preparing Balance Sheet and Profit and Loss Account (as per the revised guidelines), the Company has assured one year as its operating cycle year.

## NOTE 2

### NOTES TO ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2014

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 2.1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
50,00,00,000 Equity Shares of Rs. 10/- each	50000.00	50000.00
<b>Issued, Subscribed and Paid Up:</b>		
18,00,10,134 Equity Shares of Rs. 10/- each fully paid up (Prev. Year 13,50,07,600 Equity Shares of Rs.10/- each)	18001.01	13500.76
(The increase in paid up equity share capital is due to issue of bonus shares in the ratio of 1:3 (one bonus equity share allotted for every three equity shares held) on 6 <sup>th</sup> July 2013, by utilizing the balance in Share Premium Account.		
<b>Promoter</b>		
Punjab National Bank -13,33,33,333 shares of Rs. 10/- each. (Prev. Year 10,00,00,000 shares of Rs.10/-each)	13333.33	10000.00
(Shareholding %)	74.07%	74.07%
<b>Shareholding more than 5% details</b>		
Punjab National Bank -13,33,33,333 shares of Rs. 10/- each. (Prev. Year 10,00,00,000 shares of Rs.10/-each)	13333.33	10000.00
(Shareholding %)	74.07%	74.07%

<b>NOTE - 2.2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>General Reserves</b>				
Opening Balance	9776.54		9776.54	
Transfer from Profit & Loss Account	–	9776.54	–	9776.54
<b>Statutory Reserves</b>				
(Created pursuant to Section 45-IC of RBI Act)				
Opening Balance	16312.69		15087.78	
Transfer from Profit and Loss Account	1227.64	17540.33	1224.91	16312.69
<b>Share Premium Account</b>				
Opening Balance	7001.52		7001.52	
Less: Amount Capitalized (Bonus Shares issued)	4500.25	2501.27	–	7001.52
<b>Market Fluctuation Reserve Account</b>		6300.00		6300.00
<b>Capital Reserve Account</b>				
Opening Balance	1146.55		40.46	
Transfer from Profit and Loss Account	1183.62	2330.17	1106.09	1146.55
<b>Surplus</b>				
Opening Balance	8271.51		6057.48	
Current Year Profit	6138.19		6124.56	
<b>Amount Available for Appropriation</b>	14409.70		12182.04	
Appropriations:				
– Capital Reserve	1183.62		1106.09	
– Statutory Reserve Fund	1227.64		1224.92	
– General Reserve	–		–	
– Proposed Dividend	1620.09		1350.08	
– Dividend Tax	275.33		229.44	
<b>Balance Carried Forward to next year</b>		10103.02		8271.51
<b>TOTAL</b>		<b>48551.33</b>		<b>48808.82</b>

- A sum of Rs. 1227.64 lacs (20% of Profit After Tax) has been transferred to Statutory Reserve Fund as per RBI Guidelines.
- Net Profit (after tax) through sale of securities from HTM category amounting Rs. 1183.62 lacs has been transferred to Capital Reserve Account as per RBI guidelines. The same will be utilized as per the provisions of the Companies Act, 1956
- The 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. At the time of approval of annual accounts each year, the Board may decide the quantum of amount to be transferred to this Reserve, if necessary. For the financial year 2013-14, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding as on March 31, 2014 in this reserve is Rs. 6300 lacs
- The Company has proposed a final dividend of Rs. 0.90 per share, subject to approval of shareholders in Annual General Meeting amounting to Rs. 1620.09 lacs. Accordingly, a provision of Dividend Distribution Tax of Rs. 275.33 lacs has been made @ 15 per cent plus surcharge @ 10 per cent plus Education Cess @ 2 per cent and Secondary and Higher Education Cess @ 1 per cent.
- Net Owned Funds (after deducting Deferred Tax and Intangible Assets) of the company stands at Rs. 66253.18 lacs as against the minimum stipulated capital of Rs. 25000.00 lacs. Return on Net Worth for the year 2013-14 stands at 9.57 per cent.
- Capital Adequacy Ratios as on June 30, 2013, September 30, 2013, December 31, 2013 and March 31, 2014 were 46.47 per cent, 53.84 per cent, 39.89 per cent and 49.14 per cent respectively as against RBI stipulation of 15 percent.

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 2.3</b>		
<b>LONG TERM PROVISIONS</b>		
Provision for Employee Benefits	48.05	42.14
(Details of provision for employee benefits are given in note 2.34)		

<b>NOTE - 2.4</b>				
<b>SHORT TERM BORROWINGS</b>				
<b>LOAN REPAYABLE ON DEMAND</b>				
• <b>From Banks</b>				
<b>(a) Secured Loans (Secured by Govt. Securities)</b>				
<b>Borrowings from RBI</b>				
– LAF Borrowing	62000.00		64500.00	
– Term Repo Borrowing				
[Face Value- Rs. 90480.00 lacs and Book Value Rs. 89661.82 lacs (Prev. Year Face Value Rs. 68300.00 lacs and Book Value Rs. 67070.51 lacs)]	25000.00		–	
<b>Refinance from RBI</b>				
[Face Value- Rs. 33007.00 lacs and Book Value Rs. 32604.43 lacs (Prev. Year Face Value Rs. 35440.00 lacs and Book Value Rs. 34394.06 lacs)]	30151.00	117151.00	32292.00	96792.00
<b>(b) Unsecured Loans</b>				
Call and Notice Money Borrowings		19425.00		43095.00
• <b>From Others</b>				
<b>(a) Secured Loans (Secured by Govt. Securities)</b>				
<b>CBLO Borrowings from CCIL</b>				
[Face Value- Rs. 54900.00 lacs and Book Value Rs. 54369.66 lacs (Prev. Year Face Value Rs. 43200.00 lacs and Book Value Rs. 42204.39 lacs)]	49931.13		40162.58	
<b>Repo Borrowing</b>				
[Face Value- Rs. 59769.00 lacs and Book Value Rs. 59219.64 lacs (Prev. Year Face Value Rs. 36276.00 lacs and Book Value Rs. 36139.48 lacs)]	59299.96	109231.09	36223.83	76386.41

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>(b) Unsecured Loans</b>	–	–
<b>LOANS AND ADVANCES FROM RELATED PARTIES</b>		
<b>(a) Secured Loans</b> (Secured by Pledge of Fixed Deposits) From Punjab National Bank	28646.05	25569.33
<b>(b) Unsecured Loans</b> (Line of Credit) From Punjab National Bank	102295.43	70330.62
<b>TOTAL LOANS REPAYABLE ON DEMAND</b>	<b>376748.57</b>	<b>312173.36</b>
<b>TOTAL SECURED LOANS</b>	<b>255028.14</b>	<b>198747.74</b>
<b>TOTAL UNSECURED LOANS</b>	<b>121720.43</b>	<b>113425.62</b>

- During the year, Net Average and Peak borrowings in Call Money amounted to Rs. 84573.97 lacs and Rs. 179914.00 lacs respectively. (Prev. Year Net Average and Peak borrowings – Rs. 72192.00 lacs and Rs.161505.00 lacs respectively)
- For the year, average and peak leverage ratio stands at 2.60 and 6.54 times respectively (Prev. Year average and peak stands at 3.87 and 5.56 times respectively)

<b>NOTE - 2.5</b>		
<b>TRADE PAYABLES</b>		
Stale Cheques	24.55	1.76
Brokerage Payable	0.90	0.25
Sundries - Operation	–	32.37
Settlement Charges Payable	24.40	30.59
Outstanding dues to SMEs	–	49.85
<b>TOTAL</b>	<b>49.85</b>	<b>64.97</b>

<b>NOTE - 2.6</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Sundry Establishment	13.02	10.71
Investor Education & Protection Fund shall be credited by Unclaimed Dividend	34.62	29.02
TDS Payable	6.65	8.31
Interest Accrued but not due on Short Term Borrowing	224.15	238.74
Stale Cheques	0.40	278.84
<b>TOTAL</b>	<b>278.84</b>	<b>287.21</b>

<b>NOTE - 2.7</b>		
<b>SHORT TERM PROVISIONS</b>		
Proposed Dividend (including Dividend Distribution Tax)	1895.42	1579.52
Provisions – For Employee Benefits	3.67	11.34
– Other Provisions for expenses	98.10	90.25
Provisions for Income Tax	9988.68	11985.87
<b>TOTAL</b>	<b>11985.87</b>	<b>8733.81</b>

Details of provision for employee benefits (leave liability) are given in the note 2.34

(Rs. in lacs)

**NOTE - 2.8**
**FIXED ASSETS AND DEPRECIATION**

S.No.	Description	Gross Block				Depreciation				Net Block		
		As at 01.04.2013	Addition during the year	Adjustment Deductions during the year	As at 31.03.2014	As at 01.04.2013	Dep. during the period	Adjustment due to re-classifi- cation	Accumulated Depreciation On deductions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
1.	Buildings (Built up Flats)	589.44	–	–	589.44	282.42	15.35	–	–	297.77	291.67	307.02
2	Office Equipments	77.56	4.94	10.10	72.40	52.38	3.22	3.69	7.24	52.05	20.35	25.18
3	Computers	130.15	9.62	12.26	127.51	116.83	6.88	(0.13)	10.04	113.54	13.97	13.32
4	Furniture & Fixtures	154.49	–	10.54	143.95	129.54	4.25	(4.25)	4.54	125.00	18.95	24.95
5	Vehicles	32.52	8.63	0.03	41.12	19.11	3.67	–	0.01	22.77	18.35	13.41
6	Intangibles (Software)	256.06	18.61	2.01	272.66	203.29	21.89	0.69	–	225.87	46.79	52.77
	<b>Total</b>	<b>1240.22</b>	<b>41.80</b>	<b>34.94</b>	<b>1247.08</b>	<b>803.57</b>	<b>55.26*</b>	<b>–</b>	<b>21.83</b>	<b>837.00</b>	<b>410.08</b>	<b>436.65</b>
	Previous Year	1298.38	31.33	89.49	1240.22	818.97	70.54	–	85.94	803.57	436.65	479.41

\*This figure is after the adjustment of excess depreciation of Rs. 0.05 lacs charged in previous years due to wrong classification of few assets.

	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 2.9</b>		
<b>NON CURRENT INVESTMENTS (at Book Value)</b>		
<b>a) Quoted Investments</b>		
Government Securities – HTM category	69537.94	18229.58
<ul style="list-style-type: none"> <li>Market value of the above stock as on March 31, 2014 was Rs.64620.08 lacs (Prev. Year Rs. 18259.36 Lacs). For basis of valuation, refer to note 1.5b.</li> <li>As per the RBI Circular, the Company had Govt. Securities of Rs. 17755.62 lacs Face Value (Book Value Rs. 18229.58 lacs) in Held to Maturity (HTM) category as on March 31, 2013. During the current year, amount of Rs.190821.00 lacs (Face Value) was classified to HTM category, by subscribing from the primary market (Prev. Year Rs. 121755.62 lacs) and an amount of Rs. Nil (Face Value) lacs has been transferred to HTM category (Prev. Year Rs. 10452.90 lacs). Securities amounting to Rs. 110714.20 lacs (Face Value) were sold directly from the HTM category (Prev. Year Rs. 118977.80 lacs) and the company earned a gross profit of Rs. 1793.09 lacs (Prev. Year Rs. 1637.33 lacs). Balance after tax amounting to Rs.1183.62 lacs has been transferred to Capital Reserve Account in accordance with RBI guidelines (Prev. Year Rs. 1106.09 lacs). An amount of Rs. 28500.00 lacs (Face Value) has been transferred from HTM category to trading category (Prev. Year Rs. 12842.20 lacs). Further, an amount of Rs. 114.85 lacs was amortised by Straight line basis on the securities (Prev. Year Rs. 41.85 lacs). The outstanding under HTM category as on March 31, 2014 is Rs. 69362.42 lacs Face Value (Book Value Rs. 69537.94 lacs).</li> </ul>		
<b>b) Unquoted Investments</b>		
Call Lending to Madhavpura Mercantile Co-operative Bank (MMCB) converted into Fixed Deposit	761.88	761.88
Less: Provision for Investment	(761.88)	–
<b>TOTAL</b>	<b>69537.94</b>	<b>18229.58</b>
<ul style="list-style-type: none"> <li>An amount of Rs. 1000 lacs was lent in Call Money to Mahavpura Mercantile Co-operative Bank Ltd. (MMCB) in March 2001, which became overdue as on March 31, 2001. We have been informed by MMCB that the Government of India (Ministry of Agriculture, Department of Agriculture and Co-operation, New Delhi), in consultation with RBI, has formed Reconstruction Scheme and the amount would be paid accordingly. However, the repayment was not done by them as per the scheme and vide Government's notifications instructed that all payments by bank including installment of repayment due in August 2007, August 2008 and August 2009 (totaling to Rs. 761.88 lacs against which Rs. 761.88 lacs provision was outstanding) and payments of interest and the deposit amount are deferred till August 2011. Now, RBI has cancelled the license of MMCB to carry on banking business in India and Liquidator has been appointed. We have lodged the Claim with the Liquidator as per the format advertised by them in the news papers, and awaiting response from them.</li> </ul>		

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>Annexure 1 to Note 2.9 - Details of Government Securities - HTM Category</b>		
<b>S.No. Nomenclature</b>	<b>(Book Value)</b>	<b>(Book Value)</b>
<b>A .State Government Securities</b>		
1. 9.39% BIHAR 09.10.2023	1503.19	—
2. 9.38% HIMACHAL PRADESH 30.01.2024	72.80	—
3. 9.40% ANDHRA PRADESH 31.01.2024	500.30	—
4. 9.41% KARNATAKA 30.01.2024	1001.57	—
5. 9.41% KERALA 30.01.2024	1001.57	—
6. 9.63% ANDHRA PRADESH 12.02.2024	1500.71	—
<b>Sub Total – (A)</b>	<b>5580.14</b>	<b>—</b>
<b>B. Central Government Securities</b>		
1. 8.28% GOI 21.09.2027	—	1969.51
2. 7.83% GOI 11.04.2018	2507.02	—
3. 8.12% GOI 10.12.2020	9880.70	—
4. 8.15% GOI 11.06.2022	6172.22	—
5. 7.16% GOI 20.05.2023	16302.56	—
6. 8.33% GOI 09.07.2026	8011.45	—
7. 8.97% GOI 05.12.2030	4945.17	529.91
8. 7.40% GOI 09.09.2035	2394.41	—
9. 8.83% GOI 12.12.2041	1551.42	5176.66
10. 8.30% GOI 31.12.2042	12192.85	10553.50
<b>Sub Total – (B)</b>	<b>63957.80</b>	<b>18229.58</b>
<b>Total (A + B)</b>	<b>69537.94</b>	<b>18229.58</b>

