



**15<sup>th</sup>**

**Annual  
Report**

**2010-11**

## Board of Directors



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



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



**Shri S.K. Dubey**  
*Non-Executive Director*



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



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



**Shri S. K. Soni**  
*Independent Director*



**Shri A. S. Agarwal**  
*Independent Director*



**Shri M. S. Aftab**  
*Independent Director*



**Shri P. P. Pareek**  
*Independent Director*

## OUR MISSION

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



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## *Chairman's Letter to Shareholders*

### **Dear Shareholders,**

I take this opportunity to thank you for the confidence reposed in the company over the years. Before presenting the annual results of the company for the year ended March 31, 2011, I would like to apprise you of the developments in the economy under which your company operated.

The year 2010-11 was characterized by consolidation of growth with the Indian economy registering a healthy growth of 8.60%. The growth was led by sharp rebound in agriculture output along with pick up in private consumption. Consolidation in growth gave the government enough room to read the path of fiscal consolidation. Substantial inflows of over a trillion rupees from 3-G and BWA auction along with robust tax revenues helped the government to cut its fiscal deficit to 5.1% from originally estimated 5.5%. However, inflationary pressures persisted throughout the year on account of high food prices despite having good monsoons. Food inflation remained a global phenomenon during the year with prices of essential food items shooting up sharply in many nations. The rise in purchasing power owing to the rapid growth of the economy partly contributed to the upward trend in inflation.

In FY 2010-11, stubbornly high inflation above the comfort level of RBI, together with growth buoyancy, necessitated that the monetary policy focus remains on containing inflation and inflationary expectations. Consequently repo and reverse repo rates were increased seven times during the fiscal by 175 basis points & 225 basis points

respectively. The central bank revised its inflation projection for year end thrice during the year from 5.5% to 8% against which the actual inflation for March, 2011 stood at 8.98%.

With regard to the government securities market, heavy primary market supplies, successive policy rate hikes, extremely tight liquidity conditions and inflationary pressures weighed on the market. However factors such as hike in FII investment limit in G-securities & corporate bonds, OMO buyback purchases by the central bank and reduction in fiscal deficit projection for the next fiscal supported the market. 10-yr benchmark paper closed the year at 7.98% after touching a high and low of 8.23% and 7.38% respectively as against 7.85% as on March 31, 2010.

Company's performance during the year under review demonstrates its stability and strength despite operating in a highly uncertain environment. Company's profit stands at Rs. 44.04 crore as on March 31, 2011 as against Rs. 56.03 crore as on March 31, 2010. Company operated in a high cost environment with borrowing cost shooting up by more than 250 basis points during the year. Nevertheless, despite company's interest expenses surging by 49% during the year, profit dropped by only 21%. The net worth of the company has risen by 2% to Rs. 568.92 crore as on March 31, 2011. Company traded aggressively during the period under review, which translated in to higher turnover and market share. Company's secondary market turnover jumped significantly to Rs. 68745 crore as against Rs. 48386 crore achieved in FY 2009-10.

### Looking Forward

In the new fiscal, domestic debt market is expected to be pressurized by inflation and high crude oil prices. Further monetary tightening may be witnessed in continued battle with the persistent inflationary pressures. Nevertheless, likely support from RBI to Govt. borrowing program in form of OMO buyback auctions along with improvement in liquidity conditions may provide fillip to the market. In the new financial year, company would put in place strategies that will address the near term challenges and also look out for opportunities to strengthen its performance further. Company has recently recruited talented and experienced manpower who will assist in improving its performance further. In our pursuit to be at the forefront of the fixed income industry, I solicit your continued patronage and support.

With regards,  
Yours Sincerely,

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

Date : May 13, 2011



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the audited accounts of the company for the year ended March 31, 2011.

### 1. FINANCIAL RESULTS

The financial results for the year ended March 31, 2011 along with comparative figures for the previous year are given below:

(Rs. in lacs)

	For the year ended 31.3.2011	For the year ended 31.3.2010
Total Income	10321.28	10172.94
Total Expenditure	5916.88	4569.66
<b>Profit/(loss) Before Tax</b>	<b>4404.40</b>	5603.28
Less : Provision for Income Tax (including deferred tax)	1346.55	1932.83
<b>Profit /(loss) After Tax</b>	<b>3057.85</b>	3670.45
Add: Balance in Profit & Loss Account brought forward	5503.14	4147.21
Amount available for Appropriation	8560.99	7817.66
<b>Proposed Appropriations</b>		
Transfer to Statutory Reserve	612.00	735.00
General Reserve	77.00	—
Proposed Dividend	1620.09	1350.08
Dividend Distribution Tax	269.08	229.44
Balance carried forward	5982.82	5503.14

The year 2010-11 was marked by the process of exit from the accommodative monetary policy stance with focus on containing inflation and inflationary expectations. As a result, during 2010-11, RBI raised the policy rates seven times, whereby the repo rate under LAF has cumulatively been increased by 175 basis points to 6.75 per cent and the reverse repo rate by 225 basis points to 5.75 per cent. The Cash Reserve Ratio (CRR) was, however, retained at 6 per cent. In tune with the tight monetary policy stance, the money market rates also hovered around the upper bound of the LAF corridor and the borrowing cost of the company accordingly went higher.

In the Govt securities market, monetary policy, inflation concerns and supply issues were the major factors influencing yields on govt securities. Initially, higher than budgeted collections from auctions of 3 G and BWA licences receded the concerns on fiscal deficit with yield on 10-year G-sec touching a low of 7.35 per cent in mid May from 7.85 per cent as on March 31, 2010. Improved sentiments were, however, offset by high inflation and tight monetary policy stance by RBI and the 10-year yield rose to as high as 8.23 per cent in mid January before closing the year at 7.98 per cent as on March 31, 2011. Moreover, with consistently tight liquidity conditions prevailing almost throughout the year, the short term rates remained high resulting in a flat yield curve with spread between 1 year and 30 year security declining to 102 basis points from 300 basis points in the beginning of the year. Owing to tight liquidity conditions the borrowing cost remained high which hurt the net interest margin considerably.

Against the above backdrop of tight money market rates and firm G-sec yields, the Profit Before Tax of the company stood at Rs. 44.04 crore in 2010-11 as against Rs. 56.03 crore during FY 2009-10. While Profit After

Tax stands at Rs. 30.58 crore during FY 2010-11 as against Rs. 36.70 crore during FY 2009-10. The networth of the company stands at Rs. 568.92 crore as on March 31, 2011.

## 2. CAPITAL ADEQUACY

Capital adequacy ratio as on March 31, 2011 stood at 94.42 per cent as against the RBI stipulation of 15 per cent.

## 3. DIVIDEND

Your Board has recommended a final dividend of Rs. 1.20 per share for the financial year 2010-11 amounting to Rs. 1620.09 lakhs. The total outflow on account of said dividend shall be Rs. 1889.17 lakhs (including Dividend Distribution Tax).

## 4. OTHER MATTERS

### 4.1. 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 four times and Shareholders' / Investors' Grievance Committee met twelve times.

#### Changes since last Annual General Meeting

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

- **Sh. Nagesh Pydah**, Executive Director - Punjab National Bank, had resigned from Directorship of the company on his elevation as Chairman and Managing Director - Oriental Bank of Commerce.

#### Retirement of Directors by Rotation

As per Article 99 of the Articles of Association of the company, Dr. O. P. Chawla & Sh. P. P. Pareek shall retire by rotation in the forthcoming Annual General Meeting and are eligible for reappointment.

#### Corporate Governance

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

### 4.2. Directors' Responsibility Statement

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

- The applicable accounting standards have been followed.

- Appropriate accounting policies have been selected and applied consistently, judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year ended March 31, 2011 and the profit and loss account for the year ended March 31, 2011.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

#### **4.3. Audit, Internal Control Systems & their adequacy**

M/s S. Mohan & Co., Chartered Accountants, Delhi were appointed as the Statutory Auditors of the company by the Comptroller & Auditor General of India for the financial year ended March 31, 2011. 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 2010-11, the Board appointed M/s Deloitte Haskins & Sells as the Internal Auditors of the company. The scope of Internal Audit included audit of treasury transactions on a monthly basis and reporting to the Audit Committee of the Board that the company has operated within the limits of various risk parameters laid down by the Board, Reserve Bank of India and other statutory authorities. Besides, they also audited and reviewed key business processes, including IT systems of the company, on quarterly basis. All the reports of the Internal Auditors were submitted to the Audit Committee and the monthly audit reports were submitted to Reserve Bank of India as well.

#### **4.4. Human Resources**

Total number of employees of the company as on March 31, 2011 was 36 (including 5 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 5,00,000 /- p.m. No employee is related to any Director of the company.

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

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

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

- b) Foreign Exchange earnings and outgoing:

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



#### 4.6. Public Deposits

During the year ended March 31, 2011, 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 31st January 1998.

#### 4.7. Acknowledgement

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

On behalf of Board of Directors

Date : May 11, 2011

Place : New Delhi

**(K.R.Kamath)**

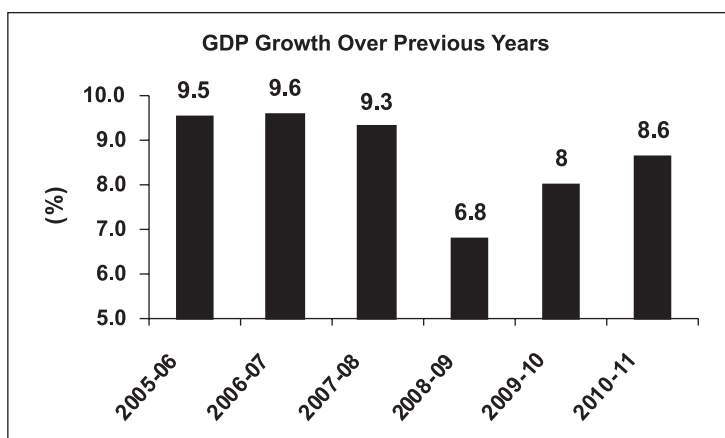
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### MACROECONOMIC REVIEW

#### Gross Domestic Product

Robust growth and steady fiscal consolidation have been the hallmark of the Indian economy in the year 2010-11. GDP growth for FY 2010- 11 has been estimated at 8.6 per cent as against 8.0 per cent in the previous year. The growth is mainly driven by the rebound in agriculture and pick up in private consumption as employment prospects have improved and disposable income continues to rise. The growth has been broad based with a rebound in the agriculture sector which is expected to grow around 5.4 per cent. Manufacturing and Services sector too have registered impressive gains. However food inflation, higher commodity prices and volatility in global commodity markets have been a cause of concern underscoring the need of fiscal consolidation and stronger reserves.