**NOTE - 2.10**
**DEFERRED TAX ASSETS**

For Provision against Investments	258.96	258.97
For Provision against Leave Liability	17.58	18.17
	276.54	277.14
<b>Less : Deferred Tax Liabilities</b>		
For Fixed Assets	24.17	252.37
	28.61	248.53
<b>NET DEFERRED TAX ASSETS</b>	<b>252.37</b>	<b>248.53</b>

**NOTE - 2.11**
**LONG TERM LOANS & ADVANCES**

<b>a) Secured and considered good</b>			
<b>Loans to Staff</b>			
Consumer Loan to staff	1.65	0.89	
Housing Loan to Staff	26.97	33.06	
Vehicle Loan to Staff *			
* includes loan to Company Secretary Rs.0.52 lacs (Prev. Year. Rs.0.83 lacs)	11.27	39.89	10.14
			44.09

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>b) Unsecured and considered good-</b>		
<b>Security Deposit</b>		
Security Deposit with CCIL	601.00	601.00
F&O Margin Money Deposit	19.00	12.00
IRF Margin Money Deposit	20.00	–
Security Deposit with others	5.24	5.41
<b>TOTAL</b>	<b>645.24</b>	<b>618.41</b>
	<b>685.13</b>	<b>662.50</b>

#### NOTE - 2.12

#### INVENTORIES

#### STOCK-IN-TRADE (Book Value)

#### Quoted - Non - Hedged

Government Securities		
Treasury Bills – 91 days	120021.71	118009.13
Treasury Bills – 182 days	22312.39	28870.58
Treasury Bills – 364 days	48224.58	53772.37
Government Securities	39762.41	34263.44
Certificate of Deposits and Commercial Papers	79814.21	59055.97
Corporate Bonds and Debentures	21398.01	26280.58
Equity Shares Investment	107.09	22.50
	331640.40	320274.57

#### Quoted - Hedged

Government Securities	7403.94	5007.00
Less: Provision for Diminution of Stocks	(324.92)	(105.65)
	<b>338719.42</b>	<b>325175.92</b>
Constituent Invest Account	2029192.31	1893388.88
Less: Constituent Securities A/c	(2029192.31)	– (1893388.88)
<b>TOTAL</b>	<b>338719.42</b>	<b>325175.92</b>

- For basis of valuation, please refer accounting policy (note 1.5a). Details of securities are given in Annexure-2.
- Stock-in-Trade includes hedged securities (Book value – Rs. 7403.94 lacs and the market value of the same is Rs. 7220.07 lacs (Prev. Year Book value Rs. 5007.00 lacs and Market value Rs. 5098.97 lacs) and there is a net provision of Rs. 96.82 lacs for diminution after adjusting the appreciation in Swaps of Rs. 87.05 lacs (Prev. Year Provision was NIL).

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>Annexure 2 to Note - 2.12 - DETAILS OF STOCK-IN-TRADE</b>		
<b>S.No. Nomenclature</b>	<b>Book Value</b>	<b>Book Value</b>
<b>I. TREASURY BILLS</b>		
<b>A. 91 DAYS (maturing on)</b>		
1. 02-May-2013	—	16593.36
2. 09-May-2013	—	20140.10
3. 16-May-2013	—	17552.37
4. 23-May-2013	—	5520.79
5. 30-May-2013	—	7442.24
6. 13-Jun-2013	—	393.65
7. 20-Jun-2013	—	16031.11
8. 27-Jun-2013	—	34335.51
9. 03-Apr-2014	12494.18	—
10. 10-Apr-2014	14.97	—
11. 17-Apr-2014	3984.97	—
12. 24-Apr-2014	11459.56	—
13. 01-May-2014	9518.37	—
14. 08-May-2014	34966.72	—
15. 15-May-2014	25906.23	—
16. 22-May-2014	21398.71	—
17. 30-May-2014	84.52	—
18. 05-Jun-2014	127.92	—
19. 12-Jun-2014	65.56	—
<b>TOTAL (A)</b>	<b>120021.71</b>	<b>118009.13</b>
<b>B. 182 DAYS (maturing on)</b>		
1. 10-May-2013	—	991.63
2. 20-Jun-2013	—	4032.91
3. 04-Jul-2013	—	3922.95
4. 18-Jul-2013	—	18353.36
5. 01-Aug-2013	—	539.12
6. 12-Sep-2013	—	1030.61
7. 24-Apr-2014	1591.63	—
8. 08-May-2014	17278.56	—
9. 05-Jun-2014	753.25	—
10. 19-Jun-2014	2688.95	—
<b>TOTAL (B)</b>	<b>22312.39</b>	<b>28870.58</b>
<b>C. 364 DAYS (maturing on)</b>		
1. 17-May-2013	—	379.25
2. 26-Jul-2013	—	633.59
3. 23-Aug-2013	—	15.04
4. 04-Oct-2013	—	961.87

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
S.No. Nomenclature	Book Value	Book Value
5. 01-Nov-2013	—	16732.74
6. 15-Nov-2013	—	14866.64
7. 28-Nov-2013	—	6558.74
8. 23-Jan-2014	—	6587.06
9. 20-Feb-2014	—	6740.51
10. 20-Mar-2014	—	296.93
11. 03-Apr-2014	1199.53	—
12. 17-Apr-2014	6376.98	—
13. 29-May-2014	22232.59	—
14. 26-Jun-2014	13872.18	—
15. 07-Aug-2014	715.96	—
16. 30-Oct-2014	1940.40	—
17. 11-Dec-2014	1886.94	—
<b>TOTAL (C)</b>	<b>48224.58</b>	<b>53772.37</b>
<b>TOTAL (A + B+ C)</b>	<b>190558.68</b>	<b>200652.08</b>
<b>II. MONEY MARKET INSTRUMENTS</b>		
<b>A. CERTIFICATE OF DEPOSITS</b>		
1. Bank of India CD - 30-May-2013	—	4926.03
2. Bank of India CD - 14-June-2013	—	4907.53
3. Punjab National Bank CD - 14-June-2013	—	9823.18
4. South Indian Bank CD - 14-June-2013	—	4904.84
5. State Bank of Travancore CD - 14-June-2013	—	9823.07
6. Vijaya Bank CD - 18-June-2013	—	9812.36
7. Syndicate Bank CD - 19-June-2013	—	9805.99
8. Andhra Bank CD - 14-Mar-2014	—	5052.97
9. Dena Bank CD - 02-June-2014	9845.50	—
10. IDBI Bank CD - 02-June-2014	4918.24	—
11. Syndicate Bank CD - 02-June-2014	9836.88	—
12. Allahabad Bank CD - 03-June-2014	9828.47	—
13. IDBI Bank CD - 10-June-2014	4907.88	—
14. Union Bank of India CD - 10-June-2014	9819.96	—
15. Andhra Bank CD - 13-June-2014	9816.62	—
16. State Bank of Hyderabad CD - 09-Sept-2014	2394.26	—
17. Oriental Bank of Commerce CD - 22-Sept-2014	2393.68	—
18. Vijaya Bank CD - 25-Feb-2015	2298.30	—
19. Oriental Bank of Commerce CD - 26-Feb-2015	2302.85	—
20. Central Bank of India CD - 09-Mar-2015	2290.05	—
21. Oriental Bank of Commerce CD - 09-Mar-2015	2289.18	—
22. Vijaya Bank CD - 09-Mar-2015	2287.53	—
23. Bank of Baroda CD - 19-Mar-2015	4584.81	—
<b>TOTAL (A)</b>	<b>79814.21</b>	<b>59055.97</b>

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
S.No. Nomenclature	Book Value	Book Value
<b>B. COMMERCIAL PAPERS</b>	–	–
<b>TOTAL (B)</b>	–	–
<b>TOTAL (A + B)</b>	<b>79814.21</b>	<b>59055.97</b>
<b>III. GOVERNMENT DATED SECURITIES</b>		
<b>A. CENTRAL GOVERNMENT SECURITIES</b>		
1. 7.49% GOI 16-04-2017	0.78	0.78
2. 8.24% GOI 22-04-2018	0.30	0.30
3. 7.28% GOI 06-06-2019	160.99	–
4. 10.03% GOI 09-08-2019	0.27	0.27
5. 8.19% GOI 16-01-2020	39.95	1013.56
6. 8.12% GOI 10-12-2020	9543.00	248.11
7. GOI FRB 21-12-2020	262.78	259.58
8. 8.79% GOI 08-11-2021	9.87	9.87
9. 8.35% GOI 14-05-2022	0.05	0.05
10. 7.16% GOI 20-05-2023	877.50	–
11. 8.83% GOI 25-11-2023	5148.43	–
12. 8.15% GOI 14-11-2022	–	2494.40
13. 8.20% GOI 24-09-2025	–	4509.79
14. 8.33% GOI 09-07-2026	–	2581.86
15. 8.24% GOI 15-02-2027	–	834.87
16. 8.28% GOI 21-09-2027	9335.00	–
17. 9.20% GOI 30-09-2030	7566.75	–
18. 8.97% GOI 05-12-2030	98.73	3307.21
19. 7.95% GOI 28-08-2032	1.01	1.08
20. 7.40% GOI 09-09-2035	38.27	1188.27
21. 8.33% GOI 07-06-2036	–	3089.26
22. 8.30% GOI 31-12-2042	0.07	83.73
<b>TOTAL (A)</b>	<b>33083.75</b>	<b>19622.99</b>
<b>B. STATE GOVERNMENT SECURITIES</b>		
1. 7.87% KERALA 12-05-2016	0.10	0.10
2. 7.89% AP 12-05-2016	0.05	0.05
3. 8.68% KARNATAKA 07-11-2017	2502.00	–
4. 8.50% MAHARASTRA 03-12-2017	0.60	0.60
5. 8.43% GUJARAT 10-03-2018	0.05	0.05
6. 9.89% AP 01-08-2018	0.20	0.20
7. 8.30% MP 12-11-2018	10.21	10.21
8. 7.02% PUNJAB 12-12-2018	9.38	9.38
9. 7.65% TAMIL NADU 02-03-2019	7.70	7.70
10. 7.68% PUNJAB 02-03-2019	–	310.60
11. 7.77% MP 02-03-2019	–	214.27
12. 7.77% RAJASTHAN 02-03-2019	–	267.30
13. 7.83% MAHARASTRA 02-03-2019	–	1229.64
14. 7.98% J & K 02-03-2019	–	990.00

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
S.No. Nomenclature	Book Value	Book Value
15. 8.46% MAHARASTRA 12-03-2019	1012.30	1707.75
16. 8.59% UP 18-03-2019		26.99
17. 7.82% PUNJAB 24-06-2019	16.11	63.66
18. 7.83% GUJARAT 24-06-2019	—	171.99
19. 7.83% HARYANA 24-06-2019	—	196.56
20. 7.83% KERALA 24-06-2019	3.44	101.72
21. 7.83% RAJASTHAN 24-06-2019	—	393.12
22. 7.76% KARNATAKA 30-07-2019	—	1986.90
23. 7.77% PUNJAB 30-07-2019	—	2351.28
24. 7.77% RAJASTHAN 30-07-2019	—	2401.83
25. 7.95% KARNATAKA 05-08-2019	2.87	259.88
26. 8.55% UP 28-04-2020	0.10	0.10
27. 8.54% MAHARASHTRA 19-01-2021	0.50	0.50
28. 9.04% WB 07-01-2021	2.03	2.03
29. 8.73% MP 25-01-2022	—	1003.06
30. 8.99% GUJARAT 14-03-2022	0.40	0.40
31. 8.63% KERALA 06-03-2023	—	233.20
32. 8.64% AP 06-03-2023	—	199.03
33. 8.65% KARNATAKA 20-03-2023	—	500.35
34. 8.11% UP 08-05-2023	2.20	—
35. 9.39% BIHAR 09-10-2023	5.91	—
36. 9.40% AP 30-01-2024	500.65	—
37. 9.40% MP 30-01-2024	500.65	—
38. 9.63% AP 12-02-2024	1003.83	—
39. 9.72% WB 12-02-2024	46.96	—
40. 9.46% KERALA 26-03-2024	318.70	—
41. 9.47%TN 26-03-2024	203.56	—
42. 9.48% AP 26-03-2024	528.16	—
43. 8.75% GUJARAT 21-11-2016 HEDGE	2505.00	2505.00
44. 8.68% KARNATAKA 07-11-2017 HEDGE	—	2502.00
45. 7.82% PUNJAB 24-06-2019 HEDGE	47.55	—
46. 7.83% GUJARAT 24-06-2019 HEDGE	98.28	—
47. 7.77% PUNJAB 30-07-2019 HEDGE	2351.28	—
48. 7.77% RAJASTHAN 30-07-2019 HEDGE	2401.83	—
<b>TOTAL (B)</b>	<b>14082.60</b>	<b>19647.45</b>
<b>TOTAL (A + B)</b>	<b>47166.35</b>	<b>39270.44</b>
<b>IV. CORPORATE BONDS AND DEBENTURES</b>		
1. 5.88% BOI 30-04-2014	159.32	159.32
2. 7.15% UNION BANK 08-05-2015	210.00	210.00
3. 7.15% VIJAYA BANK 15-06-2015	9.88	9.88
4. 8.30% PFC 15-05-2018	2500.00	—
5. 9.81% PFC 07-10-2018	1009.90	—
6. 8.70% PFC 15-01-2020	494.07	494.07

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
S.No. Nomenclature	Book Value	Book Value
7. 8.70% PFC 14-05-2020	2001.63	2001.63
8. 8.80% REC 25-10-2020	999.39	999.39
9. 8.84% PFC 04-03-2023	—	496.98
10. 8.80% PGC 13-03-2023	—	1002.25
11. 8.80% FCI 22-03-2028	—	5000.00
12. 8.94% PFC 25-03-2028	—	6000.00
13. 9.80% LIC HF 10-08-2014	1009.77	—
14. 9.37% LIC HF 30-11-2014	1512.51	—
15. 8.48% HDFC 17-05-2016 NCD	2500.00	—
16. 8.65% IDFC 24-05-2020 NCD	999.80	999.80
17. 8.90% HDFC 18-08-2020 NCD	498.50	498.50
18. 8.95% HDFC 19-10-2020 NCD	1000.00	1000.00
19. 9.75% MAHESH HYDRO POWER CORPN 2022	363.64	409.09
20. 9.73% VIJAYA BANK 23-12-2023 NCD	129.93	—
21. 6.85% IIFCL 20-03-2014 Tax Free	—	1000.00
22. 6.00% IRFC 08-03-2015 Tax Free	999.67	999.67
23. 6.05% IRFC 20-12-2015 Tax Free	500.00	500.00
24. 6.30% IRFC 08-03-2017 Tax Free	1000.00	1000.00
25. 6.32% IRFC 20-12-2017 Tax Free	1000.00	1000.00
26. 6.72% IRFC 20-12-2020 Tax Free	1500.00	1500.00
27. 8.09% PFC 25-11-2021 Tax Free	1000.00	1000.00
<b>TOTAL</b>	<b>21398.01</b>	<b>26280.58</b>
<b>V. EQUITY SHARES</b>		
1. Cipla Ltd.	—	12.77
2. Yes Bank	—	9.73
3. Hindustan Unilever Ltd.	28.61	—
4. Infosys Tech	54.73	—
5. Tata Motors	23.75	—
<b>TOTAL</b>	<b>107.09</b>	<b>22.50</b>
<b>TOTAL (I + II + III + IV+ V)</b>	<b>339044.34</b>	<b>325281.57</b>
<b>LESS : DIMINUTION IN MARKET VALUE</b>	324.92	105.65
<b>STOCK-IN-TRADE</b>	<b>338719.42*</b>	<b>325175.92*</b>

\* The aggregate carrying value and market value as at March 31, 2014 is Rs. 338719.42 lacs and Rs. 338719.42 lacs (Prev. Year Rs. 325175.92 lacs and Rs. 325175.92 lacs) respectively.

(i) Govt. Securities pledged for availing LAF/Term Repo : Face Value Rs. 90480.00 lacs, Book Value Rs. 89661.82 lacs (Prev. Year : Face Value Rs. 68300.00 and Book value Rs. 67051.51 lacs).

(ii) Govt. Securities pledged for availing CBLO borrowing : Face Value Rs. 54900.00 lacs, Book Value Rs. 54369.66 lacs (Prev. Year : Face Value Rs. 43200.00 lacs and Book Value Rs. 42204.39 lacs).

(iii) Govt. Securities pledged for availing RBI Refinance : Face Value Rs. 33007.00 lacs, Book Value Rs. 32604.43 lacs (Prev. Year : Face Value Rs. 35440.00 and Book Value Rs. 34394.06 lacs).

The securities mentioned in (i) ,(ii) and (iii) above were not available for trading as on March 31, 2014.

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 2.13</b>		
<b>TRADE RECEIVABLES</b>		
Mutual Fund Commission Receivables	–	14.90
MTM F&O Receivables	–	14.90
(Unsecured considered good and outstanding for a period not exceeding 6 months)		
<b>TOTAL</b>	<b>–</b>	<b>14.90</b>

<b>NOTE - 2.14</b>		
<b>CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents</b>		
<b>Balances with Banks</b>		
Balance with Reserve Bank of India	18.46	34.72
Balance with Scheduled Banks Current Accounts	7.62	0.81
	26.08	35.53
<b>Other Bank Balances</b>		
Balance with Scheduled Banks in Fixed Deposits (maturing within 12 months) (All Fixed Deposits are pledged with the bank (except Rs. 500 lacs with Bharatiya Mahila Bank) for availing overdraft facilities. As on March 31, 2014, availment of overdraft against the fixed deposits is Rs. 28646.05 lacs) (Prev. Year Rs. 25569.33 lacs) Please see note 2.4	31749.00	29529.00
Balance with Scheduled Banks earmarked towards Unclaimed Dividends	34.62	29.02
	31783.62	29558.02
<b>TOTAL</b>	<b>31809.70</b>	<b>29593.55</b>

<b>NOTE - 2.15</b>		
<b>SHORT TERM ADVANCES</b>		
Related Parties	–	–
Others (unsecured and considered good)		
i) MTM F&O with SHCIL	8.08	7.10
ii) MTM IRF with SHCIL	1.74	–
iii) Festival Loans to Staff*	1.86	2.06
	11.68	9.16
* includes loan to company Secretary Rs. NIL lacs (Prev. Year. Rs.0.10 lacs)		
<b>TOTAL</b>	<b>11.68</b>	<b>9.16</b>

<b>NOTE - 2.16</b>		
<b>OTHER CURRENT ASSETS</b>		
<b>A) INTEREST ACCRUED BUT NOT DUE ON</b>		
Government Dated and Approved Securities	2390.32	1042.46
Bonds and Debentures	1124.51	573.23
Fixed Deposits with Scheduled Banks	357.52	346.61
	3872.35	1962.30
<b>B) OTHERS</b>		
Prepaid Expenses	10.89	13.28
Income Tax paid	9995.34	7258.11
Interest Accrued and Due	345.00	–
Rent Receivables	0.93	0.23
Accrual on Swaps	12.69	6.36
	10364.85	7277.98
<b>TOTAL</b>	<b>14237.20</b>	<b>9240.28</b>

(Rs. in lacs)

	As at 31.03.2014		As at 31.03.2013	
NOTE - 2.17				
DISCOUNT INCOME				
A) Commercial papers				
Sales and Redemption	—		—	
Add: Closing Stock	—	—	—	—
Less: Purchases	—		—	
Opening Stock	—	—	—	—
		—		—
B) Certificate of Deposits				
Sales and Redemption	76991.65		14315.93	
Add: Closing Stock	79814.21	156805.86	59055.97	73371.90
Less: Purchases	96683.54		68460.84	
Opening Stock	59055.97	155739.51	4547.22	73008.06
		1066.35		363.84
C) Deep Discount Bonds				
Sales and Redemption	—		627.88	
Add: Closing Stock	—	—	—	627.88
Less: Purchases	—		627.74	
Opening Stock	—	—	—	627.74
		—		0.14
D) Treasury Bills / Cash Management Bills				
Sales and Redemption	2120285.16		1869950.87	
Add: Closing Stock	190464.46	2310749.62	200573.67	2070524.54
Less: Purchases	2095053.99		1951562.55	
Opening Stock	200573.67	2295627.66	106424.46	2057987.01
		15121.96*		12537.53*
TOTAL (A+B+C+D)		16188.31		12901.51

Opening and Closing Stock are adjusted for diminution in market value of securities at the year end, if any.

\* This includes Discount Income on Hedged T-Bills of Rs. 516.00 lacs (Prev. Year Rs. 1208.02 lacs)

<b>NOTE - 2.18</b>		
<b>INTEREST INCOME</b>		
Call and Notice Money Lending*	0.62	3.55
Short Term Lending	34.19	35.61
Government Dated Securities**	9524.22	8889.71
Corporate Bonds & Debentures	1867.05	1204.24
Fixed Deposits	2798.18	1402.06
<b>TOTAL</b>	<b>14224.26</b>	<b>11535.17</b>

\* Interest on Short Term lending includes interest from CBLO Lending of Rs. 10.71 lacs, (Prev. Year Rs. 2.64 lacs), LAF Lending of Rs. 1.11 lacs (Prev. Year : Rs.0.44 lacs) and Market Reverse Repo Lending of Rs. 22.37 lacs (Prev. Year Rs. 32.53 lacs)

\*\* Includes interest income of Rs. 625.99 lacs on hedged securities/swaps.

(Rs. in lacs)

	As at 31.03.2014		As at 31.03.2013	
NOTE - 2.19				
TRADING INCOME				
a) Government Securities				
Sales and Redemption	14232824.95		9905358.04	
Add: Closing Stock *	47069.53	14279894.18	39245.73	9944603.77
Less: Purchases	14237581.74		9818952.12	
Opening Stock	39245.73	14276827.47	121849.27	9940801.39
		3067.01		3802.38
* Net of diminution of Rs. 96.82 lacs on hedged securities (Prev. Year Nil)				
b) Corporate Bonds and Debentures				
Sales and Redemption	664705.73		304104.09	
Add: Closing Stock	21267.78	685973.51	26280.58	330384.67
Less: Purchases	659712.56		315000.41	
Opening Stock	26280.58	685993.14	15249.72	330250.13
		(19.63)		134.54
c) Equity Shares				
Sales	2020.74		1475.75	
Add: Closing Stock	103.44	2124.18	19.97	1495.72
Less: Purchases	2077.19		871.77	
Opening Stock	19.97	2097.16	623.98	1495.75
		27.02		(0.03)
d) Mutual Fund Units				
Sales and Redemption	—		19930.76	
Add: Closing Stock	—	—	—	19930.76
Less: Purchases	—		19865.38	
Opening Stock	—	—	—	19865.38
		—		65.38
e) Derivatives				
Interest Rate Swaps (Trading)	60.12		—	
Interest Rate Futures	1.91		—	
Futures & Options	4.35	66.38	3.36	3.36
TOTAL (a+b+c+d+e)	3140.78		4005.63	
Securities are valued as per accounting policy (note 1.5a)				
Opening and Closing Stock are adjusted for diminution in market value of securities at the year end, if any.				

<b>NOTE - 2.20</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Underwriting Fees	874.61		74.96	
Commission and Other Fees	138.66	1013.27	289.33	364.29
<b>TOTAL</b>		<b>1013.27</b>		<b>364.29</b>

<b>NOTE - 2.21</b>				
<b>OTHER INCOME</b>				
Dividend Income from Equity	4.98		4.83	
Rent	17.34		12.42	
Miscellaneous Income	37.44	59.76	41.15	58.40
<b>TOTAL</b>		<b>59.76</b>		<b>58.40</b>

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 2.22</b>		
<b>INTEREST EXPENSES</b>		
Call and Notice and Short Term Borrowing	7157.43	5848.14
CBLO Borrowing	2959.57	3127.11
Repo Borrowing	7216.15	5620.02
RBI Borrowing	6065.27	4025.12
Overdraft Borrowing	819.53	170.42
ICD Borrowing*	48.70	74.07
<b>TOTAL</b>	<b>24266.65</b>	<b>18864.88</b>

\* This includes Interest expenses allocated to hedged securities investment Rs. 919.07 lacs (Prev. Year Rs. 1574.56 lacs)

<b>NOTE - 2.23</b>		
<b>OPERATING COSTS</b>		
Brokerage on Securities and Financial Instruments	1.68	0.45
Financial Information Services	30.19	30.44
Operating Expenses for Futures and Options etc.	3.81	4.11
Operating Expenses on Equity	5.73	4.40
Operating Expenses on IRF	0.17	—
Transaction Charges	326.93	236.11
Bank Charges	1.21	1.15
<b>TOTAL</b>	<b>369.72</b>	<b>276.66</b>

<b>NOTE - 2.24</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and Allowances	268.38	260.71
Contribution to PF and Gratuity Fund	19.57	30.55
Staff Welfare Expenses	107.08	105.81
Staff Recruitment & Training	2.41	1.97
<b>TOTAL</b>	<b>397.44</b>	<b>399.04</b>

<b>NOTE - 2.25</b>		
<b>OTHER EXPENSES</b>		
Rent on Business Premises	65.99	66.09
Postage, Telegram, Couriers and Telephone	36.42	33.43
Travelling, Conveyance and Motor Car Expenses	24.01	21.96
Printing and Stationery	12.72	10.01
Repairs to Building	21.61	16.71
Repairs and Maintenance - Others	40.47	47.42
Internal Audit Fees and Expenses	13.67	12.37
Legal and Professional Fees	10.96	12.85
Listing Fees	3.60	3.09
Books and Periodicals	2.08	2.26
Workshops and Business Meet	36.03	35.31
Water and Electricity Expenses	12.07	12.17
Insurance Expenses	1.59	1.64
Directors' Sitting Fees	8.96	9.93

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
Auditor's Remuneration		
– Statutory Audit Fees	9.27	4.49
– Tax Audit Fees	2.39	1.12
– Certification Fees	1.40	4.99
Loss on Sale of Fixed Assets (Net)	0.78	2.84
Share Transfer Fees	5.06	5.85
Corporate Membership	2.75	2.84
Advertisement and Publicity	2.96	2.60
Board/General Meeting Expenses	7.05	6.50
Miscellaneous Expenses		
– Penalties*	0.60	7.81
– Corporate Social Responsibility Expenses	0.05	0.88
– Others **	29.65	10.34
Amortization of HTM Portfolio	114.85	41.85
<b>TOTAL</b>	<b>466.99</b>	<b>377.35</b>

\* Penalty imposed by CCIL on shortage of margin money on 17<sup>th</sup> July 2013 Rs. 0.60 lacs due to system shut down because of water logging in the company premises (Prev. Year : penalty imposed by RBI/CCIL for SGL bouncing was Rs.7.81 lacs)

\*\* Includes donation to Prime Minister's National Relief Fund Rs. 0.23 lacs (Prev. Year donation NIL) and Bonus Share issue expenses of Rs. 14.22 lacs (Prev. Year : NIL)

## NOTE - 2.26 - SEGMENT INFORMATION

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.