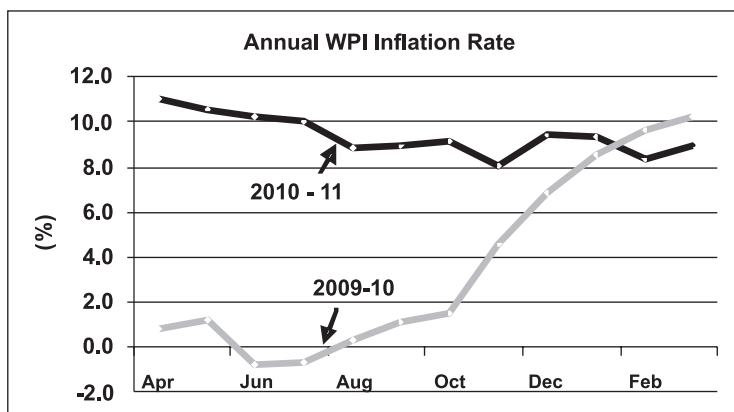
On the demand side, a rise in savings and investments and pickup in private consumption have resulted in strong growth of GDP at constant market prices at 9.7 per cent in 2010-11. Good kharif output and higher rabi sowings suggest stronger contribution of the agriculture sector to overall GDP growth in 2010-11. The agriculture sector growth in the first four years of the 11th Plan (2007-12) is estimated at 2.87 per cent. The food grain production went up to 235.88 million tones from 218.1 million tones in 2009-10. The rising food inflation and the critical role of agriculture underline the need for a larger investment in agriculture enroute to the second green revolution. The industrial output growth rate was 8.6 per cent while the manufacturing sector registered a growth rate of 9.1 per cent in 2010-11.

#### International Trade and Debt

The exports during April-March 2011 went up by 37.5 per cent in dollar terms while the imports during the same period registered a growth rate of 21 per cent in dollar terms. Oil imports during April to March, 2011 were valued at USD 101.70 billion which was 16.7 per cent higher than oil imports of USD 87.14 billion in the corresponding period last fiscal. On the other hand non oil imports during similar period were valued at USD 249 billion which is 23.7 per cent higher than USD 201.24 billion in corresponding period last year. The trade deficit shrunk to USD 104.83 billion during April to March, 2011 from USD 109.62 billion during corresponding period of last fiscal.

#### Inflation

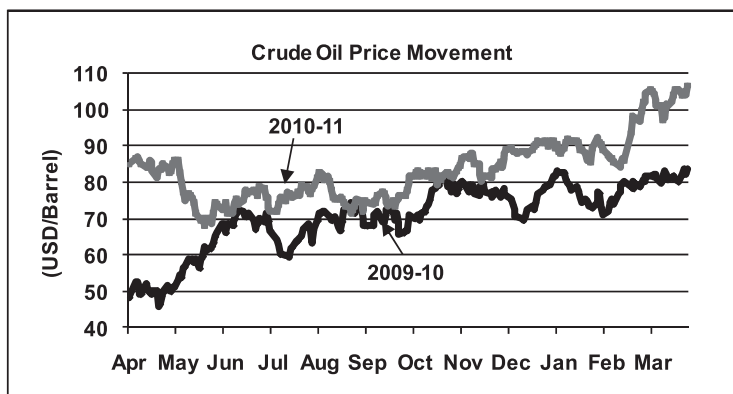
The year 2010-11 started off with headline inflation of 11.0 per cent in April 2010 in terms of Wholesale Price Index on the revised base year. After remaining in double digits till June 2010, inflation moderated to reach 8.93 per cent in September, 2010. In terms of consumer price



indices, inflation in the three major groups (industrial workers, agricultural labour and rural labour) have all come down to single digit level. Headline inflation in November 2010 was 8.08 per cent, but the trend reversed and in December 2010 it was 9.41 per cent. Food prices have been the main driver of inflation. In spite of having good monsoon this year, headline inflation at elevated levels owed to high levels of food inflation. A sudden spike in prices of onions during December, 2010 was witnessed on account of damage to the onion crop. Primary food articles inflation spiked to 20.8 per cent in week ended December 25, 2010 due to severe supply constraints in respect of some food items. The average inflation in the primary articles was reported at 17.84 percent during FY 2010-11 as compared to 12.6 per cent last year. The rise in purchasing power owing to the rapid growth of the economy and inclusive programmes like Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) partly contributed to the upward trend in inflation. Fuel inflation, which had moderated from 14.32 per cent in May, 2010 to 10.07 per cent in November 2010, rose again to 11.63 per cent in December, 2010 due to rise in non-administered domestic fuel prices, reflecting the sharp increase in international prices. WPI non-food manufactured products (weight: 55 per cent) inflation, which moderated from 5.9 per cent in April, 2010 to 5.1 per cent in September, 2010, increased to 5.4 per cent in November, softened marginally to 5.3 per cent in December. As a result of newer factors and increased risks, the inflation trajectory is likely to show some persistence and moderate only gradually. Considering the increase that has already occurred and the emerging domestic and external scenario, the baseline projection of WPI inflation for March, 2011 was revised upwards to 8.0 per cent from 5.5 per cent. Against the RBI projection of 8 per cent for March, 2011, WPI inflation stood at 8.98 per cent.

## Commodity Prices

Crude oil was trading range bound with great volatility, unable to crack the USD 90 per barrel level in the first half of the year. Prices were largely unaffected by some significant events, including the Gulf oil spill and the debt crisis in the euro zone. Despite ban on naked short selling in order to avoid the speculation, concerns over Europe's capability to contain the crisis continued to push crude oil prices lower below USD 70 in the month of May, 2010. Decline in US stockpiles and weakening of dollar against Euro helped crude oil prices to rise in the second quarter of the year. On



account of better US employment data and expansion in Chinese manufacturing, oil price rose past USD 88 a barrel in the third quarter. Comments from ECB chief regarding continuation of stimulus measures also boosted sentiments immensely. After remaining relatively stable in the first half of the FY 2010-11, crude prices rose dramatically towards the end of the year. Prices rose about 25 per cent during the period under review. This rise in crude prices was due to the unrest in countries in the Middle East and North Africa. Since much of the global crude comes from this region, the oil prices escalated on the fears that the crude oil supply may take a bad hit. During the year crude oil price touched a high and low of USD 106.72 and USD 68.01 a barrel respectively. International food and commodity prices rose during the year. Food prices increased dramatically during the year. Wheat, sugar, corn have all shown considerable increase.

## Fiscal Deficit

The key fiscal indicators for the FY 2010-11 were much better than was envisaged by the budget estimates on account of the higher than estimated revenue from telecom 3G/BWA auctions and indirect tax collections. The fiscal deficit for the current year stands at 5.1 per cent which is lower from 5.5 per cent or Rs. 3.81 lakh crore, projected in the Budget last year. The total tax revenue for the current fiscal was originally pegged at Rs. 456536 crore, which was subsequently revised to Rs. 563685 crore. The Revenue Deficit and Gross Fiscal Deficit

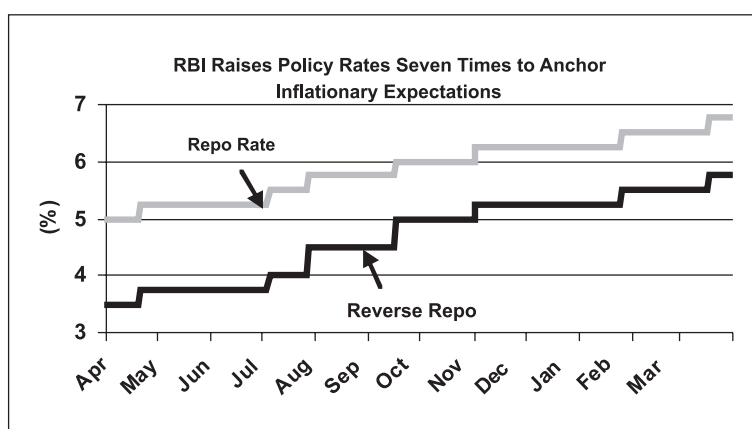
(GFD) as per the revised estimates for the year 2010-11 declined to 3.4 per cent and 5.1 per cent respectively as against the previous year's figures of 5.2 per cent and 6.4 per cent respectively. Non-tax revenue during year was at Rs. 220148 crore, primarily on account of higher realisation from the auction of spectrum, which raked in about Rs. 1.08 lakh crore.

### Government Borrowings

Gross and net market borrowings of the Centre for 2010-11 stood at Rs. 437000 crore (Rs. 446000 crore in FY 2009-10) and Rs. 325000 crore (Rs. 393411 crore in FY 2009-10) respectively. The large market borrowings were supported by OMO buyback auctions via which RBI injected liquidity aggregating Rs. 69395 crore during the year. In addition to this, state governments also raised the total amount of Rs. 99911 crore through market borrowings as against Rs. 114883 crore during the previous year.