### FY 2012-13

	T-Bills / CP/CD	Corp. Bonds and Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (including Equity Shares)	Total
Segment Revenue	11693.49	1338.78	12096.45	1881.97	1402.06	205.93	246.32	28865.00
Total Allocable Expenses	(9575.62)	(1038.31)	(6947.04)	(1574.56)	–	–	(47.69)	(19183.22)
Segment Results	2117.87	300.47	5149.41	307.41	1402.06	205.93	198.63	9681.78
Less: Unallocable Expenses								(805.25)
Profit Before Tax								8876.53
Segment Assets	259338.31	26815.58	53293.70	5165.43	30637.49	14.90	22.50	375287.91
Segment Liabilities	234876.26	24278.69	48336.12	5024.15	761.88	–	2.53	313279.63

### FY 2013-14

	T-Bills / CP/CD	Corp. Bonds and Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (including Equity Shares)	Total
Segment Revenue	15672.31	1847.42	12936.67	1111.55	2798.18	61.37	198.88	34626.38
Total Allocable Expenses	(13521.93)	(1697.59)	(8567.94)	(919.07)	–	–	(44.52)	(24751.05)
Segment Results	2150.38	149.83	4368.73	192.48	2798.18	61.37	154.36	9875.33
Less: Unallocable Expenses								(805.01)
Profit Before Tax								9070.32
Segment Assets	269938.17	22486.14	111431.39	7483.51	32868.40	–	107.09	444312.70
Segment Liabilities	247089.42	20710.56	101984.96	7509.05	761.88	–	3.65	378059.52

(Rs. in lacs)

- Provision for Diminution of Rs. 96.82 lacs on Government Securities, Rs. 94.22 lacs on Treasury Bills, Rs.3.65 lacs on Equity Investments and Rs. 130.23 lacs on Corporate Bonds as on 31.03.2014 has been provided for and included in segment liabilities (Prev. Year Rs. 24.71 lacs on Government Securities, Rs. 78.41 lacs on Treasury Bills and Rs. 2.53 lacs on Equity Investments and Rs. Nil on Corporate Bonds and Debentures)
- Fixed Deposit 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 of the previous year have been regrouped and rearranged accordingly.

#### NOTE - 2.27 - RELATED PARTY INFORMATION

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 the company vests with the Board of Directors. The Managing Director of the company, appointed by the Board of Directors, is working full time with the company.
- Out of the total Seven Directors on the Board of the company as at March 31, 2014, four are independent Directors. Only the Non-Executive Directors are being paid sitting fees for the Board / Committee Meetings. The sitting fees for attending the Board Meeting is Rs. 10000/- per meeting and for Committee Meeting sitting fee payable is Rs. 5000/- per meeting. During the year the company has paid a sum of Rs. 8.96 lacs towards sitting fee, including service tax (Prev. Year Rs. 9.93 lacs)

#### NOTE - 2.28 - DISCLOSURES ON INTEREST RATE SWAPS

	Hedging Swaps		Trading Swaps	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Notional Principal	12500.00	5000.00	NIL	NIL
Marked to Market Positions	12587.05	5010.00	NIL	NIL
Max. of 100 * PV01 observed during the year	364.52	396.98	NIL	NIL
Min. of 100 * PV01 observed during the year	110.34	151.46	NIL	NIL
Market Risk	In the event of 100 basis points adverse movement in interest rate there will be a negative impact of Rs. 238.64 lacs (Prev. Year: Rs. 151.46 lacs) on Hedging Swaps in Swap Book. The losses, which would be incurred if, counter parties fail to fulfill their obligations works out to Rs. Nil lacs (Prev. Year: Rs. Nil lacs) The company exposure with regard to outstanding swap transactions is limited to banks and Primary Dealers			
Collateral	No Collateral is insisted upon from counterpart			
Credit Risk Concentration	Rs. 120.49 lacs (Prev. Year: Rs. Nil)			

#### NOTE - 2.29 - ISSUER COMPOSITION OF INVESTEMENTS IN NON-GOVERNMENT SECURITIES

As on March 31, 2014, the total stock of Rs. 338719.42 lacs (Book Value) comprises of-

- |  |   |
|--|---|
| • Govt. Securities (including T-Bills) | Rs. 237533.99 lacs (Prev. Year: Rs. 239819.40 lacs),  |
| • Equity Instruments                   | Rs. 103.44 lacs (Prev. Year: Rs. 19.97 lacs),         |
| • Money Market instruments             | Rs. 79814.21 lacs (Prev. Year: Rs. 59055.97 lacs) and |
| • Corporate Bonds and Debentures       | Rs. 21267.78 lacs (Prev. Year: Rs. 26280.58 lacs).    |

The Book Value (before providing diminution) of Non-Government Rated Securities comprises of-

- |                      |   |
|----------------------|---|
| • AAA rated          | Rs. 20888.87 lacs (Prev. Year: Rs. 25901.38 lacs) |
| • AA+ rated bonds    | Rs. 509.14 lacs (Prev. Year: Rs. 379.20 lacs)     |
| • A1+ rated Bank CDs | Rs. 79814.21 lacs (Prev. Year: Rs. 50555.97 lacs) |

(Rs. in lacs)

There is no migration/decline in ratings of these Bonds during the year 2013-14						
S. No.	Issuer	Amount (Book Value)	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of Unlisted Securities	Extent of Unrated Securities
1	PSUs	13004.65	NA	NA	NA	NA
2	FIs	7520.58	NA	NA	NA	NA
3	Banks	80323.35	NA	NA	NA	NA
4	Other PDs	NIL	NA	NA	NA	NA
5	Private Corporates	363.64	NA	NA	NA	NA
6	Subsidiaries/Joint Ventures	NIL	NA	NA	NA	NA
7	Others	NIL	NA	NA	NA	NA
8	Provision held towards diminution	NIL	NA	NA	NA	NA
	<b>Total</b>	<b>101212.22</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

#### NOTE - 2.30 - CRAR AND RELATED INFORMATION

Sl. No.	Particulars	Current Year*	Prev. Year*
i)	CRAR (%)	49.14	48.13
ii)	CRAR – Tier I (Capital (%))	49.14	48.13
iii)	CRAR – Tier II (Capital (%))	NA	NA

\* CRAR (including HTM stock) is 22.39% as on 31.03.2014 and 42.34% as on 31.03.2013.

#### Forward Rate Agreement / Interest Rate Swaps

Sl. No.	Particulars	Current Year	Prev. Year
i)	The Notional Principal of swap agreements	12500.00	5000.00
ii)	Losses which would be incurred if counterparties fail to fulfill their obligations under the agreements	–	–
iii)	Concentration of credit risk arising from the swaps	–	–
iv)	The fair value of the swap book	12587.05	5010.83

#### Quantitative Disclosures for Financial Year 2013-14 are as under:

Sl. No.	Particulars	Current Year	Prev. Year
i)	Derivatives (Notional Principal Amount)		
	a) For Hedging	12500.00	5000.00
	b) For Trading	–	–
ii)	Marked to Market Positions		
	a) Asset (+)	12587.05	5010.83
	b) Liability (-)	–	–
iii)	Credit Exposures	–	–
iv)	Likely impact of one percentage change in interest rate (100* PV01)		
	a) On Hedging Derivatives	239.10	151.46
	b) On Trading Derivatives	–	–
v)	Maximum and Minimum of 100*PV01 observed		
	a) On Hedging Derivatives	364.52 & 110.34	396.96 & 151.46
	b) On Trading Derivatives	–	–

#### NOTE - 2.31 - REAL ESTATE EXPOSURES

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

#### NOTE - 2.32 - ASSET LIABILITY MANAGEMENT

(Rs. in lacs)

	1 day to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks	267517.48	–	–	–	–	–	–	–	267517.48
Market Borrowings	109231.09	–	–	–	–	–	–	–	109231.09
<b>Assets</b>									
Advances/ Investments	–	–	–	–	1.86	–	12.92	682.03	696.81

#### NOTE – 2.33 - CESS PROVISION

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.

#### NOTE – 2.34 - PROVISIONS FOR EMPLOYEE BENEFITS

Provision for leave liability has been done in accordance with the requirement of AS-15 (revised) as per Actuarial Valuation for the year 2013-14 on March 31, 2014, as per the Projected Unit Credit Method (PUCM), details for which are given hereunder:

<b>a)</b>	<b>The Principal Assumptions used in actuarial valuation are as under:</b>	
	Attrition Rate (per annum)	2.00%
	Imputed Rate of Interest (per annum)	9.10%
	Salary Rise (per annum)	8.00%
	Remaining Working Life (in years)	21.45
	Mortality Rate	IAL 2006-08 Ultimate
<b>b)</b>	<b>Changes in the present value of the Long Term Obligations:</b>	(in Rs.)
	Present Value of obligations at the beginning of the I.V.P.	4213586.00
	Interest Cost	343070.00
	Current Service Cost	1669631
	Benefits Paid	(887177.00)
	Actuarial (Gain)/Loss on obligation	(533634.00)
	Present Value of obligations at the end of the I.V.P.	4805476.00
<b>c)</b>	<b>Short Term Obligations</b>	367613.00
<b>d)</b>	<b>Fair Value of Plan Assets:</b>	
	Fair Value of Plan Assets at the beginning of the I.V.P.	NIL
	Actual Return of Plan Assets	NIL
	Contribution	NIL
	Benefits Paid	(887177.00)
	Fair Value of obligations at the end of the I.V.P.	NIL
	Present Value of Long Term obligations at the end of the I.V.P.	4805476.00
	Funded Status	(4805476.00)

<b>e)</b>	<b>Amount to be recognized in the Balance Sheet:</b>	(in Rs.)
	Present Value of Long Term obligation at the end of the I.V.P.	4805476.00
	Fair Value of the Assets at the end of the I.V.P.	NIL
	Contribution	NIL
	Funded Status	(4805476.00)
	Unrecognized Actuarial (Gain)/Loss at the end of the I.V.P.	NIL
	Net Asset/(Liability) Recognized in the Balance Sheet *	5173089.00*
	<i>*including short term liability of Rs.367613/- as given in (c)</i>	
<b>f)</b>	<b>Expenses Recognized in the Statement of Profit and Loss Account:</b>	
	Current Service Cost	1669631.00
	Interest Cost	343070.00
	Benefits Paid	887177.00
	Expected Return of Plan Assets	NIL
	Actuarial (Gain)/Loss recognized in the I.V.P.	(533634.00)
	Short Term Liability (Additional)	(765860.00)
	Expenses recognized in the Statement of Profit and Loss Account (LT- Additional)	591890.00

#### NOTE – 2.35 OTHERS

Tax deducted at source on the interest, miscellaneous income and commission and fees during the financial year 2013-14, amounted to Rs.287.23 lacs (Prev. Year Rs.142.23 lacs).

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

**(O. P. Chawla)**  
Director

**(Kamal Gupta)**  
Director

**(S. K. Soni)**  
Director

**(P. P. Pareek)**  
Director

**(S. K. Dubey)**  
Managing Director

**(Sunita Gupta)**  
Chief Financial Officer

**(Monika Kochar)**  
Company Secretary

In terms of our report of even date  
For **S. Mohan & Co.**  
Chartered Accountants

Date : April 26, 2014  
Place : New Delhi

**(R.K. Mittal)**  
Partner  
Membership No. 088767

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(Rs. in lacs)

	As at 31.03.2014	As at 31.03.2013
<b>PROFIT AS PER THE PROFIT &amp; LOSS ACCOUNT</b>	9070.32	8876.53
Adjustment for		
Add: Depreciation on Fixed Assets	55.26	70.54
Addition Long Term Provision (Employee Benefits)	5.91	13.53
Loss on Sale of Fixed Assets	0.78	2.84
<b>Operating Profit Before changes in Operating Activity</b>	9132.27	8963.44
<b>CASH FLOW FROM THE OPERATING ACTIVITY</b>		
Adjustment for Changes in Operating Activity		
Decrease/ (Increase) in Long Term Advances	(22.63)	(24.96)
Decrease/ (Increase) in Current Inventory	(13543.50)	(76481.26)
Decrease/ (Increase) in Trade Receivables	14.90	(13.12)
Decrease/ (Increase) in Short Term Advances	(2.52)	(4.59)
Decrease/ (Increase) in Other Current Assets	(2259.69)	485.45
Increase/ (Decrease) in Trade Payables	(15.12)	40.72
Increase/ (Decrease) in Current Liabilities	(8.37)	118.04
Increase/ (Decrease) in Short Term Provisions	0.18	50.29
<b>CASH GENERATED FROM OPERATIONS</b>	(6704.48)	(66865.99)
<b>Less : Net Tax paid</b>		
Tax Refund	—	—
Taxes Paid	(2737.23)	(2774.61)
<b>(A) Net Cash Flow from Operating Activities</b>	(9441.71)	(69640.60)
<b>CASH FLOW FROM THE INVESTING ACTIVITY</b>		
Adjustment for Changes in Investing Activity		
Sale Proceeds of Fixed Assets	3.09	0.70
Decrease/(Increase) in Non-Current Investment-HTM	(51308.36)	(775.90)
Purchase of Fixed Assets	(32.56)	(31.33)
<b>(B) Net Cash Flow from Investing Activities</b>	(51337.83)	(806.53)
<b>CASH FLOW FROM THE FINANCING ACTIVITY</b>		
Adjustment for Changes in Financing Activity		
Increase/ (Decrease) in Secured/Unsecured Loans	64575.21	91405.37
Dividend Distribution including Div. Distribution Tax	(1579.52)	(1569.09)
<b>(C) Net Cash Flow from Financing Activities</b>	62995.69	89836.28
<b>CONSOLIDATED CASH FLOW DURING THE YEAR (A+B+C)</b>	2216.15	19389.15
Cash at the beginning of the year	29593.55	10204.40
<b>CASH AT THE END OF THE YEAR</b>	<b>31809.70</b>	<b>29593.55</b>
Balance in RBI Account	18.46	34.72
Balance in PNB Account	7.62	0.81
Balance in Unclaimed Dividend & Bonus Fractional Entitlement Account <i>(not available for use of the company)</i>	34.62	29.02
Fixed Deposit with Punjab National Bank		
Pledged for overdraft <i>(not available for use of the company)</i>	31249.00	29529.00
Fixed Deposit with Other Banks <i>(Bhartiya Mahila Bank)</i>	500.00	—

**(K. R. Kamath)**  
Chairman

**(O. P. Chawla)**  
Director

**(Kamal Gupta)**  
Director

**(S. K. Soni)**  
Director

**(P. P. Pareek)**  
Director

**(S. K. Dubey)**  
Managing Director

**(Sunita Gupta)**  
Chief Financial Officer

**(Monika Kochar)**  
Company Secretary

In terms of our report of even date  
For **S. Mohan & Co.**  
Chartered Accountants