### Monetary Policy

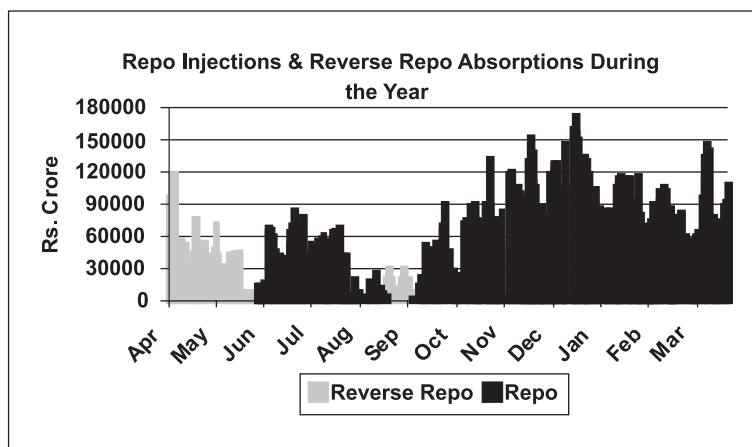
During FY 2010-11, RBI adopted a highly calibrated approach towards exit from the accommodative monetary policy followed till last year. The monetary policy was mainly used to fight the inflationary pressures which rose sharply on account of food inflation. Taking comfort from consolidation in economic recovery, RBI raised the key policy rates seven times during the fiscal whereby the repo rate under the LAF has cumulatively been increased by 175 basis points to stand at 6.75 per cent and the reverse repo rate by 225 basis points to 5.75 per cent at the end of the fiscal. The RBI however retained



the cash reserve ratio (CRR) at 6 per cent of the net demand and time liabilities (NDTL) of banks. Thus in FY 2010-11, persistently high inflation above the comfort level of RBI, together with growth buoyancy, necessitated that the monetary policy focus remain on containing inflation and inflationary expectations. In view of the persistent liquidity tightness, RBI in November, 2010 implemented some measures such as additional liquidity support to banks under the LAF up to 2.0 per cent of their NDTL, continuation of the second LAF (SLAF), and OMO purchase of Government securities. Subsequently, RBI also reduced the SLR requirement of banks from 25 per cent of their NDTL to 24 per cent with effect from December 18, 2010.

### Money Market

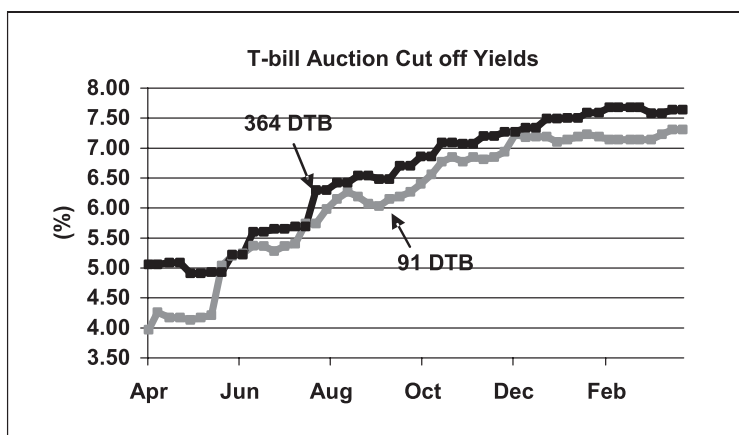
During the year, liquidity condition reversed completely. After being in surplus mode throughout the previous year, liquidity dried up from the system and severe shortage of funds persisted throughout the year. The huge dent in the systemic liquidity was caused due to 3-G spectrum auction outflows of over a trillion rupees. Subdued deposit mobilization during the fiscal too aggravated the shortage in banking liquidity. Consequently call money rate which traded near the lower band of the LAF corridor during the last year, firmed up sharply especially in the second half of the year to trade above the



RBI's repo rate. The LAF window was heavily utilized by market participants to overcome the liquidity crunch. RBI's OMO buyback auctions of over Rs. 60000 crore could not give respite to the money markets. Nevertheless availability of funds under RBI's LAF window limited abnormal surge in overnight rates. Average rates of CBLO, market repo and call money during the year were 5.39 per cent, 5.55 per cent and 5.81 per cent respectively.

### Treasury Bill Market

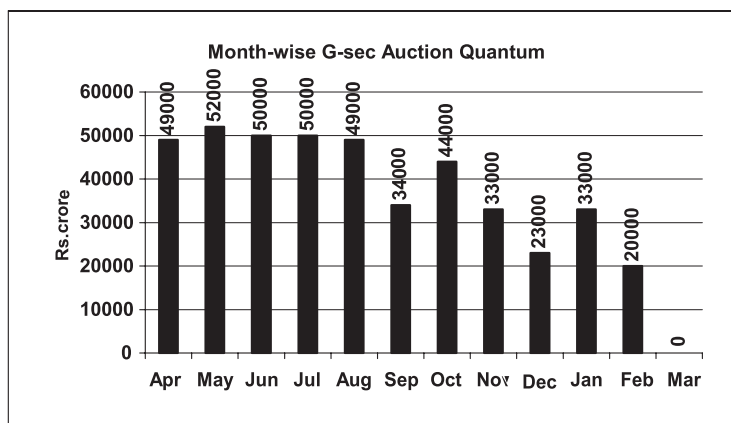
During FY 2010-11 Government borrowing through T-bills reduced to Rs. 316000 crore as against previous year's borrowing of Rs. 380000 crore. Yields in the primary market rose significantly in tandem with successive policy rates hike by RBI. Tight liquidity conditions too resulted in upward pressure on T-bill yields. Yield on 91 DTB rose from 3.97 per cent in the first auction to 7.31 per cent in the last auction of the year. Average implicit yield at cut-off price on 91 DTB, 182 DTB and 364 DTB stood at 6.18 per cent, 6.48 per cent & 6.56 per cent as against 3.57 per cent, 4.00 per cent and 4.37 per cent in the previous year respectively. Average bid-to-cover ratio on 91 DTB, 182 DTB and 364 DTB fell to 2.85, 3.06 and 3.38 respectively from 3.08, 3.35 and 3.67 during the previous year. The yield spread between 364 DTB and 91 DTB Treasury Bills was 35 basis points as on March 31, 2011 as compared to 71 basis points as on March 31, 2010.



### GOVERNMENT DATED SECURITIES

#### Primary Market

The Union Budget for FY 2010-11 originally placed the gross market borrowing for the fiscal year at Rs. 457000 crore. The issuances were front loaded and 65 per cent of the borrowings were completed in the first half of the year. There were heavy redemptions worth Rs. 112133 crore, but there was no unwinding of MSS bonds as witnessed in the previous fiscal. However, the liquidity conditions turned extremely tight since May, 2010, which forced RBI to conduct OMO auctions to purchase securities and infuse liquidity into system. RBI purchased dated securities worth Rs. 69395 crore under OMO in the second half of the year while the borrowing was also reduced by Rs. 20000 crore. OMO buyback auctions gave huge respite to the G-sec market as the same helped create demand for the primary market supplies amid extremely tight liquidity conditions. Borrowings were concentrated in short and medium term securities and the weighted average maturity of issuances stood at 11.64 years from 11.20 years in the previous year. The weighted average yield of dated securities issued during 2010-11 was higher at 7.91 per cent as compared to 7.23 per cent during 2009-10.

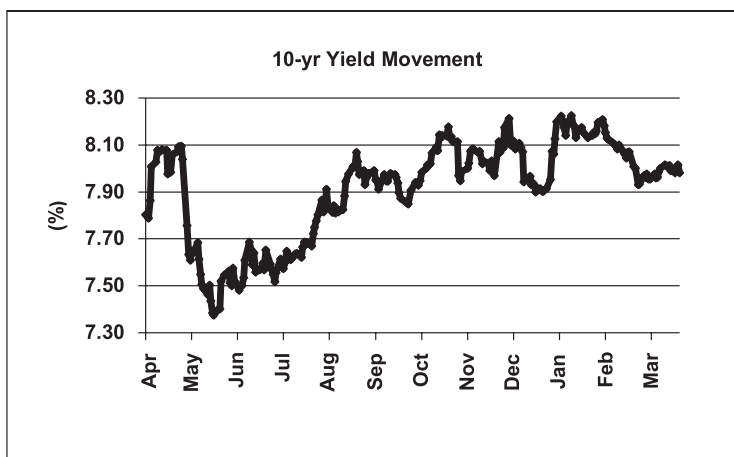


#### Secondary Market

Unlike the previous year, in which yields traded with a general hardening bias, there was ample sideways movement in yields amid a broad range in FY 2010-11. In the first quarter of the year, yields slipped sharply



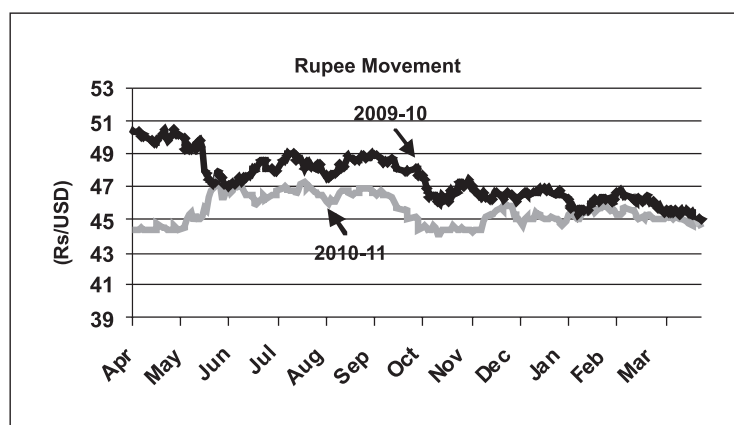
taking cues from bleak global economic outlook and sharp fall in US treasury yields. However, in the second quarter yields firmed up, with 10-yr yield rising past 8 per cent mark as inflation and supply concerns weighed on market sentiments. In the month of September, bond markets were also put off by more than expected hike in policy rates by RBI in the first mid quarter policy review. However towards the close of the second quarter, bond yields retreated again after government reduced the borrowings for H2 by Rs. 10000 crore and also raised the cap of FII investment in bonds by USD 10 bn to a total of USD 30 bn. In the last two quarters of the year,



yields traded range bound with 10-yr yield trading in the range of 7.85 per cent to 8.25 per cent. Market conditions improved significantly towards the end of the third quarter after RBI announced OMO buyback auctions of Rs. 48000 crore to ease out the liquidity crunch and kept the policy rates unchanged in December policy meet. In the last quarter of the year, persistently high inflation pushed yields to almost a year highs. After peaking out in the Feb, yields started retreating taking comfort from some deceleration in weekly inflation numbers. Bond market received a major boost after the fiscal deficit target was reduced to 4.6 per cent for FY 2011-12 in the annual budget. Lower than expected gross borrowings at Rs. 4.17 trillion too boosted market sentiments immensely. Bonds gave up gains marginally towards the end of the fiscal as monthly inflation for February accelerated beyond expectation to 8.31 per cent as against 8.23 per cent in January Shortage of funds in the system owing to advance tax outflows and upward revision of March end inflation projection to 8 per cent by RBI in its mid quarter policy statement too turned market sentiments cautious. However, yields ended the fiscal on a soft note on back of lower than expected borrowings for the first half of FY 2011-12. During the year, while short-term yields hardened on account of huge liquidity deficit in the system, while long-term yields remained largely stable. Yield on 10-yr benchmark paper closed the year at 7.98 per cent after touching a high and low of 8.23 per cent and 7.38 per cent respectively as against 7.85 per cent as on March 31, 2010.