**(R.K. Mittal)**  
Partner

Membership No. 088767

Date : 26th April, 2014  
Place : New Delhi

## SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

[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		
<b>Liabilities Side :</b>		
<b>(1) Loans and advances availed by the non-banking financial Company inclusive of Interest accrued thereon but not paid:</b>	<b>Amount outstanding</b>	<b>Amount overdue</b>
(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	—	—
(e) Commercial Paper	—	—
(f) Other Loans (specify nature)	376748.57	—
<b>Secured Loans</b>		
1 Borrowings from RBI	117151.00	—
2 CBLO Borrowings	49931.13	—
3. Repo Borrowing	59299.96	—
4. Overdraft Borrowing	28646.05	—
<b>Unsecured Loans</b>		
1 Call Money Borrowings	19425.00	—
2 Inter Corporate Borrowings	—	—
3. Others	102295.43	—
* Please see Note 1 below		
<b>Assets Side :</b>		
<b>(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):</b>		
(a) Secured	39.89	—
(b) Unsecured	656.92	—
<b>(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities</b>	<b>NA</b>	<b>NA</b>
(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	103.44	(Market Value Rs.103.44 lacs)		
(b) Preference	—			
(ii) Debentures and Bonds	21267.78	(Market Value Rs.21267.78 lacs)		
(ii) Units of mutual funds	—			
(iv) Government Securities	237533.99	(Market Value Rs. 237533.99 lacs)		
(v) Other (Please specify) CDs	79814.21	(Market Value Rs. 79814.21 lacs)		
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	—			
(ii) Units of mutual funds	—			
(iv) Government Securities (HTM)	69537.94	(Market Value Rs. 64620.07 lacs)		
(v) Other (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)	—			
TOTAL		408257.36		
(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 **	NIL	—	—
	(a) Subsidiaries	—	—	—
	(b) Companies in the same group	—	—	—
	(c) Other related parties	—	—	—
2.	Other than related parties	NIL	—	—
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	—	—
(c) Other related parties	—	—
2. Other than related parties	403339.49	408257.36
<b>TOTAL</b>	<b>403339.49</b>	<b>408257.36</b>
** 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 :		
1	As defined in paragraph 2 (1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank Directions, 1998.	
2	Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.	
3	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

**(O. P. Chawla)**  
Director

**(Kamal Gupta)**  
Director

**(S. K. Soni)**  
Director

**(P. P. Pareek)**  
Director

**(S. K. Dubey)**  
Managing Director

**(Sunita Gupta)**  
Chief Financial Officer

**(Monika Kochar)**  
Company Secretary

In terms of our report of even date  
For **S. Mohan & Co.**  
Chartered Accountants

Date : 26th April, 2014  
Place : New Delhi

**(R.K. Mittal)**  
Partner  
Membership No. 088767

## FINANCIALS AT A GLANCE

### FINANCIAL PARAMETERS

	2013-14 (%)	2012-13 (%)	2011-12 (%)	2010-11 (%)
<b>Financial Performance</b>				
Interest Income/ Total Income	87.83	84.66	106.03	104.94
Trading Income/ Total Income	9.07	13.87	(8.78)	(10.94)
Other Income/ Total Income	3.10	1.46	2.73	6.00
Interest Expense/ Total Income	70.08	65.35	76.03	50.02
Interest Expense/ Total Expense	94.96	94.38	92.64	87.33
Establishment Expense/ Total Expense	1.55	2.00	2.31	4.49
Admn and other Expense/ Total Expense	3.49	3.62	5.04	8.16
PBT/ Total Income	26.19	30.75	17.93	42.72
PAT/ Total Income	17.73	21.22	12.74	29.66
<b>Human Assets</b>				
Security Turnover per employee (Rs. Crore)	10431.48	6889.63	6927.28	2440.50
Profit before tax per employee (Rs. crore)	2.75	2.54	0.82	1.22
Average Age of the employees (years)	38.00	39.00	38.00	38.00
<b>Per Share Data</b>				
Earnings Per Share (Rs.)	3.41*	4.54	1.56	2.26
Cash Earnings Per Share (Rs.)	5.19*	5.45	2.89	3.11
Book Value Per Share (Rs.)	36.81*	45.93	42.57	42.14
Price Earnings, end of year (Rs.)	5.03*	5.45	16.35	10.42
Price/ Cash Earnings, end of year (Rs.)	3.30*	4.54	8.82	7.57
Price/ Book Value, end of year (Rs.)	0.47*	0.54	0.60	0.56
Dividend Per Share (Rs.)	0.90*	1.00	1.00	1.20

\* Post bonus issue

### FINANCIALS: Last 10 Years

(Rs. Crore)

Financials \Financial Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>INCOME</b>	<b>11.31</b>	<b>127.06</b>	<b>126.14</b>	<b>172.63</b>	<b>112.47</b>	<b>101.73</b>	<b>103.09</b>	<b>165.30</b>	<b>288.65</b>	<b>346.26</b>
I Interest & Discount on Securities	112.99	143.43	156.70	181.57	135.92	121.21	108.19	175.28	244.37	304.12
II Profit on Sale of Securities	(103.85)	(22.86)	(35.07)	(12.97)	(31.10)	(30.78)	(11.28)	(14.51)	40.06	31.41
III Other Income	2.17	6.49	4.51	4.03	7.65	11.30	6.18	4.53	4.22	10.73
<b>EXPENDITURE</b>	<b>79.44</b>	<b>98.54</b>	<b>109.75</b>	<b>105.62</b>	<b>74.35</b>	<b>45.70</b>	<b>59.05</b>	<b>135.66</b>	<b>199.88</b>	<b>255.56</b>
I Interest Expenses	71.86	91.69	103.37	98.87	67.12	34.57	51.57	125.67	188.65	242.67
II Operating Expenses	6.54	6.06	5.76	6.22	6.78	6.83	6.56	9.08	10.53	12.34
III Depreciation on fixed assets	1.04	0.79	0.63	0.53	0.45	0.46	0.91	0.91	0.70	0.55
IV Bad debts written off						0.02	0.01			
Prov. Against overdue call lending						3.82				
<b>PROFIT BEFORE TAX</b>	<b>(68.13)</b>	<b>28.52</b>	<b>16.38</b>	<b>67.01</b>	<b>38.12</b>	<b>56.03</b>	<b>44.04</b>	<b>29.64</b>	<b>88.77</b>	<b>90.70</b>
Less Prov./ (Release) for Taxation	0.12	(1.12)	0.42	21.85	13.63	19.33	13.47	8.59	27.52	29.32
<b>PROFIT AFTER TAX</b>	<b>(68.25)</b>	<b>29.64</b>	<b>15.96</b>	<b>45.16</b>	<b>24.49</b>	<b>36.70</b>	<b>30.58</b>	<b>21.05</b>	<b>61.25</b>	<b>61.38</b>
<b>PAID UP CAPITAL</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>135.01</b>	<b>180.01</b>
<b>RESERVES</b>	<b>338.07</b>	<b>355.40</b>	<b>371.36</b>	<b>392.82</b>	<b>404.68</b>	<b>425.59</b>	<b>437.28</b>	<b>442.64</b>	<b>488.08</b>	<b>485.51</b>
<b>NET WORTH</b>	<b>471.51</b>	<b>485.58</b>	<b>502.85</b>	<b>525.41</b>	<b>538.48</b>	<b>557.76</b>	<b>568.92</b>	<b>574.69</b>	<b>620.08</b>	<b>662.53</b>
Turnover (Primary + Secondary)	61740	53390	33552	59868	62187	63726	87858	249382	241137	344239

# E-COMMUNICATION REGISTRATION FORM\*

(For Shareholders Holding Shares in Physical Form)

To,  
MCS Ltd.  
(Unit : PNB GILTS)  
F-65, 1st Floor, Okhla Industrial Area  
Phase-1, New Delhi-110020.

Dear Sir,

## REG : Green Initiative in Corporate Governance

I agree to receive all communication from the company in electronic mode. Please register my e-mail id in your records for sending communication through e-mail.

Folio No. : .....

Name of 1st Registered Holder (In Block Letters) : .....

Name of Joint Holder(s) : .....

Registered Address : .....

Contact No. (In Block Letters) : .....

E-mail ID : .....

Date : ..... Signature of the first holder .....

**\* Shareholders holding shares in Demat form - Please send same information by quoting your DP ID & Client ID to your Depository Participant to avail this facility.**

**REQUEST** – In addition to above, please send a test mail from your Email ID (mentioning therein your folio no. and your intention to avail e-communication facility) to our email id (m.kochar@pnbgilts.com) so that punching errors be avoided at the time of feeding of information in the system, which will be done on receipt of duly signed format.

### Important Notes :

- 1) On registration, all the communication will be sent to the e-mail ID registered in the folio.
- 2) The form is also available on the website of the company [www.pnbgilts.com](http://www.pnbgilts.com)
- 3) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email Id given hereunder is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned email ID.

**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

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## PROXY FORM

### PNB GILTS LTD.

CIN : L74899DL1996PLC077120  
Regd. Office : 5, Sansad Marg, New Delhi – 110 001  
Tel: 011-23325759, 23325763,  
Fax: 011-23325751, 23325763  
E-mail ID: pnbgilts@ndb.vsnl.net.in  
Website: www.pnbgilts.com

[Pursuant to Section 105(6) of the Companies Act, 2013  
and Rule 19(3) of the Companies  
(Management and Administration) Rules, 2014]

Name of Member(s):

Registered address :

E-mail Id :

Folio No. / Client ID:

DP ID:

I/We being member(s) of ..... shares of the above named Company, hereby appoint :

(1) Name : .....

Address : .....

Email Id : .....

Signature : ....., or failing him

(2) Name : .....

Address : .....

Email Id: .....

Signature : ....., or failing him

(3) Name : .....

Address : .....

Email Id: .....

Signature : .....

as my/our proxy to attend and vote (on poll) for me/us and on my/our behalf at the 18<sup>th</sup> Annual General meeting of the Company to be held on Saturday, the 30<sup>th</sup> day of August, 2014 at 11:00 a.m. at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi – 110054 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Number	Resolutions	For	Against
<b>Ordinary Business</b>			
1	Adoption of financial statements of the Company for the year ended March 31, 2014, including the audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss Account ended on that date and the Reports of the Directors and Auditors thereon.		
2	Declaration of final dividend of Rs. 0.90 per Equity Share for the year ended March 31, 2014		
3	Appoint a Director in place of Sh. S. K. Dubey (DIN: 01770805), who retires by rotation and being eligible, offers himself for re-appointment.		
4	Authorise Board of Directors to fix remuneration of the Statutory Auditors, as and when appointed by the Comptroller and Auditor General of India.		
<b>Special Business</b>			
5	Appoint Sh. P. K. Mohapatra (DIN: 02660553), as a Director liable to retire by rotation		
6	Re-appoint Sh. S.K. Dubey (DIN: 01770805) as Managing Director for a period effective from 01.02.2014 to 30.06.2015		
7	Appoint Smt. Sunita Gupta (DIN: 06902258), as a Director liable to retire by rotation		
8	Appoint Smt. Sunita Gupta, CFO & SEVP (DIN: 06902258) as the Whole-time Director with the designation "Executive Director & Chief Financial Officer" for a period effective from 26 <sup>th</sup> June, 2014 to 31 <sup>st</sup> August, 2017		
9	Appoint Dr. O.P Chawla (DIN: 00026712) as an Independent Director for five consecutive years for a term up to 29 <sup>th</sup> August , 2019, whose office shall not be liable to retire by rotation.		
10	Appoint Dr. Kamal Gupta (DIN: 00038490) as an Independent Director for five consecutive years for a term up to 29 <sup>th</sup> August , 2019, whose office shall not be liable to retire by rotation.		
11	Appoint Sh. S. K. Soni (DIN: 00046856) as Independent Director for five consecutive years for a term up to 29 <sup>th</sup> August , 2019, whose office shall not be liable to retire by rotation.		
12	Appoint Sh. P. P. Pareek (DIN: 00615296) as Independent Director for five consecutive years for a term up to 29 <sup>th</sup> August , 2019, whose office shall not be liable to retire by rotation.		
13	Increase in Borrowing Powers		
14	Approval of Related Party Transactions		

Signed this ..... day of .....2014.

affix revenue  
stamp (not  
less than  
Rs. 0.15)

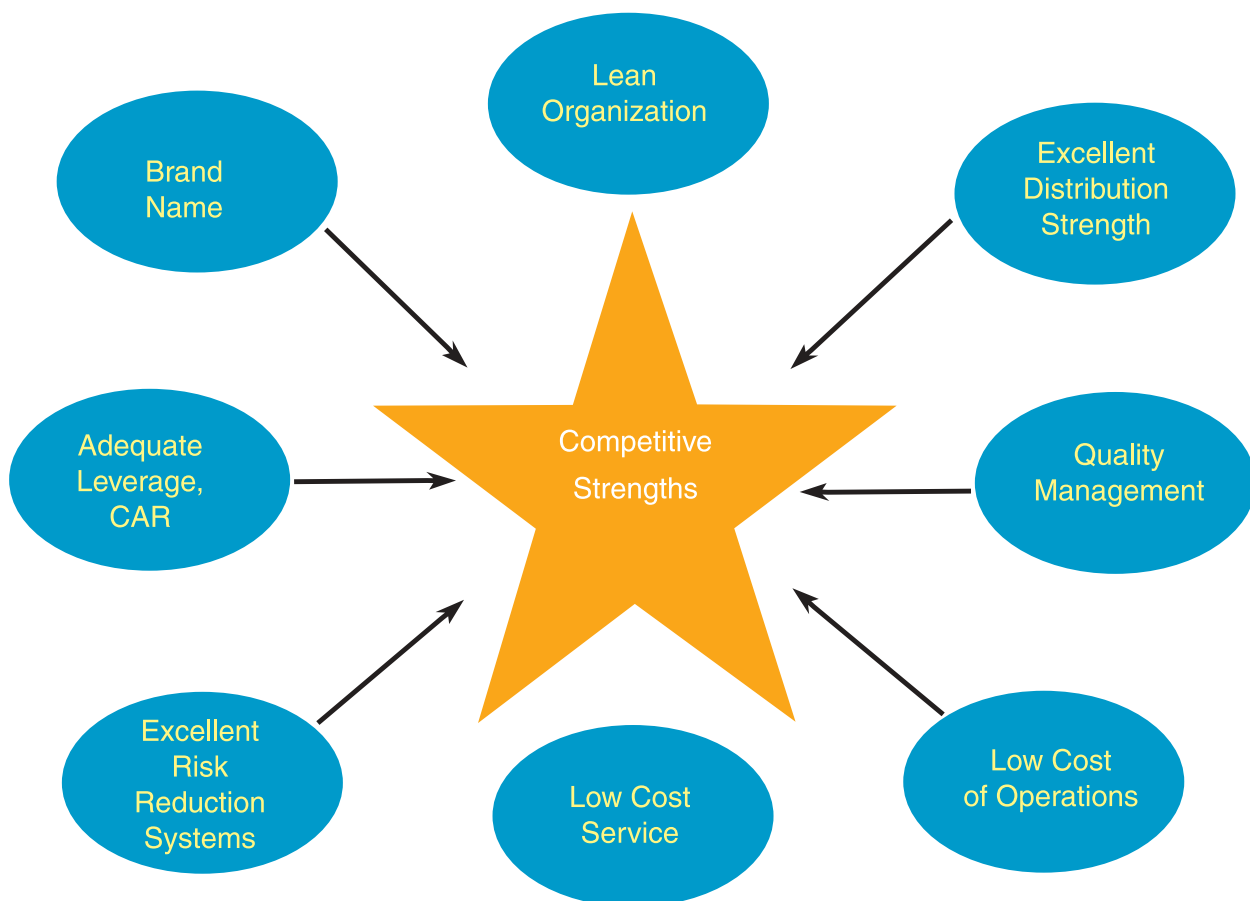
.....  
Signature of Member

.....  
Signature of proxy holder(s)