## Forex Market

Rupee appreciated against the US dollar by 0.8 per cent during FY 2010-11 after weakening by 11.4 per cent during the previous year. Rupee strengthened sharply with the start of the new fiscal as exporters sold dollars and domestic equity markets scaled two-year peak. Strong capital inflows in rising domestic equities accentuated rise in rupee value. Sentiments were also boosted after Fitch raised India's debt rating from negative to stable as robust spectrum auction collections may help in reducing the fiscal deficit. However, concerns over widening of country's current account deficit due to increase in imports led to weakening of rupee against dollar in the second quarter of the year. During second half of the year rupee remained largely range bound. However rupee rose to the strongest level in two years, as equity market index Sensex rose above psychological mark of 20500 points. Rupee also gained, boosted by 8.2 per cent GDP growth rate in the third quarter of the year. Widening trade gap on balance of

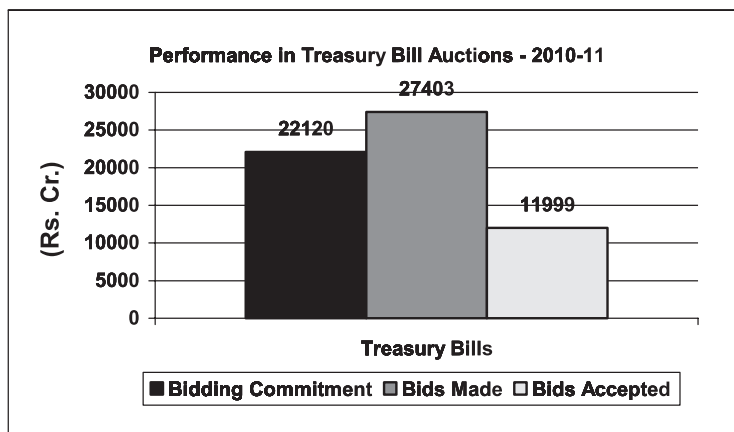


payments is being more than adequately met through excessive supplies from the capital account which further improved the outlook for the currency. However, slide in equity market indices and political unrest situation in the Middle East countries which spiked crude oil price to record high level resulted in sharp decline in rupee towards the beginning of the fourth quarter. Expectations of reduction in the current account deficit as oil price fell down below USD 100 a barrel mark and the hike in interest rate by RBI boosted the demand for the rupee towards the end of the fourth quarter. Rupee closed the year at 44.56/USD as against 44.95/USD as on March 31, 2010.

## COMPANY PERFORMANCE

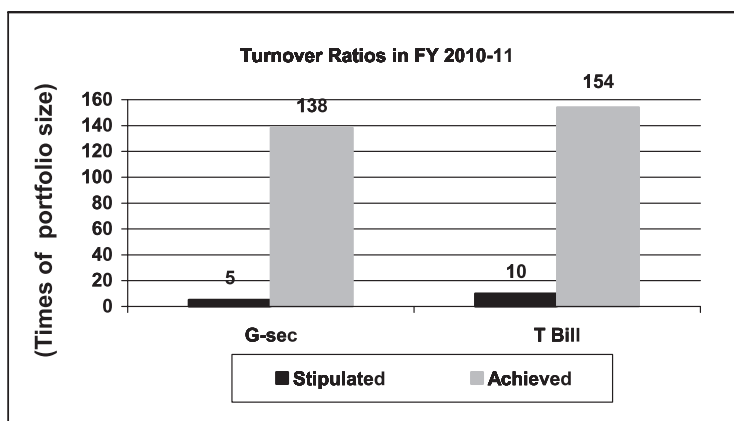
### Primary Market

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. 1.03 crore as against previous year's commission of Rs. 3.91 crore. In Treasury bill auctions, in the first half, GOI raised Rs. 158000 crore as against Rs. 187500 crore in the corresponding period of last fiscal. In the second half, GOI raised another Rs. 158000 crore through T-bills as against Rs. 192500 crore raised in corresponding period last fiscal. Fulfilling its primary market commitment company achieved success 58.83 per cent and 49.66 per cent in H1 and H2 respectively of FY 2010-11. During the year, company submitted bids aggregating Rs. 27403 crore against the commitment of Rs 22120 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs 11999 crore were accepted.



### Secondary Market

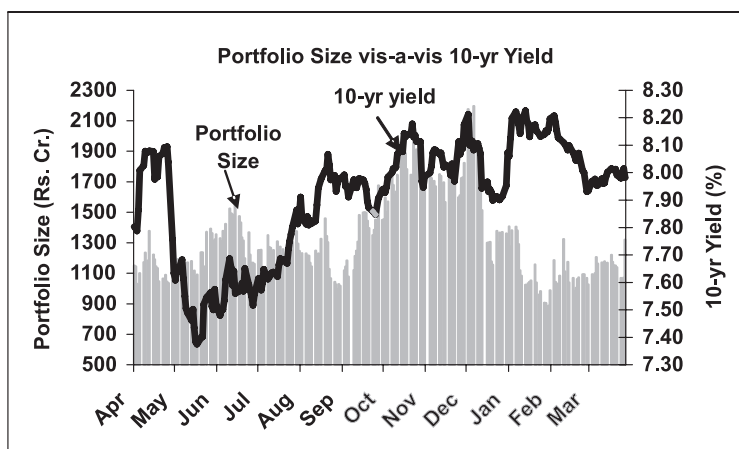
During the year, Company's secondary market turnover jumped significantly to Rs. 68745 crore as against Rs. 48386 crore achieved in FY 2009-10. 35 per cent of the total turnover, i.e. Rs. 23864 crore, was registered in the last quarter of the year. Segment wise, highest turnover remained concentrated in Central G-sec in which company registered total turnover of Rs. 49676 crore as against Rs. 33922 crore last fiscal. Company registered higher trading turnover in other segments as well. Market volumes also increased during the year with total turnover on RBI's NDS-OM platform rising by 6 per cent over the previous year. Company's total turnover ratio (secondary market) stands at 154 times for treasury bills and 138 times for government-dated securities as on March 31, 2011 against the minimum RBI stipulation of 10 times and 5 times respectively.



### Portfolio Size and Composition

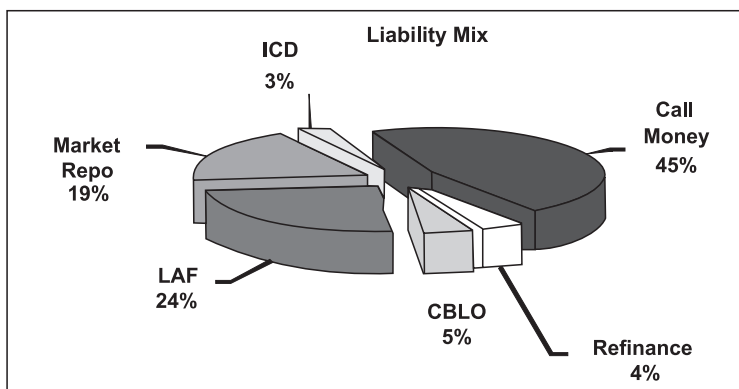
During the year, company maneuvered its portfolio size and composition to benefit from the volatility in the market. With short term rates remaining under continuous upward pressure owing to successive rate hikes and tight liquidity

conditions, company maintained low exposure in the Treasury bills. Average holding in T-bills during the year stood at Rs. 172 crore as against Rs. 224 crore in FY 2009-10. The aggregate portfolio size varied between Rs. 882 crore to Rs. 2197 crore and averaged at Rs. 1317 crore. Towards the end of the financial year, company reduced its holding considerably in anticipation of rise in yields owing to borrowing calendar announcement. During the year, company's exposure in the interest rate derivatives declined from Rs. 950 crore to Rs. 200 crore as on March 31, 2011.



### Liability Mix

During the year, company judiciously utilized different sources of borrowings namely Call, CBLO, Repo, LAF etc. Company faced extremely tight liquidity conditions especially during second half of the year as huge 3-G spectrum auction outflow and PSU companies' disinvestment caused severe drying up of funds from the banking system. Company used the LAF window abundantly in order to reduce its borrowing costs as call rates were trading at a considerable premium above the RBI's repo rate. Nevertheless, company's borrowing cost increased considerably during the fiscal owing to unabated rate hikes by the central bank. The average borrowings from all sources amounted to Rs. 908 crore as against Rs. 1123 crore in FY 2009-10. With reduction in portfolio size, the average leverage during the year also decreased to 1.59 times from 1.99 times in the previous year. The average cost of funds during the fiscal at 5.68 per cent (3.07 per cent in FY 2009-10) was about 16 basis points lower than the average NSE overnight MIBOR of 5.84 per cent during the year.