**Notes:**

1. This form of proxy, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the meeting.
2. It is optional to indicate your preference. Please put 'X' in the appropriate column against the resolution indicated in the Box. If you leave the For or Against column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

## OUR STRENGTHS



**COMPANY SECRETARY**

Ms. Monika Kochar

**STATUTORY AUDITORS**

S. Mohan & Co.  
Chartered Accountants  
G-47, Connaught Circus  
New Delhi – 110 001

**INTERNAL AUDITORS**

Ernst & Young LLP  
The Ruby, 14th Floor  
29, Senapati Bapat Marg  
Dadar West  
Mumbai-400028

**BANKERS**

Reserve Bank of India  
Punjab National Bank

**REGISTERED-CUM-CORPORATE OFFICE**

5, Sansad Marg, New Delhi – 110001  
Tel: 011 - 23325759 / 23325779  
Fax: 011 - 23325751  
E-mail: pnbgilts@ndb.vsnl.net.in  
Website: www.pnbgilts.com

**BRANCHES**

PNB House, Sir P.M. Road,  
Fort, Mumbai-400 001.  
Tel: 022-22691812 / 22693314 / 15  
Fax: 022-22691811 / 22692248

C/o PNB Back Office  
3rd Floor, Kuralagam Building  
NSC Bose Road, Chennai - 600108  
Tel: 044-25331750 / 25331752  
Fax: 044-25330179

8, Ground Floor, Parshwanath Chambers  
Near New RBI, Income Tax Office  
Ahmedabad-380014  
Tel: 079-27544245, 27542455  
Fax: 079-27541808

# NOTICE



## PNB GILTS LTD.

CIN : L74899DL1996PLC077120

Regd. Office : 5, Sansad Marg, New Delhi - 110 001

Tel : 011-23325759, 23325779; Fax : 011-23325751, 23325763

Website: www.pnbgilts.com, E-mail ID: pnbgilts@ndb.vsnl.net.in

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting (AGM) of members of PNB Gilts Limited will be held on Saturday, August 30, 2014, at 11:00 a.m. at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054, to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the financial statements of the Company for the year ended March 31, 2014, including the audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss Account ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend of Rs. 0.90 per Equity Share for the year ended March 31, 2014.
3. To appoint a Director in place of Sh. S. K. Dubey (holding DIN: 01770805), who retires by rotation and being eligible, offers himself for reappointment.
4. To authorise Board of Directors to fix remuneration of the Statutory Auditors of the Company appointed by the Comptroller and Auditor General of India by passing the following resolution, with or without modification :—  
“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to fix the remuneration of Statutory Auditors of the Company, as and when appointed by the Comptroller and Auditor General of India.”

### SPECIAL BUSINESS

5. To appoint Sh. P. K. Mohapatra (DIN: 02660553), as a Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-  
“RESOLVED THAT pursuant to the provisions of Section 161 (corresponding to Section 260 of the Companies Act, 1956) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Sh. P. K. Mohapatra (holding DIN : 02660553), General Manager of Punjab National Bank, who was appointed as an Additional Director of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation.”
6. To appoint Sh. S.K. Dubey (DIN: 01770805) as the Managing Director, and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-  
“RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) the consent of the members be and is hereby accorded to the re-appointment of Sh. S. K. Dubey (holding DIN: 01770805) as the “Managing Director” of the Company for a period effective from 1<sup>st</sup> February, 2014 to 30<sup>th</sup> June, 2015, on the terms and conditions as set out in the Explanatory Statement attached to the notice.”

“RESOLVED FURTHER THAT the Board of Directors including its Committee(s), be and is hereby authorised to alter/ modify and vary such terms and conditions of appointment including remuneration, subject to the relevant provisions of the Companies Act, 2013 including Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956).”

7. To appoint Smt. Sunita Gupta (DIN: 06902258), as a Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 161 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Smt. Sunita Gupta (holding DIN : 06902258), SEVP & CFO of the Company, who was appointed as an Additional Director of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation.”

8. To appoint Smt. Sunita Gupta, SEVP & CFO (DIN: 06902258) as the Whole-time Director, and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED FURTHER that pursuant to the provisions of Sections 152, 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956), the consent of the Company, be and is hereby accorded to the appointment of Smt. Sunita Gupta (holding DIN : 06902258), SEVP & CFO as a Whole-time Director of the Company, designated as “Executive Director & Chief Financial Officer” for a period effective from 26<sup>th</sup> June, 2014 to 31<sup>st</sup> August, 2017, on the terms and conditions as set out in the Explanatory Statement annexed to the Notice.”

“RESOLVED FURTHER THAT the Board of Directors including its Committee(s), be and is hereby authorised to alter/ modify and vary such terms and conditions of appointment including remuneration, subject to the relevant provisions of the Companies Act, 2013 including Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956).”

9. To appoint Dr. O.P. Chawla (DIN: 00026712), as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr. O. P. Chawla (holding DIN: 00026712), Director of the Company, whose period of office is liable to retire by rotation under the erstwhile law and in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013 in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 29<sup>th</sup> August, 2019, whose office shall not be liable to retire by rotation.”

10. To appoint Dr. Kamal Gupta (DIN: 00038490) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr. Kamal Gupta (holding DIN: 00038490), Director of the Company, who retires by rotation at this Annual General Meeting and in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013 in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 29<sup>th</sup> August, 2019, whose office shall not be liable to retire by rotation.”

11. To appoint Sh. S. K. Soni (DIN: 00046856) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-
- “RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sh. S. K. Soni (holding DIN: 00046856), Director of the Company, who retires by rotation at this Annual General Meeting and in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013 in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 29<sup>th</sup> August, 2019, whose office shall not be liable to retire by rotation.”
12. To appoint Sh. P. P. Pareek (DIN: 00615296) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-
- “RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sh. P. P. Pareek (holding DIN: 00615296), Director of the Company, whose period of office is liable to retire by rotation under the erstwhile law and in respect of whom the Company has received a notice under Section 160 of the Companies Act, 2013 in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 29<sup>th</sup> August, 2019, whose office shall not be liable to retire by rotation.”
13. To increase the borrowing power and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
- “RESOLVED THAT in supersession of the Ordinary Resolution passed at the 16<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> July, 2012 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded to the Board of Directors to borrow and raise such sum or sums of money from time to time as may be required for the purpose of the business of the Company, in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that total amount borrowed at any point of time, apart from temporary loans obtained/to be obtained by the Company from its bankers in the ordinary course of business, shall not be in excess of Rs. 5000 Crores over and above the aggregate of the paid up share capital and free reserves of the Company.”
- “RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”
14. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
- “RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 and Rules thereof (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to enter into the following contracts and/or agreements and/or transactions with Related Parties as defined under the Act with respect to selling or otherwise disposing of, or leasing of property, with related parties, as per the details set out below.”

Particulars of contracts/arrangements/transactions for the purpose of approval under Section 188 of the Companies Act, 2013

Name and Nature of Relationship with related parties	Selling or otherwise disposing of property	Leasing of property
Punjab National Bank, promoter-cum-majority Shareholder (74.07% stake in PNB Gilts Ltd.)	Sale of residential flats of the Company at Ahmedabad (3 flats), Bangalore (2 flats) and Chennai (3 flats) shall be made on open auction basis. The related party, can thus purchase the flats only at the highest bid price.	<p>a) Residential Premises of the Company - Rent of upto Rs. 25000/- p.m. each flat (including those which remain unsold) owned by the Company and given on lease to the related party or its officers at Scale IV and above. Lease period will be for 11 months and can be renewed thereafter on same terms and conditions. Repairs &amp; Maintenance, taxes and levies etc. will be borne by the Company. Electricity charges will be borne by the tenant. Tenant can vacate the flat after giving 15 days' notice, whereas Company may ask for vacation of flat after serving one month's notice.</p> <p>b) Business Premises taken from PNB -</p> <p>(i) at Delhi at a rent of Rs. 283600/- p.m. (at present) plus service tax, under an agreement with PNB for a period of 11 months.</p> <p>(ii) at Mumbai at a rent of Rs. 218750/- p.m. (at present) plus service tax under an agreement with PNB for a period of 5 years.</p> <p>(iii) at Chennai under rent sharing arrangement with PNB at a rent of Rs. 16920/- p.m. (at present) plus service tax.</p> <p>Electricity &amp; water consumption charges (except in case of Mumbai) shall be borne by the Company. Major structural repairs &amp; maintenance charges of building shall be incurred by owner i.e. PNB. Above agreement/ arrangement can be renewed on same terms &amp; conditions.</p>
PNB Housing Finance Ltd, subsidiary co. of PNB	-do-	—
PNB Investment Services Ltd, subsidiary co. of PNB	-do-	—
Principal PNB Asset Management Company Pvt. Ltd, Joint Venture of PNB	-do-	—
Principal Trustee Company Pvt. Ltd., Joint Venture of PNB	-do-	—
Asset Care & Reconstruction Enterprise Ltd., Joint Venture of PNB	-do-	—
PNB Metlife India Insurance Company Ltd., Joint Venture of PNB	-do-	—
Madhya Bihar Gramin Bank, Associate of PNB	-do-	—
Sarva Haryana Gramin Bank, Associate of PNB	-do-	—
Himachal Gramin Bank, Associate of PNB	-do-	—
Punjab Gramin Bank, Associate of PNB	-do-	—
Sarva UP Gramin Bank, Associate of PNB	-do-	—

“RESOLVED FURTHER THAT the Board of Directors of the Company [including its Committee(s)] be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this Resolution.”

Date : July 4, 2014  
Place : New Delhi

By order of the Board  
(Monika Kochar)  
Company Secretary  
Membership No. : F6514  
Address : E-304, Surya Vihar,  
Dundahera, Gurgaon - 122016

## IMPORTANT NOTES

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten per cent of the total share capital of the Company.

The instrument appointing proxy, duly completed, should, however, be deposited at the registered office of the Company not less than forty eight hours before the commencement of the meeting. A proxy form for the AGM is at page no. 67 of Annual Report. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/ authority, as may be applicable.

3. The Register of Members and the Share Transfer books of the Company will remain closed from Saturday, 23<sup>rd</sup> August, 2014 to Saturday, 30<sup>th</sup> August, 2014 (both days inclusive) in connection with (a) AGM and (b) to determine the entitlement of shareholders to receive the Final Dividend for the Financial Year 2013-14, if declared at 18<sup>th</sup> AGM of the Company.
4. The Transfer Deed(s) along with Share Certificate(s) received upto Friday, 22<sup>nd</sup> August, 2014 i.e. the previous day of the opening of Book Closure Date shall be considered for entitlement of shareholders to receive the Final Dividend for FY 2013-14.
5. The dividend, as recommended by the Board, if declared, at the Annual General Meeting, will be paid within 30 days 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 22<sup>nd</sup> August, 2014 as per the lists and details (including bank details) 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 22<sup>nd</sup> August, 2014.
6. Members holding shares in physical form 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  
Tel : 011-41406149-52, Fax: 011-41709881, Email ID – [mcsdel@vsnl.com](mailto:mcsdel@vsnl.com)
7. In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
8. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request

received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Further, the members holding shares in the dematerialised mode may intimate all changes with respect to 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.

9. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment. None of Directors is related to any other Director.
10. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copy of the Annual Report for 2013-14 is being sent in the permitted mode.
11. Electronic copy of the Notice of the 18<sup>th</sup> Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 18<sup>th</sup> Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting along with E-voting details is being sent in the permitted mode.
12. Members may also note that the Notice of the 18<sup>th</sup> Annual General Meeting and the Annual Report for 2013-14 will be available on the Company's website [www.pnbgilts.com](http://www.pnbgilts.com) for downloading. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same by post, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: [m.kochar@pnbgilts.com](mailto:m.kochar@pnbgilts.com).
13. The Company's shares are listed on BSE Ltd. and National Stock Exchange of India Ltd. The listing fees of these Exchanges have been paid on time.

**14. E-COMMUNICATION FACILITY :**

Shareholders are requested to avail E-Communication facility by registering their Email ID with MCS Ltd, Share Transfer Agent (in case the shareholding is in physical form) or with their Depository Participant (if the shareholding is in demat form) so as to enable the Company to send notice of AGM, Annual Report and such other important communication directly by e-mail. A format in this respect for shareholders holding shares in physical form is available at page no. 64 of Annual Report. Shareholders holding shares in demat form may also submit similar information to their Depository Participant to avail this facility.

**15. 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 at page no. 65 of Annual Report. Shareholders are therefore requested to fill the same and submit to MCS Ltd. or to their DP, as the case may be.

**16. 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., E-mail ID etc. Please refer page no. 25 and 26 of 'Report on Corporate Governance' section in Annual Report for detailed explanation/procedure.

## 17. 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 attendance slip along with the copy of the Annual Report, as the same will not be distributed at the venue of the Annual General Meeting.