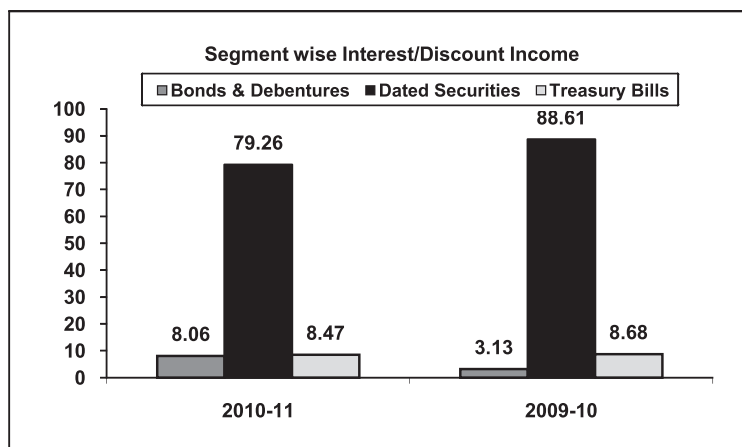
### Trading Stance and Risk Management

During the year company operated amid negative factors such as tight liquidity conditions, high inflation and policy tightening. However, support from RBI in form of OMO buyback auctions boosted the markets immensely thereby causing the yields to retreat in the fourth quarter of the year. Unlike the previous year, in which the movement in yields was largely unidirectional, yields witnessed movement in both the directions during FY 2010-11. Company took advantage of volatility in the market adopting a quick entry and exit approach as bearish macro economic fundamentals warranted quick disposal of stock. Company maintained a balanced portfolio composition comprising of liquid securities, which enabled company to earn a healthy interest income without exposing it to substantial market risk. Risk management is a critical constituent of company's trading business. The company's Mid-office is primarily responsible for formulating and implementing the risk management policies. Value-at-risk, PVBP limits, Sensitivity analysis and Cut-loss policies form the core of market risk management system. Counterparty exposure limits and instrument-wise exposure limits were the primary tools used for managing the credit risk in the business. Similarly, well-established and documented systems and procedures provide defence against the operational risk.

## Financial Performance

During the year, company's profit declined to Rs. 44.04 crore as on March 31, 2011 as against Rs. 56.03 crore as on March 31, 2010. Significant rise in company's borrowing costs owing to sharp surge in money market rates translated in lower profits this year. Company's average borrowing cost during FY 2010-11 stood at 5.68 per cent as against 3.07 per cent in the last fiscal. In absolute terms, company's interest expenses surged by almost 49 per cent from Rs. 34.57 crore in last fiscal to Rs. 51.57 crore in FY 2010-11. On the other hand, company's interest income remained

almost flat as rise in yields on securities was not as sharp as rise in money market rates. 10-yr benchmark yield rose by 18 basis points from 7.80 per cent as on March 31, 2010 to 7.98 per cent as on March 31, 2011 whereas RBI's repo rate rose by 175 basis points over the same period. Nevertheless company endeavored to maximize its profits despite operating in high cost environment. Company took advantage of rise in short term rates and invested funds in high yielding instruments such as CDs and CPs. Besides, active trading stance helped company in achieving higher profits. Swift entry and exit strategy also helped company to reduce the trading loss significantly. Income from non-core activities stood at Rs. 5.28 crore as against Rs. 8.27 crore in last fiscal. The Profit After Tax amounted to Rs. 30.58 crore as on March 31, 2011 as against Rs. 36.70 crore last year. The net worth of the company has risen by 2 per cent to Rs. 568.92 crore as on March 31, 2011. Capital adequacy ratio of the company as on March 31, 2011 stood at 94.42 per cent as against RBI's minimum stipulation of 15 per cent.



## Human Resource Development

The company places a lot of emphasis on continuous up gradation of its human resource. The company has a training committee to nominate employees according to the individual training needs. Best HR practices and a healthy work environment ensure high motivational levels of the employees. Apart from this, in-house lectures and workshops are also conducted to stimulate healthy exchange of ideas.

## OPPORTUNITIES AND THREATS

FY 2010-11 was marked with consolidation in economic growth with GDP growth for the year pegged at a healthy 8.6 per cent. Even as the index of industrial production (IIP) remained highly volatile especially in the second half of the year, other indicators, such as the latest Purchasing Managers' Index (PMI), direct and indirect tax collections, merchandise exports and bank credit, reflected strong momentum in growth. Lead indicators of services sector activity also remained robust. Inflation remained a dominant concern for the economy and the central bank hiked the policy rates seven times during the fiscal to fight the inflationary pressures which persisted throughout the year. In FY 2011-12, the growth outlook has somewhat been clouded over by surge in global energy prices and high inflation, which will prompt RBI to remain vigil as far as monetary stance is concerned. The Asian Development Bank (ADB) in April scaled down India's economic growth to 8.2 per cent for FY 2011-12 from its earlier estimate of 8.7 per cent projected in September last year. Aggregate demand might also tend to get squeezed on account of RBI's tight monetary policy stance. Inflation faces a potential upside risk with global crude oil prices touching fresh highs post credit crisis period. With regard to fiscal position of the nation, swelling of the subsidy bills on account of rise in global oil prices may result in overshooting of fiscal deficit target of 4.6 per cent for FY 2011-12.

Under the above economic backdrop, the domestic bond markets may have to operate amid monetary tightening environment as RBI may hike policy rates by 50 basis points to 75 basis points in order to quell inflationary pressures. The inflation outlook remains critical with a discernible pick up in non food manufacturing inflation and

crude oil prices persistently trading above the USD 100 a barrel mark. With regard to G-sec supplies, though the borrowings for the year at Rs. 417000 crore look easy to be absorbed, there might be a potential upside risk to the borrowings figure if the government fails to keep meet the fiscal deficit target. The disinvestment target of Rs. 40000 crore too looks stretched given the current volatility in the equity markets. The disinvestment proceeds holds an upside pressure on the fiscal deficit target, which may not augur well for the domestic bond market. The yield curve which remained largely flat during FY 2010-11, is expected to steepen somewhat, as short-term rates may trend downwards starting next fiscal owing to improvement in liquidity. The budget has provisioned for an OMO aggregating Rs. 20000 crore. Given the projected market borrowing for FY 2011-12 and lower G sec redemptions compared to last year, it is likely that the OMO could be employed during the year to smoothen out the borrowing schedule. Trading opportunities may be ample with sideways movement in yields giving opportunity to enter and exit from securities. Strong risk management systems will keep a vigilant check on various risks and help in maintaining an efficient risk return proportion. The company shall continue to make good use of its competencies in debt trading and other fund and non-fund based businesses permitted by RBI.

On behalf of Board of Directors

Date : May 11, 2011

Place : New Delhi

**(K.R.Kamath)**

Chairman



## REPORT ON CORPORATE GOVERNANCE

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

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

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

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

- ***Board of Directors***

1. **Composition of the Board**

The company fulfills this requirement as stipulated by the Code of Corporate Governance. The Board of Directors has only one Executive Director out of nine Directors and the Chairman of the Board is a Non-Executive Director. The composition of the Board as on 31st March, 2011 is as under:

**The Board of PNB Gilts Ltd. is headed by Sh. K. R. Kamath**, who is the Chairman and Managing Director of Punjab National Bank. He was earlier the Chairman & Managing Director of Allahabad Bank. He is a member of the Managing Committee of Indian Banks' Association, Governing Council of the Indian Institute of Banking & Finance, Governing Board of the Institute of Banking Personnel Selection. He is having a rich experience of around 35 years in banking industry. He is also Chairman of PNB Housing Finance Ltd., PNB International Ltd. and PNB Investment Services Ltd. and Director on the Board of Oriental Insurance Co. Ltd. and ECGC Ltd.

**Dr. O. P. Chawla** 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** 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** has rich experience of 32 years in Banking industry. He retired from Oriental Bank of Commerce as Chairman and Managing Director. He is Director on the Board of HDIL, A.S.P Research Service Pvt. Ltd and HDL Securities Pvt. Ltd.

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

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

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

**Sh. S. K. Dubey**, M.Sc, CAIIB, is General Manager - Punjab National Bank. He is having a rich experience of around 36 years in various senior capacities in the PNB group. He is Director on the Board of Principal PNB Asset Management Company Pvt. Ltd., PNB International Ltd and Dana Bank (Kazakhstan).

**Sh. D.V.S.S.V. Prasad**, General Manager-Punjab National Bank, is the Managing Director of company. He is M.Sc., CAIIB and has an experience of around 36 years in various senior capacities in the PNB group especially in forex operations. He is also a Director on the Board of Primary Dealers' Association of India.

- **Other information regarding the Board as on March 31, 2011 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	1	-
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. A. S. Agarwal	Non-Executive/Independent	-	-	-
Sh. M. S. Aftab	Non-Executive/Independent	5	2	-
Sh. P. P. Pareek	Non-Executive/Independent	1	1	-
Sh. S. K. Dubey	Non-Executive/Independent	—	-	-
Sh. D.V.S.S.V. Prasad <sup>2</sup>	Non-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.

2. Appointed as an Additional Director & Managing Director w.e.f. 03/05/2010.

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

## 2. Meetings and Attendance

During the year 2010-11, five Board Meetings were held on May 3, 2010, July 31, 2010, November 10, 2010, January 27, 2011 and March 26, 2011. Attendance record of the Directors in the meetings is as under:

Name of Directors	No. of Board Meetings attended	Attended last AGM held on July 31, 2010
Sh. K. R. Kamath	5	Y
Sh. Nagesh Pydah <sup>1</sup>	3	Y
Dr. O. P. Chawla	5	Y
Dr. Kamal Gupta	4	Y
Sh. S. K. Soni	5	Y
Sh. A. S. Agarwal	2	Y
Sh. M. S. Aftab	4	Y
Sh. P. P. Pareek	5	Y
Sh. S. K. Dubey	5	Y
Sh. S. Ranganathan <sup>2</sup>	N.A.	N.A.
Sh. D.V.S.S.V. Prasad <sup>3</sup>	5	Y

1. Resigned on 31/12/10.

2. Resigned as Managing Director on 03/04/10

3. Appointed as an Additional Director and Managing Director on 03/05/10.

## • Committees of the Board

### 1. Audit Committee

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

During the year 2010-11, four meetings of the Committee were held on May 3, 2010, July 31, 2010, November 9, 2010 and January 27, 2011. The composition and attendance of Directors in the Committee is as under:

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

The Company Secretary acts as the Secretary to the Committee.

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

During the year 2010-11, twenty four meetings of the said Committee were held.

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

<b>Name of the Directors</b>	<b>Position held in the Committee</b>	<b>No. of Meetings attended</b>
Sh. S. K. Dubey	Chairman	Twenty
Dr. Kamal Gupta	Member	Twenty Three
Sh. M. S. Aftab	Member	Twenty
Sh. S. Ranganathan <sup>1</sup>	Member	Nil
Sh. D.V.S.S.V. Prasad <sup>2</sup>	Member	Twenty Two

1. Resigned on 03/04/10.

2. Appointed as member on 03/05/10.

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

As on 31st March 2011, 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 2010-11, twelve meetings of the Committee were held.

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

<b>Name of the Directors</b>	<b>Position held in the Committee</b>	<b>No. of Meetings attended</b>
Sh. S K. Soni	Chairman	Twelve
Sh. A. S. Agarwal	Member	One
Sh. S. K. Dubey	Member	Nine
Sh. S. Ranganathan <sup>1</sup>	Member	Nil
Sh. D.V.S.S.V. Prasad <sup>2</sup>	Member	Eleven

1. Resigned on 03/04/10.

2. Appointed as member on 03/05/10.

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

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

During the year, the company had received 18 complaints (mostly in the nature of 'query') from the shareholders / investors. All the complaints have been redressed to the satisfaction of the complainants. No shareholder / investor complaint was pending as on 31/03/11.

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

### (C) Nomination Committee

During the year 2010-11, one Nomination Committee meeting was held. The composition of Nomination Committee and attendance the Members is as under :

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. K. R. Kamath	Chairman	One
Dr. O. P. Chawla	Member	One
Sh. S. K. Soni	Member	One
Sh. S. Ranganathan <sup>1</sup>	Member	Nil
Sh. D.V.S.S.V. Prasad <sup>2</sup>	Member	One

1. Resigned on 03/04/10.

2. Appointed as member on 03/05/10.

The Company Secretary acts as the Secretary to the Committee.

### 3. Remuneration of Directors

Matters of remuneration of Executive Director are considered by the Board of Directors of the company, with the Interested Executive Director not participating/voting. The terms of remuneration of Executive Director are approved by the shareholders at the general body meeting. The details of remuneration paid to the Executive Director(s) in the financial year 2010-11 is given in Note No. 3 of Notes to Accounts [Schedule 18(B) of the financial statements].

The Executive Director has been appointed for a period of 2 years (w.e.f. May 3, 2010) and his service conditions are regulated by the service regulations of PNB. As per these regulations, his service can be terminated by a notice period of 3 months on either side alternatively, surrender of 3 months salary in lieu thereof. No other severance fees is payable.

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

The details of sitting fees paid to Non-Executive Directors during the financial year 2010-11 is as under:

Name of the Directors	Sitting fees (Rs.)
Sh. K. R. Kamath*	30,000/-
Sh. Nagesh Pydah*	35,000/-
Dr. O.P. Chawla	65,000/-
Dr. Kamal Gupta	1,60,000/-
Sh. S.K.Soni	1,25,000/-
Sh. A. S. Agarwal	15,000/-
Sh. M. S. Aftab	1,20,000/-
Sh. P. P. Pareek	45,000/-
Sh. S. K. Dubey*	2,10,000/-

\* 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.

The remuneration policy of the company is reviewed periodically.



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

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

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

The Code of Conduct for Directors and Senior Management of the company has been posted at the company's website ([www.pnbgilts.com](http://www.pnbgilts.com)). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2010-11. A declaration of CEO to this effect is also appended to this report.

- ***CEO/CFO Certification***

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

- ***General Body Meetings***

Location and time of last three annual general meetings are as under:

Financial year	Venue	Date and time
2009-10	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	31 <sup>st</sup> July, 2010 at 1130 hrs.
2008-09	-do-	19 <sup>th</sup> August, 2009 at 1130 hrs.
2007-08	-do-	27 <sup>th</sup> September, 2008 at 1130 hrs.

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

- ***Management Discussion and Analysis***

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

- ***Disclosures***

During 2010-11, 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 the Directors are inter-se related to other Directors of the Company.

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

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

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

- ***Means of communication***

**Print**

The company publishes unaudited quarterly accounts and half-yearly accounts reviewed by auditors and audited annual financial results in one national newspaper and one regional language newspaper. Generally,

these are published in Financial Express and Jansatta. Besides, notice of the Board Meetings for the adoption of the aforesaid results is also published in the same newspapers.

## Internet

For the 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	: June, 25, 2011 at 12:00 noon.
Venue	: Air Force Auditorium, Subroto Park, New Delhi-110010
Financial Year	: April 1 to March 31
Date of Book Closure for Dividend	: <b>June 18, 2011 to June 25, 2011</b> <b>(both days inclusive)</b>
Dividend Payment Date	: July 20, 2011.

### 2. Listing on Stock Exchanges

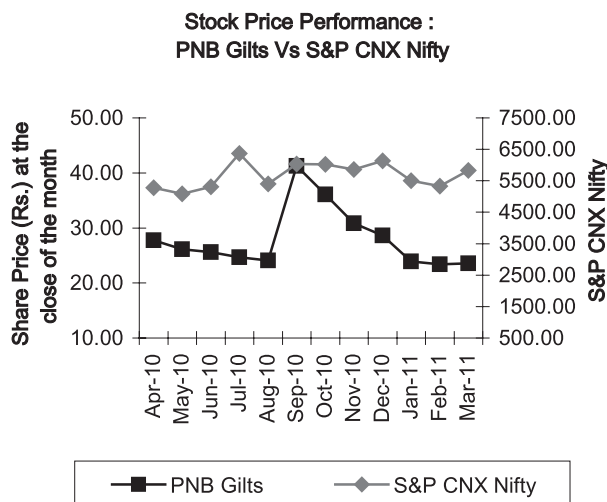
: Listed in September, 2000
The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai
National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Plot No. C/1 G- Block, Bandra Kurla Complex Bandra (E), Mumbai 400 051

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

### 3. Market Price Data: High/low share price data in each month during 2010-11 on National Stock Exchange is given as under :

Month	High (Rs.)	Low (Rs.)
Apr-10	30.00	24.15
May-10	28.85	25.55
Jun-10	27.45	24.55
Jul-10	27.15	24.60
Aug-10	25.95	24.00
Sep-10	42.50	24.00
Oct-10	46.40	35.45
Nov-10	43.20	26.60
Dec-10	37.90	24.55
Jan-11	29.45	23.40
Feb-11	26.10	22.00
Mar-11	26.80	22.00

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 : PNBG

#### 4. Registrar and Share Transfer Agents:

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

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

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

#### 7. Share Transfer / Dematerialisation System

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

#### • **Distribution of Shareholding as on March 31, 2011**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	28893	86.14	3328918	2.47
501-1000	2250	6.71	1980923	1.47
1001-2000	1078	3.21	1743588	1.29
2001-3000	363	1.08	1743588	0.72
3001-4000	192	0.57	704433	0.52
4001-5000	219	0.65	1059895	0.79
5001-10000	278	0.83	2135991	1.58
10001 and above	270	0.81	123081837	91.16
<b>Total</b>	<b>33453</b>	<b>100.00</b>	<b>135007600</b>	<b>100.00</b>

- **Shareholding pattern as on March 31, 2011**

Particulars	No. of Shares held	% of Shareholding
Promoter	100000000	74.07
Financial Institutions, Banks and Insurance Companies	5349103	3.96
Bodies Corporates, Trust & Foundations	7861563	5.82
Indian Public	20652407	15.30
NRI's and FII's	1144527	0.85
<b>Total</b>	<b>135007600</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

- **Dematerialisation of Shares**

The shares of the company are traded compulsorily in demat mode. At present (as on March 31, 2011) 99.66% of the shareholding is held in demat mode.

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

- **Unclaimed/Unpaid Dividend**

Under Section 205A(5) of the Companies Act, 1956 the amount of dividend remaining unclaimed for a period of seven years from the date of transfer of dividend to the Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF). No claim shall lie against the company or the said Fund in respect of dividend amounts that remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account. In pursuance of above, Unclaimed Final Dividend for the year 2000-01, Interim & Final Dividend for the year 2001-02, Interim & Final Dividend for the year 2002-03 and Interim Dividend for the year 2003-04 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 31<sup>st</sup> March 2011:

Financial Year	Amount of Dividend (Rs. Lacs)	Unclaimed Dividend as on 31.03.2011 (Rs. Lacs)	Unclaimed dividend Percentage	Last date for making claim	Due Date for making transfer to IEPF
2003-2004 (Final Dividend)	1,755.10	2.30	0.13	30 <sup>th</sup> Aug 2011*	29 <sup>th</sup> Sep 2011*
2005-06 (Interim Dividend)	1080.06	5.51	0.51	3 <sup>rd</sup> Mar 2013	2 <sup>nd</sup> Apr 2013
2007-08 (Final Dividend)	2025.11	9.10	0.45	1 <sup>st</sup> Nov 2015	1 <sup>st</sup> Dec 2015
2008-09 (Final Dividend)	1080.06	5.47	0.50	18 <sup>th</sup> Sep 2016	18 <sup>th</sup> Oct 2016
2009-10 (Final Dividend)	1350.07	6.25	0.46	5 <sup>th</sup> Sep 2017	5 <sup>th</sup> Oct 2017

\*The company had also sent individual advice letters (alongwith 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 29th September, 2011. 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

The same will be considered in due course.

### 2. Remuneration Committee

As mentioned earlier, the matters of remuneration of Executive Director are considered by the Board of Directors of the company, where the Interested Directors, do not participate/ vote. The board reviews these policies periodically and the terms of remuneration of Executive Director are approved by the shareholders at the general body meeting. Therefore, no separate remuneration committee has been constituted.



### 3. Shareholders Rights

The financial results are available on the website of the company ([www.pnbgilts.com](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 & Asstt. Vice President  
PNB Gilts Ltd.  
5, Sansad Marg  
New Delhi 110 001  
Tel : 011-23325759/ 23325779  
Fax : 011-23325751  
Email : [pnbgilts@del2.vsnl.net.in](mailto:pnbgilts@del2.vsnl.net.in)

On behalf of the Board of Directors

Date : May 11, 2011  
Place : New Delhi

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

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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, D.V.S.S.V. Prasad, hereby declare that all the Directors and Senior Management Personnel of the company have complied with the Company's "Code of Conduct for Directors and Senior Management" during the year 2010-11.