## 18. VOTING THROUGH ELECTRONIC MEANS

- I. In compliance with provisions of Clause 35B of Listing Agreement and Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its members facility to exercise their right to vote at the 18<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)]:

- (i) Open email and then open PDF file viz; “PNB Gilts e-Voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder – Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
- (vii) Select “EVEN” of PNB Gilts Limited.
- (viii) Now you are ready for e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
- (x) Upon confirmation, the message “Vote cast successfully” will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [stuti@indiacp.com](mailto:stuti@indiacp.com) or [evoting@pnbgilts.com](mailto:evoting@pnbgilts.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:  

<b>EVEN</b> (E Voting Event Number)	<b>USER ID</b>	<b>PASSWORD/PIN</b>
-------------------------------------	----------------	---------------------
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)

- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.

- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on 24th August, 2014 (9:00 a.m.) and ends on 26th August, 2014 (6:00 p.m). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 18<sup>th</sup> July, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is casted by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. The voting/e-voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 18<sup>th</sup> July, 2014.
- VII. Advocate, Ms. Stuti Bansal (Bar Council Registration No. R/3847/2010) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IX. The Results shall be declared on or after the date of AGM of the Company. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.pnbgilts.com](http://www.pnbgilts.com) and on the website of the NSDL within 2 (two) days of passing of the resolutions at the AGM of the Company and communicated to Stock Exchanges.
19. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the registered office of the company during normal business hours (9:30 a.m. to 5:30 p.m.) on all working days except Saturdays, upto and including the date of Annual General Meeting of the Company.

## **20. ATTENDANCE SLIP-CUM-ENTRY PASS**

Shareholders/Proxies/Authorised Representatives are requested to affix their signatures at the space provided on the Attendance Slip-cum-Entry Pass and surrender the same at the AGM venue.

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## **ANNEXURE TO NOTICE--**

### **Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 ("the Act")**

#### **ITEM NO. 5**

The Board in its meeting held on 10<sup>th</sup> August, 2013 appointed Sh. P. K. Mohapatra, General Manager and CFO of Punjab National Bank, as an Additional Director of the Company with effect from 10<sup>th</sup> August, 2013. Pursuant to Section 161 of the Companies Act, 2013, Sh. P. K. Mohapatra will hold office up to the date of ensuing AGM. The company has received a notice under Section 160 of the Companies Act, 2013 from a member proposing the candidature of Sh. P. K. Mohapatra for the office of Director.

Sh. P. K. Mohapatra is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as Director.

Brief profile of Sh. P. K. Mohapatra, including nature of expertise, is provided at page no. 15 and 16 of the Notice.

Sh. K. R. Kamath, Chairman of the Company, being Chairman and Managing Director of the Punjab National Bank i.e. promoter-cum-majority shareholder (74.07%), may be deemed to be concerned or interested in the appointment of Sh. P. K. Mohapatra, who is also General Manager and CFO of Punjab National Bank. Further, Sh. P. K. Mohapatra, being an appointee, may also be deemed to be concerned or interested in this resolution.

Save and except the above, none of other Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 5 of the Notice.

The Board recommends the resolution set forth in Item No. 5 for the approval of members.

#### **ITEM NO. 6**

The Board of Directors in its meeting held on January 25, 2014, has, subject to the approval of members, re-appointed Sh. S. K. Dubey as Managing Director for a period effective from 1<sup>st</sup> February, 2014 to 30<sup>th</sup> June, 2015.

The terms and conditions of re-appointment of Sh. S. K. Dubey, Managing Director 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 be entrusted to him, from time to time, by the Board.

The remuneration of Sh. S. K. Dubey shall be governed by the provisions / service regulations of the Company as applicable to the Managing Director of the Company and any modifications, revision therein that may take place from time to time, subject to the limits prescribed under Schedule V of the Companies Act, 2013.

Subject to the aforesaid, the salary, allowances and other perquisites of Sh. S. K. Dubey as approved by the Board in above said meeting are as under:

The total remuneration of Managing Director shall be Rs. 2.50 lac per month (However, this will include the pension of Rs. 42274/- p.m. being paid by PNB, bringing the effective Cost to the Company (CTC) at Rs. 207726/- per month). The breakup of effective CTC is as under-

1. Basic Pay : Rs. 95000/- p.m.
2. Special Allowance : Rs. 50000/- p.m.
3. Other Allowance : Rs. 20000/- p.m.
4. Accommodation : In case he opts for Company provided accommodation, an amount of Rs. 8000/- p.m. will be recovered from salary.
5. Other Allowances, facilities and perquisites:

1.	Entertainment Allowance	Rs. 7,900 p.m.
2.	Newspaper & periodicals	Rs. 711 p.m.
3.	Medical Reimbursement	Rs. 1,250 p.m.
4.	Updation allowance	Rs. 6,000 p.m.
5.	Telephone reimbursement	Rs. 5,000 p.m.
6.	Conveyance	Company car with driver will be provided. (For the purpose of calculation of CTC, notional amount has been taken at Rs. 7500/- per month).
7.	Conveyance allowance	Use of Company's car for official purpose will be considered as duty runs. Journey to and from residence will be treated official duty. For the purpose of calculation of CTC, cost of petrol will be treated as Rs. 7,000 p.m. Facility of personal use upto 3000 kms per half year, on payment of Rs. 150/- per km. for such use. For use beyond 3000 k.m., he shall be required to pay to the Company at the end of half year Rs. 3/- per km.
8.	Leave Travel Concession	Once in two years, he may travel to home town/anywhere in India by AC First class or air economy class for self and spouse. Cost of LTC has been calculated for two tickets to farthest point in India notionally at approx. Rs. 6,500 p.m for the purpose of encashment.
9.	Leave Encashment	Accumulated Privilege Leave can be got encashed at the time of availing/encashing LTC upto maximum of 15 days a year.
10.	Leave	As per Company rules
11.	Travel	He may travel by train AC 1st Class or by Air (Economy class)
12.	Annual Health check up	Annual Health check up for self and spouse at Company's cost (For the purpose of calculation of CTC, notional amount has been taken at Rs. 865/- per month)

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.

At present, he is one of the Key Managerial Personnel of the Company.

Sh. S. K. Dubey satisfies all the conditions set out in Part – I of Schedule V to the Act and also conditions set out under Section 196(3) of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 and 196 of the Act and has given his consent to act as Director.

Brief profile of Sh. S. K. Dubey, including nature of expertise, is provided at page no. 15 and 16 of the Notice.

Sh. S. K. Dubey, being an appointee, may be deemed to be interested or concerned in the Resolution at Item No. 6.

None of other Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 6 of the Notice.

The above may be treated as written memorandum setting out the terms of re-appointment of Sh. S. K. Dubey under Section 190 of the Act.

The Board recommends the resolution set forth in Item No. 6 for the approval of members.

#### **ITEM NO. 7**

Section 149 of the Companies Act, 2013 requires each Listed Company to have atleast one woman director on its Board of Directors. Accordingly, the Board in its meeting held on 26<sup>th</sup> June, 2014 appointed Smt. Sunita Gupta, SEVP & CFO of the Company as an Additional Director of the Company with effect from 26<sup>th</sup> June, 2014. Pursuant to Section 161 of the Companies Act, 2013, Smt. Sunita Gupta will hold office up to the date of ensuing AGM. The Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing the candidature of Smt. Sunita Gupta for the office of Director.

Smt. Sunita Gupta is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given her consent to act as Director.

Brief profile of Smt. Sunita Gupta, including nature of expertise, is provided at page no. 15 and 16 of the Notice.

Except the appointee, none of other Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 7 of the Notice.

The Board recommends the resolution set forth in Item No. 7 for the approval of members.

#### **ITEM NO. 8**

The Board of Directors in its meeting held on 26<sup>th</sup> June, 2014, has subject to the approval of members appointed Smt. Sunita Gupta, SEVP & CFO as Whole time Director and designated her as “Executive Director & Chief Financial Officer” for a period effective from 26<sup>th</sup> June, 2014 to 31<sup>st</sup> August, 2017. A notice has been received from a member proposing Smt. Sunita Gupta as a candidate for the office of Director of the Company.

The terms and conditions of appointment of Smt. Sunita Gupta, Executive Director & Chief Financial Officer are given as under:

The Executive Director & Chief Financial Officer 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 be entrusted to her, from time to time, by the Board of Directors and the Managing Director of the Company. Her period of office shall be liable to retire by rotation.

The remuneration (CTC) of Smt. Sunita Gupta shall be same as applicable in SEVP cadre in the Company and the same shall be governed by the provisions / service regulations of the Company. The Board of Directors or Committee or delegation thereof may, in their discretion, revise/modify/alter any of the terms from time to time, within the limits stipulated under Schedule V of the Companies Act, 2013.

Subject to the aforesaid, the salary, allowances and other perquisites of Smt. Sunita Gupta as approved by the Board in above-said meeting is as under:

The total CTC of Smt. Sunita Gupta is Rs. 186194/- per month at present, breakup of which is as under-

1.	Basic Pay	:	Rs. 92860/- p.m.
2.	Special Allowance	:	Rs. 18572/- p.m.
3.	Fixed Allowance	:	Rs. 11133/- p.m.

4. Other Allowances, facilities and perquisites:

1.	Reimbursement of Entertainment Allowance, Newspaper & periodicals, Medical Reimbursement, Updation allowance, Telephone/Mobile expenses	Rs. 23871 p.m.
2.	Conveyance	Company car with driver will be provided. (For the purpose of calculation of CTC, notional amount has been taken at Rs. 6000/- per month).
3.	Conveyance allowance	Use of Company's car for official purpose will be considered as duty runs. Journey to and from residence will be treated official duty. For the purpose of calculation of CTC, cost of petrol will be treated as Rs. 6,750/- p.m. Facility of personal use upto 3000 kms per half year, on payment of Rs. 150/- per km. for such use. For use beyond 3000 k.m., she shall be required to pay to the Company at the end of half year Rs. 3/- per km.
4.	Leave Travel Concession	Once in two years, she may travel to home town/anywhere in India by AC First class or air economy class for self, spouse and two dependents. Cost of LTC has been calculated for four tickets to farthest point in India notionally at approx. Rs. 13,000 p.m for the purpose of encashment.
5.	Leave Encashment	Accumulated Privilege Leave can be got encashed at the time of availing/encashing LTC upto maximum of 15 days a year.
6.	Leave	As per Company rules
7.	Travel	She may travel by train AC 1st Class or by Air (Economy class)
8.	Annual Health check up	Annual Health check up for self and spouse at Company's cost (For the purpose of calculation of CTC, notional amount has been taken at Rs. 865/- per month)
9.	Contribution to Provident Fund	12% of Basic Pay
10.	Gratuity and any other retirement benefits	As per Company rules

Executive Director & Chief Financial Officer 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.

At present, she is one of the Key Managerial Personnel of the Company.

Smt. Sunita Gupta satisfies all the conditions set out in Part – I of Schedule V to the Act and also conditions set out under Section 196(3) of the Act for being eligible for his re-appointment. She is not disqualified from being appointed as Director in terms of Section 164 and 196 of the Act and has given her consent to act as Director.

Brief profile of Smt. Sunita Gupta, including nature of expertise, is provided at page no. 15 and 16 of the Notice.

Ms. Sunita Gupta, being an appointee, may be deemed to be interested or concerned in the Resolution at Item No. 8.

None of other Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 8 of the Notice.

The above may be treated as written memorandum setting out the terms of appointment of Smt. Sunita Gupta under Section 190 of the Act.

The Board recommends the resolution set forth in Item No. 8 for the approval of members.

**ITEM No. 9 to 12**

The Company had, pursuant to the provisions of Clause 49 of the Listing Agreements entered with Stock Exchanges, appointed Dr. O. P. Chawla, Dr. Kamal Gupta, Sh. S. K. Soni and Sh. P. P. Pareek, as Independent Directors at various times, in compliance with the requirement of the clause.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, which came into effect from April 1, 2014, read with clause 49 of the Listing Agreement, the Company being listed, is required to have atleast half of the total number of Directors as

Independent Directors, who will not be liable to retire by rotation.

Dr. O. P. Chawla, Dr. Kamal Gupta, Sh. S. K. Soni and Sh. P. P. Pareek, whose period of office is liable to retire by rotation under the erstwhile applicable provisions of the Companies Act, 1956, being eligible and seeking appointment, are proposed to be appointed as Independent Directors for 5 consecutive years for a term upto 29<sup>th</sup> August, 2019. A notice under Section 160 of the Act has been received from a member of the Company proposing them as candidates for the office of Director of the Company. All of them are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Director.

In the opinion of the Board, all of them fulfill the conditions specified in the Companies Act, 2013 and the Rules made thereunder, for their appointment as an Independent Director of the Company and are independent of the management. Copy of draft letter of appointment of Independent Directors setting out the terms and conditions of their appointment would be available for inspection by members at the Registered Office of the Company during normal business hours on any working day (except Saturday).

A brief profile of the proposed Independent Directors, including nature of expertise, is provided at page no. 15 and 16 of the Notice.

The Board considers that their continued support and association would be of immense benefit to the Company and it is desirable to continue to avail the services of all of them as Independent Directors. Accordingly, the Board recommends the resolution set out at Item No. 9 to 12 in relation to appointment of Dr. O. P. Chawla, Dr. Kamal Gupta, Sh. S. K. Soni and Sh. P. P. Pareek as Independent Directors, for approval by the shareholders of the Company.

None of the Directors/Key Managerial Personnel of the Company/their relatives, other than the appointees for their respective appointment, are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 9 to 12 of the Notice.

#### **ITEM NO. 13**

The members of the Company at their 16<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> July, 2012 approved by way of an Ordinary Resolution under erstwhile Section 293(1)(d) of the Companies Act, 1956, authorized the Board to borrow over and above the aggregate of paid-up share capital and free reserves of the Company, provided the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time, apart from temporary loans obtained in ordinary course of business, shall not be in excess of Rs. 5000 crore (Rupees Five Thousand Crore only).

However, as per the corresponding provisions of Section 180(1)(c) of the Companies Act, 2013, notified on 12<sup>th</sup> September, 2013, the Board of Directors shall not borrow money in excess of the aggregate of the Company's paid-up share capital and free reserves, apart from temporary loans obtained in the ordinary course of business from its bankers, except with consent of members accorded by way of Special Resolution.