For and on behalf of Board

Date : April 20, 2011  
Place : New Delhi

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

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**AUDITOR'S 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 March 31, 2011, 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

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

Date : April 30, 2011  
Place : New Delhi



# FINANCIAL REVIEW

**AUDITORS' REPORT TO THE MEMBERS OF PNB GILTS LTD.**

1. We have audited the attached Balance Sheet of PNB GILTS LTD. as at March 31, 2011 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order, 2004 (together 'the order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii) 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 and proper returns adequate for the purpose of our audit have been received from liaison offices of the company.
  - iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) On the basis of written representation received from the Directors as on March 31, 2011 and taken on record by the Board of Directors in meeting held on April 30, 2011 we report that none of the Director is disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read in conjunction with the significant accounting policies (Schedule – 18A) and notes on accounts (Schedule – 18B), give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) In the case of Balance Sheet, of the State of affairs of the Company as at March 31, 2011.
  - b) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
  - c) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

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

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

Date : April 30, 2011  
Place : New Delhi

Membership No. 088767

## **Annexure referred to in Paragraph 3 of our report of even date to the members of PNB Gilts Limited, New Delhi on the accounts of the company for the year ended March 31, 2011.**

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 taken unsecured loans (Call money) from companies, firms or other parties covered in the register maintained u/s 301 of the Act. The number of parties involved is one and total amount involved in the transactions is Rs.5070 crores with closing balance of Rs. NIL. The rate of interest and other terms and conditions of loans taken are not prima prejudicial to the interest of the company and the company is regular in payment of the principal amount and interest.
- (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 our opinion, and according to the information and explanations given to us, the transactions which need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered and these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time as confirmed to us by the management.
- (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 the financial institution or bank or debenture holders as applicable.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other 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)**  
Partner

Date : April 30, 2011

Place : New Delhi

Membership No.088767



The Board of Directors  
PNB Gilts Limited

In terms of Reserve Bank of India, Department of Financial Companies Notification No. DNBS(PD)CC NO:179/03.02.001/2010-11 dated July 1, 2010, we report that :-

- 1) The Company is engaged in the business of Non-Banking Financial Institution. The Company has received Registration Certificate, as provided in Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) from Reserve Bank of India on 10th February, 1998.
- 2) The Company is entitled to continue to hold Certificate of Registration in terms of its asset /income pattern as on March 31, 2011.
- 3) A resolution for non-acceptance of any public deposits, was passed in the meeting of the Board on May 3, 2010.
- 4) The Company has not accepted any public deposits during the year ended March 31, 2011.
- 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, 2011 of the company alongwith Schedule 18 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

Membership No. 088767

Date : April 30, 2011

Place : New Delhi

## Comments of The Comptroller & Auditor General of India

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF PNB GILTS LIMITED, NEW DELHI FOR THE YEAR ENDED MARCH 31, 2011.

The preparation of financial statements of PNB Gilts Limited, New Delhi for the year ended 31st March, 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30th April, 2011.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of PNB Gilts Limited, New Delhi for the year ended 31st March, 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

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

**(M. K. Biswas)**

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

Date : May 16, 2011

Place : New Delhi

# **BALANCE SHEET AS AT 31ST MARCH 2011**

(Rs. in lacs)

	Schedule	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds :</b>			
Share Capital	1	13500.76	13500.76
Reserves & Surplus	2	43727.61	57228.37
<b>Loan Funds :</b>			
Secured Loans	3	64354.97	42558.93
Unsecured Loans	4	21110.00	56059.69
<b>TOTAL</b>		<b>142693.34</b>	<b>130753.71</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	5	1291.29	1215.69
Less: Depreciation		748.03	719.06
<b>Net Block</b>		<b>543.26</b>	<b>496.63</b>
<b>Investments</b>	6	-	-
<b>Deferred Tax Assets (Net)</b>	7	219.63	239.83
<b>Current Assets, Loans and Advances:</b>			
<b>A. Current Assets</b>			
Accrued Interest		1792.26	1714.01
Govt. Securities - HTM		12898.88	13269.55
Stock-in-Trade		118131.15	93535.39
Sundry Debtors		82.60	68.20
Cash & Bank Balances		10572.04	21588.48
Other Current Assets		-	24.10
		143476.93	130199.73
<b>B. Loans &amp; Advances</b>			
		4078.18	7328.13
		147555.11	137527.86
<b>Less :Current Liabilities &amp; Provisions</b>			
Liabilities	9	222.46	120.74
Provisions		5402.20	7389.87
		5624.66	7510.61
<b>Net Current Assets</b>		<b>141930.45</b>	<b>130017.25</b>
<b>TOTAL</b>		<b>142693.34</b>	<b>130753.71</b>
<b>Accounting Policies and Notes, Cash Flow 18</b>			
<b>Statement forming part of accounts</b>			

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

<b>(K. R. Kamath)</b> Chairman	<b>(Dr. O. P. Chawla)</b> Director	<b>(Dr. Kamal Gupta)</b> Director	<b>(S. K. Soni)</b> Director	<b>(A. S. Agarwal)</b> Director	<b>(M. S. Aftab)</b> Director
<b>(P. P. Pareek)</b> Director	<b>(S. K. Dubey)</b> Director	<b>(D.V.S.S.V. Prasad)</b> Managing Director	<b>(Sunita Gupta)</b> Sr. Exec.Vice President	<b>(P. Rajendran)</b> Exec.Vice President (Accts)	<b>(Monika Kochar)</b> Company Secretary & Asstt. Vice President

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

Date : April 30, 2011  
Place : New Delhi

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

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	Schedule	2010-11	2009-10
<b>INCOME</b>			
Discount Income	10	1118.01	909.71
Interest Income	11	9700.93	11210.93
<i>[TDS amounting to Rs.98.07 lacs (previous year Rs. 312.18 lacs)]</i>			
Trading Income	12	(1115.60)	(3078.27)
Other Income	13	617.94	1130.57
		10321.28	10172.94
<b>EXPENDITURE</b>			
Interest Expenses	14	5156.66	3456.51
Operating Expenses	15	100.56	114.14
Establishment Expenses	16	265.20	288.97
Administrative & Other Expenses	17	290.08	280.13
Bad Debts written off (See Note No. 19 of Notes to Accounts)		1.17	2.16
Provision for Bad & Doubtful Debts (See Note No. 4 of Notes to Accounts)		-	381.88
Amortisation of HTM Portfolio		12.15	-
Depreciation on Fixed Assets	5	91.06	45.87
		5916.88	4569.66
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		4404.40	5603.28
Less : Taxation Expense			
Current Income Tax		1363.87	2058.91
Adjustment for Earlier Years		(37.52)	0.08
Deferred Tax adjustment		20.20	(126.16)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		3057.85	3670.45
Balance brought forward from last year		5503.14	4147.21
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		8560.99	7817.66
<b>APPROPRIATIONS</b>			
Statutory Reserve Fund		612.00	735.00
General Reserve		77.00	-
Proposed Dividend		1620.09	1350.08
Dividend Tax		269.08	229.44
<b>Balance carried to Balance Sheet</b>		5982.82	5503.14
		8560.99	7817.66
<b>Basic Earnings per Share (Rs.)</b>		2.26	2.72
<b>Diluted Earnings per Share (Rs.)</b>		2.26	2.72
<b>Accounting Policies and Notes, Cash Flow 18</b>			
<b>Statement forming part of the Accounts</b>			

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

(K. R. Kamath) (Dr. O. P. Chawla) (Dr. Kamal Gupta)  
Chairman Director Director

(S. K. Soni)  
Director

(A. S. Agarwal)  
Director

(M. S. Aftab)  
Director

(P. P. Pareek) (S. K. Dubey) (D.V.S.S.V. Prasad)  
Director Director Managing Director

(Sunita Gupta)  
Sr. Exec.Vice President

(P. Rajendran)  
Exec.Vice President  
(Accts)

(Monika Kochar)  
Company Secretary &  
Asstt. Vice President

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

Date : April 30, 2011  
Place : New Delhi

(R.K.Mittal)  
Partner

Membership No. 088767

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 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>		
13,50,07,600 Equity Shares of Rs.10/- each		
fully paid-up (Out of this 2,50,00,000 equity shares		
have been issued as fully paid-up bonus shares by		
capitalising general reserve)	13500.76	13500.76
	13500.76	13500.76

<b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>General Reserve</b>		
Balance as per last Balance Sheet	9699.54	9699.54
Transfer from Profit & Loss Account	77.00	9776.54
		-
		9699.54
<b>Statutory Reserve Fund</b>		
(Created pursuant to Section 45-I C of Reserve Bank of		
India Act, 1934)		
Balance as per last Balance Sheet	14054.73	13319.73
Transfer from Profit & Loss Account	612.00	14666.73
		735.00
		14054.73
<b>Share Premium Account</b>		
		7001.52
<b>Market Fluctuation Reserve</b>		
		6300.00
<b>Profit &amp; Loss Account</b>		
		5982.82
		5503.14
	43727.61	42558.93

<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
LAF Borrowings from RBI (Secured by Govt. Securities -Face Value Rs. 17835.80 lacs - Book Value Rs. 18135.20 lacs)	16500.00	19000.00
CBLO Borrowings from CCIL (Secured by Govt. Securities -Face Value Rs. 2700 lacs - Book Value Rs. 2678.67 lacs)	1733.10	9194.02
RBI Refinance (Secured by Govt. Securities Face Value Rs.26609.50 lacs- Book Value Rs. 26920.59 lacs)	24500.00	-
Repo Borrowing (Secured by Govt. Securities (T Bills) -Face Value Rs.22373.00 lacs - Book Value Rs. 21632.07 lacs)	21621.87	-
	64354.97	28194.02

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
<b>From Banks</b>		
Call & Short Notice	21110.00	21500.00
<b>From Others</b>		
Other Short Term Borrowings	-	25000.00
	21110.00	46500.00

(Rs. in lacs)

**SCHEDULE - 5**

Sl. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-04-2010	Addition During the year	Adjustments/ Deductions during the year	As at 31-03-2011	As at 01-04-2010	For the year ended 31-03-2011	Accumulated Depreciation on Deductions	As at 31-03-2011	As at 31-03-2011	As at 31-03-2010
1	Buildings (Built Up Flats)	589.44	-	-	589.44	231.35	17.91	-	249.26	340.18	358.09
2	Office Equipments	97.82	5.28	14.13	88.97	67.59	4.17	10.39	61.37	27.60	30.25
3	Computers	187.28	17.32	19.71	184.89	170.21	11.63	19.24	162.60	22.29	17.07
4	Furnitures & Fixtures	170.33	3.06	22.15	151.24	143.32	4.61	18.36	129.57	21.67	27.01
5	Vehicles	36.00	-	9.81	26.19	15.24	5.03	8.45	11.82	14.37	20.75
6	Intangibles (Software)	134.82	121.63	5.89	250.56	91.35	47.71	5.65	133.41	117.15	43.46
	Total	1215.69	147.29	71.69	1291.29	719.06	91.06	62.09	748.03	543.26	496.63
	Previous Year	1161.40	74.22	19.93	1215.69	690.93	45.87	17.74	719.06	496.63	470.47