Further, as per clarification issued by Ministry of Corporate Affairs, Govt. of India vide circular no. 4/2014 dated 25<sup>th</sup> March, 2014, the resolution passed under Section 293(1)(d) of the Companies Act, 1956 prior to 12<sup>th</sup> September, 2013 will be treated as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013, for a period of 1 year from the date of notification of said Section 180.

It is therefore necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, as set out at Item No. 13 of the Notice, to enable the Board of Directors to borrow money in excess of the paid-up share capital and free reserves of the Company. Approval of members is sought to borrow money upto Rs. 5000 crore in excess of the aggregate of paid-up share capital and free reserves of the Company, apart from temporary loans obtained in ordinary course of business.

None of the Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No. 13 of the Notice.

#### **ITEM NO. 14**

Pursuant to Section 188 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, the Company can enter into transaction(s) or contract(s) etc., which are not in ordinary course of business and /or are not at arm's length basis, only with the approval of members accorded by way of special resolution.

Though your Company always seeks to enter into transactions in the ordinary course of business and at arm's length basis, it enters into a limited number of contracts/arrangements/transactions with its parent bank, Punjab National Bank for giving residential premises on lease to the parent bank or its officers and for taking business premises on lease from the parent bank. Since the company and the parent bank enter into these transactions due to their relationship and as a matter of policy, they do not enter into similar transactions with unrelated parties, demonstrable evidence of arm's length price of these transactions may not be available. Similarly, the company proposes to sell some of residential flats owned by it, through open auction bid, in which the parent bank or any other related party is also eligible to bid. Hence as a measure of abundant caution, your approval is sought under the provisions of the Companies Act, 2013.

Particulars of above transactions pursuant to para 3 of the Explanation to Rule 15 of Companies (Meetings of Board and Its Powers) Rules, 2014 are presently as under –

Particulars of contracts/arrangements/transactions for approval under Section 188 of the Act		
Name and Nature of Relationship with related parties	Selling or otherwise disposing of property	Leasing of property
Punjab National Bank, promoter-cum-majority Shareholder (74.07% stake in PNB Gilts Ltd.)	Sale of residential flats of the Company at Ahmedabad (3 flats), Bangalore (2 flats) and Chennai (3 flats) shall be made on open auction basis. The related party, can thus purchase the flats only at the highest bid price.	<p>a) Residential premises of the Company- Rent of upto Rs. 25000/- p.m. each flat (including those which remain unsold) owned by the Company and given on lease to the related party or its officers at Scale IV and above. Lease period will be for 11 months and can be renewed thereafter on same terms and conditions. Repairs &amp; Maintenance, taxes and levies etc. will be borne by the Company. Electricity charges will be borne by the tenant. Tenant can vacate the flat after giving 15 days' notice, whereas Company may ask for vacation of flat after serving one month's notice.</p> <p>b) Business Premises taken from PNB -</p> <p>(i) at Delhi at a rent of Rs. 283600/- p.m. (at present) plus service tax, under an agreement with PNB for a period of 11 months.</p> <p>(ii) at Mumbai at a rent of Rs. 218750/- p.m. (at present) plus service tax under an agreement with PNB for a period of 5 years.</p> <p>(iii) at Chennai under rent sharing arrangement with PNB at a rent of Rs. 16920/- p.m. (at present) plus service tax.</p> <p>Electricity &amp; water consumption charges (except in case of Mumbai) shall be borne by the Company. Major structural repairs &amp; maintenance charges of building shall be incurred by owner i.e. PNB. Above agreement/arrangement can be renewed on same terms &amp; conditions.</p>
PNB Housing Finance Ltd, subsidiary co. of PNB	-do-	–
PNB Investment Services Ltd, subsidiary co. of PNB	-do-	–
Principal PNB Asset Management Company Pvt. Ltd, Joint Venture of PNB	-do-	–
Principal Trustee Company Pvt. Ltd., Joint Venture of PNB	-do-	–
Asset Care & Reconstruction Enterprise Ltd., Joint Venture of PNB	-do-	–
PNB Metlife India Insurance Company Ltd., Joint Venture of PNB	-do-	–
Madhya Bihar Gramin Bank, Associate of PNB	-do-	–
Sarva Haryana Gramin Bank, Associate of PNB	-do-	–
Himachal Gramin Bank, Associate of PNB	-do-	–
Punjab Gramin Bank, Associate of PNB	-do-	–
Sarva UP Gramin Bank, Associate of PNB	-do-	–

- a) Nature, material terms, monetary value and particulars of contract or arrangement : as mentioned in above table.
- b) Any advance paid or received for the contract or arrangement, if any : Nil
- c) Any other information relevant or important for the members to take decision on the proposed resolution : See the above table

The proposal outlined above is in the interest of the Company and the Board recommends the resolution set out in accompanying Notice as Special Resolution.

Members are hereby informed that pursuant to second proviso of Section 188(1) of the Companies Act, 2013, no member of the Company shall vote on such resolution to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

Except Promoter nominated Directors (Sh. K. R. Kamath and Sh. P. K. Mohapatra), none of the Directors or Key Managerial Personnel or their relatives are concerned or interested in the resolution set out at Item No. 14 of the Notice.

By order of the Board

(Monika Kochar)

Company Secretary

Membership No. : F6514

Address : E-304, Surya Vihar,  
Dundahera, Gurgaon - 122016

Date: July 4, 2014

Place : New Delhi

**PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT, THE BRIEF PARTICULARS OF THE DIRECTORS TO BE APPOINTED/ RE-APPOINTED ARE AS UNDER:**

Name of Director	Dr. O. P. Chawla	Dr. Kamal Gupta	Sh. S. K. Soni	Sh. P. P. Pareek	Sh. P. K. Mohapatra	Sh. S. K. Dubey	Smt. Sunita Gupta
Date of Birth	15/02/1934	12/02/1946	03/12/1936	01/10/1959	01/12/1956	16/12/1951	18/08/1957
Date of Appointment/ Reappointment on the Board	11/04/1996	11/04/1996	23/01/2002	10/02/2009	10/08/2013	03/06/2009	26/06/2014
Qualifications	M. Com, Ph.D	FCA, Ph.D	B.Sc., LL.B, CAIIB (I)	B.Com, LL.B, FCA	M.Sc., M. Phil	M.Sc., CAIIB	M.A. (Eco.), CAIIB
Expertise in Specific functional Area	He is an academician and having a vast experience in debt market. He is Ex-Director of NIBM, Pune	He is Former Technical Director of the Institute of Chartered Accountants of India. He is having rich experience in the field of finance, corporate laws etc.	He is former Chairman & Managing Director of Oriental Banking of Commerce. He is having rich experience in the field of HR, banking operations etc.	He is Sr. Partner in S. Bhandari & Co for last 31 years. He is having rich experience in corporate laws and finance etc.	He is GM-Finance and CFO, PNB and is having around 32 years of experience in senior capacities in PNB group especially in Treasury, Credit and Core Banking operations. During his assignments in PNB, he worked as Chief Executive Officer of Everest Bank Ltd., Nepal.	He is having rich experience of around 36 years in senior capacities in PNB group especially in treasury and international banking operations.	She is having vast experience in treasury operations. She has served as an Economist in PNB for around 17 years and having an experience of 15 years in the Company in various senior capacities.
Directorship held in other public Companies (excluding foreign and private companies)	Shree Ram Urban Infrastructure Ltd.	<ul style="list-style-type: none"> <li>• AD Hydro Power Ltd.</li> <li>• Rajasthan Spinning &amp; Weaving Mills Ltd.</li> <li>• HEG Ltd.</li> <li>• Maral Overseas Ltd.</li> <li>• Malana Power Company Ltd.</li> <li>• Bhilwara Energy Ltd.</li> </ul>	Uttam Value Steels Ltd	-	-	Primary Dealers' Association of India.	-
Chairman/ member of the Committee of the Board of Directors of the Company (only Audit Committee and Shareholders'/ Investors Grievance Committee)	Member – Audit Committee	<ul style="list-style-type: none"> <li>• Chairman-Audit Committee</li> <li>• Member - Shareholders'/ Investors Grievance Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member – Audit Committee</li> <li>• Chairman - Shareholders'/ Investors Grievance Committee</li> </ul>	Member – Audit Committee	Member – Audit Committee	Member - Shareholders'/ Investors Committee	-

Name of Director	Dr. O. P. Chawla	Dr. Kamal Gupta	Sh. S. K. Soni	Sh. P. P. Pareek	Sh. P. K. Mohapatra	Sh. S. K. Dubey	Smt. Sunita Gupta
Membership/ Chairmanship of Committee of other public Companies							
a) Audit Committee	Chairman - Shree Ram Urban Infrastructure Ltd.	<ul style="list-style-type: none"> <li>Chairman- Rajasthan Spinning &amp; Weaving Mills Ltd.</li> <li>Chairman-Maral Overseas Ltd. Member-HEG Ltd.</li> <li>Member-Malana Power Company Ltd.</li> <li>Member-AD Hydro Power Ltd.</li> </ul>	-	-	-	-	-
b) Shareholders/ Investors Grievance Committee	-	<ul style="list-style-type: none"> <li>Chairman- Rajasthan Spinning &amp; Weaving Mills Ltd.</li> <li>Chairman- Maral Overseas Ltd.</li> <li>Member-HEG Ltd.</li> </ul>	-	-	-	-	-
Number of Shares Held	Nil	Nil	Nil	1333	Nil	Nil	266
Relationship between Directors	Nil	Nil	Nil	Nil	Nil	Nil	Nil



## PNB GILTS LTD.

CIN : L74899DL1996PLC077120

Regd. Office : 5, Sansad Marg, New Delhi - 110 001

Tel : 011-23325759, 23325779, Fax : 011-23325751, 23325763

Website: www.pnbgilts.com, E-mail ID: pnbgilts@ndb.vsnl.net.in

### ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

Regd. Folio No./DP.ID.No. \_\_\_\_\_ Client ID.No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I \_\_\_\_\_ S/o/W/oD/o \_\_\_\_\_

Resident of \_\_\_\_\_ certify that I am a  
Member / Proxy for the member of the company.

I hereby record my presence at the Eighteenth Annual General Meeting of the Company at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi -110054 on August 30, 2014 at 11:00 a.m.

\_\_\_\_\_  
Member's / Proxy's Name in Block Letter

\_\_\_\_\_  
Signature of Member/Proxy

Note : Please fill up this attendance slip and hand over at the entrance of the meeting hall.

### ENTRY PASS

Name :

DP ID & CL ID/Folio No. :

\_\_\_\_\_  
Member's / Proxy's Signature

#### Notes:

1. Please retain this till the conclusion of the meeting.
2. For strict security reasons mobile phones, brief cases and other belongings are not allowed inside the Auditorium.
3. Please bring your copy of the enclosed Annual Report.
4. In view of the strict guidelines issued by SEBI, no gifts/coupons will be distributed at the meeting.



Folio No./DP ID./Client ID:

Name:

Address:

Joint Holder(s):

No of shares held:

Dear Member,

**Sub: Voting through electronic means**

Pursuant to the Clause 35B of the Listing Agreement and the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, PNB Gilts Ltd. ("the Company") is offering e-voting facility to its members in respect of the businesses to be transacted at the 18<sup>th</sup> Annual General Meeting scheduled to be held on Saturday, August 30, 2014 at 11.00 a.m.

The Company has engaged the services of NSDL as the Authorised Agency to provide e-voting facilities. The e-voting particulars are set out below:

EVEN (E-Voting Event Number)	User ID	Password/PIN

The e-voting facility will be available during the following voting period:

Commencement of e-voting : From 9:00 a.m. (IST) on August 24, 2014

End of e-voting : Up to 6.00 p.m. (IST) on August 26, 2014

The cut-off date (i.e. the record date) for the purpose of e-voting is July 18, 2014.

Please read the instructions printed overleaf before exercising the vote. This Communication forms an integral part of the enclosed Notice dated July 4, 2014 for the 18<sup>th</sup> Annual General Meeting scheduled to be held on August 30, 2014. Attention is invited to the notes on the accompanying Notice that the business of the meeting may be transacted through electronic voting system and that the Company is providing facility for voting by electronic means.

The Notice of the Annual General Meeting and this Communication are also available on the website of the Company at [www.pnbgilts.com](http://www.pnbgilts.com).

New Delhi  
July 5, 2014

Yours faithfully,  
For PNB Gilts Ltd.

(Monika Kochar)  
Company Secretary

**Registered Office:** 5, Sansad Marg, New Delhi -110001

**Phone:** 011-23325759, 23325779, **Fax :** 011-23325751, 23325763

**Website:** [www.pnbgilts.com](http://www.pnbgilts.com), **E-mail Id:** [pnbgilts@ndb.vsnl.net.in](mailto:pnbgilts@ndb.vsnl.net.in), **CIN:** L74899DL1996PLC077120

**Instructions and other information relating to e-voting are as under:**

1. A. **In case a Member receives an email from NSDL** [for Members whose email IDs are registered with the Company/ Depository Participant(s)]:
  - (i) Open email and then open PDF file viz; "PNB Gilts e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - (iii) Click on Shareholder – Login
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
  - (vii) Select "EVEN" of PNB Gilts Limited.
  - (viii) Now you are ready for e-voting as Cast Vote page opens.
  - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [stuti@indiacp.com](mailto:stuti@indiacp.com) or [evoting@pnbgilts.com](mailto:evoting@pnbgilts.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- B. **In case a Member receives physical copy of the Annual General Meeting Notice by Post** [for Members whose email IDs are not registered with the Company / Depository Participant(s)]:
  - (i) User ID and initial password as provided overleaf.
  - (ii) Please follow all steps from Sr.No.(i) to (xii) as mentioned in (A) above, to cast your vote.
2. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
3. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
4. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
5. The e-voting period commences on 24th August, 2014 (9:00 am) and ends on 26th August, 2014 (6:00 pm). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 18<sup>th</sup> July, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently. Further, the Members who have casted their vote electronically shall not be allowed to vote again at the Meeting.
6. The voting/e-voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 18<sup>th</sup> July, 2014.
7. Advocate, Ms. Stuti Bansal (Bar Council Registration No. R/3847/2010) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
8. The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
9. The Results shall be declared on or after the date of AGM of the Company. The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.pnbgilts.com](http://www.pnbgilts.com) and on the website of the NSDL within 2 (two) days of passing of the resolutions at the AGM of the Company and communicated to Stock Exchanges.