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 6</b>		
<b>INVESTMENTS</b>		
<b>Unquoted - Non Trade (Long Term)</b>		
Call money lending converted into term deposit with Madhavpura Mercantile Cooperative Bank Ltd (Refer Note No. 4 to Notes to Accounts)	761.88	761.88
Less : Provision	(761.88)	-
	-	-

**SCHEDULE - 7**
**DEFERRED TAX ASSETS**

For Provision against Investments	247.19	258.96
For Other Provisions	10.74	8.36
<b>Less Deferred Tax Liabilities</b>	257.93	267.32
For Fixed Assets	38.30	27.49
<b>NET DEFERRED TAX ASSETS</b>	219.63	239.83

(Rs. in lacs)

	As at 31.03.2011		As at 31.03.2010	
<b>SCHEDULE - 8</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>A. CURRENT ASSETS</b>				
<b>a. ACCRUED INTEREST ON</b>				
Government dated & approved securities	994.49		973.14	
Bonds & Debentures	532.15		81.38	
Interest Accrued on CBLO Lending	-		0.01	
Fixed Deposits with Scheduled Banks	265.62	1792.26	659.48	1714.01
<b>b GOVERNMENT SECURITIES (AS PER ANNEXURE)</b>				
<b>1. HELD TO MATURITY (HTM)</b>		12898.88		13269.55
<b>2. STOCK-IN-TRADE</b>				
Treasury Bills - 91 days	2954.50		7918.36	
Treasury Bills - 182 days	19293.16		-	
Treasury Bills - 364 days	-		10717.06	
Certificate of Deposit & Commercial Papers	3403.12		-	
Government Securities	78969.96		68840.04	
Corporate Bonds and Debentures	14478.28		7029.43	
Equity shares investment	62.76		-	
	119161.78		94504.89	
Less: Diminution in market value	(1030.63)	118131.15	(969.50)	93535.39
Constituent Investment A/c	1551559.70		1349086.23	
Less: Constituent Securities A/c	1551559.70	-	1349086.23	
<b>c. SUNDRY DEBTORS</b>				
(Unsecured considered good unless specifically stated)				
Debts outstanding for more than 6 months	-		-	
Other Debts	82.60	82.60	68.20	68.20
<b>d. CASH &amp; BANK BALANCES</b>				
Balance with Reserve Bank of India	10.80		14.58	
Balance with Scheduled Banks in Current Accounts	2.60		47.52	
Balance with Scheduled Banks in Deposit Accounts (Fixed Deposits to the tune of Rs.5500 lakhs are pledged with the respective banks for availing overdraft limit. As on March 31, 2011, availment of overdraft limit against the Fixed Deposits is NIL)	10530.00		21501.00	
Balance with Scheduled Banks towards Unclaimed Dividends (as per contra)	28.64	10572.04	25.38	21588.48
<b>e. OTHER CURRENT ASSETS</b>				
Others (Accrual on Trading Swaps)		-		24.10



(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>B. LOANS &amp; ADVANCES</b>		
(Unsecured considered good unless specifically stated)		
Advances recoverable in cash or in kind or for value to be received:		
i Security Deposits	528.68	360.89
ii Advance Income Tax	3425.26	6153.14
iii Tax deducted at source	98.07	312.18
iv MAT Credit Entitlement	-	418.25
v Others*	26.17	83.67
* -Includes Prepaid exp. of Rs. 7.93 lacs and advances to staff of Rs 18.24 lacs (Prev Year : Rs.29.83 lacs), out of which Rs.14.90 lacs are against equitable mortgage of properties/hypothecation of vehicles (Prev Year : Rs. 26.71 lacs)		
- Advances to Company Secretary Rs. 2.75 lacs (Prev Year : Rs 2.68 lacs), maximum amount of advance outstanding during the year Rs 2.84 lacs (Prev Year : Rs 3.54 lacs)		
	147555.11	137527.86

<b>Annexure to SCHEDULE-8 (b.1)</b>		
<b>DETAILS OF GOVERNMENT SECURITIES - HTM CATEGORY</b>		
S.No.	Nomenclature	Book Value
1	6.05% GUJARAT SDL 2019	18.82
2	7.02% PUNJAB SDL 2018	9.41
3	7.03% GUJARAT SDL 2018	61.52
4	7.10% A.P. SDL 2018	9.55
5	7.11% A.P. SDL 2019	259.22
6	7.65% SL TAMIL NADU 2019	7.82
7	7.68% SL PUNJAB 2019	319.30
8	7.76% SL KARNATAKA 2019 (I)	-
9	7.77% SL MADHYA PRADESH 2019	219.57
10	7.77% SL PUNJAB 2019 30.7.2019	2391.12
11	7.77% SL RAJASTHAN 2019	273.85
12	7.77% SL RAJASTHAN 2019 30.7.2019	2442.53
13	7.82% SL PUNJAB 2019	64.79
14	7.83% SL GUJARAT 2019	175.11
15	7.83% SL HARYANA 2019	200.12
16	7.83 % SL KERELA 2019	103.55
17	7.83% SL MAHARASHTRA 2019	1262.74
18	7.83% SL RAJASTHAN 2019	400.24
19	7.83% KARNATAKA SDL 2019	2020.17

(Rs. in lacs)

		<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>S.No.</b>	<b>Nomenclature</b>	<b>Book Value</b>	<b>Book Value</b>
20	7.95%SL KARNATAKA 2019	250.67	250.75
21	7.98% SL JAMMU & KASHMIR 2019	1009.59	1010.80
22	8.46% SL MAHARASHTRA 2019	1759.45	1768.57
		12898.88	13269.55
<b>Annexure to SCHEDULE-8 (b.2)</b>			
<b>DETAILS OF STOCK-IN-TRADE</b>			
<b>I. TREASURY BILLS</b>			
<b>A. 91 DAYS</b>			
1	09-Apr-10	-	293.26
2	16-Apr-10	-	6350.25
3	23-Apr-10	-	98.25
4	30-Apr-10	-	94.95
5	21-May-10	-	16.16
6	04-Jun-10	-	424.89
7	11-Jun-10	-	129.67
8	18-Jun-10	-	510.93
9	30-Jun-11	2954.50	-
	<b>Total (A)</b>	2954.50	7918.36
<b>B. 182 DAYS</b>			
1	15-Apr-11	3.24	-
2	29-Sep-11	19289.92	-
	<b>TOTAL (B)</b>	19293.16	-
<b>C. 364 DAYS</b>			
1	08-Apr-10	-	22.98
2	21-May-10	-	2896.83
3	13-Aug-10	-	4729.77
4	27-Aug-10	-	196.40
5	25-Feb-11	-	2871.08
	<b>TOTAL (C)</b>	-	10717.06
	<b>TOTAL (A)+(B)+(C)</b>	22247.66	18635.42
<b>II. MONEY MARKET INSTRUMENTS</b>			
<b>A. CERTIFICATE OF DEPOSIT</b>			
1	0.00% Bank of India CD -7.9.2011	2420.36	-
		2420.36	-
<b>B. COMMERCIAL PAPER</b>			
1	CP-Shree Renuka Sugar Ltd. 24.5.2011	492.40	-
2	CP-Shree Renuka Sugar Ltd. 7.6.2011	490.36	-
	<b>TOTAL</b>	982.76	-
	<b>TOTAL (A) + (B)</b>	3403.12	-

(Rs. in lacs)

		As at 31.03.2011	As at 31.03.2010
S.No.	Nomenclature	Book Value	Book Value
<b>III. GOVERNMENT DATED SECURITIES</b>			
<b>A. CENTRAL GOVERNMENT</b>			
1	6.85% GOI 2012	0.81	-
2	9.39% GOI 2011	1.15	1.15
3	10.25% GOI 2012	-	0.23
4	11.03% GOI 2012	0.12	0.12
5	6.49% GOI 2015	-	4305.23
6	7.59% GOI 2016	4860.77	4860.77
7	7.02% GOI 2016	-	491.56
8	7.46% GOI 2017	-	1382.26
9	7.49% GOI 2017	1959.47	-
10	7.99% GOI 2017	1002.03	-
11	8.07% GOI 2017	-	0.15
12	8.24% GOI 2018	0.59	0.59
13	GOI FRB 2020	970.27	7.64
14	6.35% GOI 2020	-	911.27
15	8.08% GOI 2022	15392.56	-
16	8.35% GOI 2022	0.05	0.05
17	8.13% GOI 2022	18645.24	-
18	8.20% GOI 2022	-	4298.33
19	8.24% GOI 2027	849.78	2176.91
20	8.26% GOI 2027	1701.74	-
21	7.95% GOI 2032	1.08	1.08
22	7.50% GOI 2034	-	3.74
23	7.40% GOI 2035	1190.17	1190.17
24	8.30% GOI 2040	30.64	-
<b>TOTAL (A)</b>		<b>46606.47</b>	<b>19631.25</b>
<b>B. STATE GOVERNMENT SECURITIES</b>			
1	10.52% SL (AP) 2010	-	0.80
2	10.52% SL (BH) 2010	-	314.55
3	10.52% SL (UP) 2010	-	1149.04
4	11.50% SL (GJ) 2010	-	204.35
5	11.50% SL (KA) 2010	-	119.45
6	7.87% SL (KE) 2016	0.10	0.10
7	7.89% SL (AP) 2016	0.05	0.05
8	8.50% SL (MH) 2017	0.60	0.60
9	7.02% SL (PUN) 2018	9.38	-
10	8.30% SL (MP) 2018	12.22	12.22
11	8.43% SL (GJ) 2018	0.05	0.05
12	9.89% SL (AP) 2018	0.20	0.20

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
S.No. Nomenclature	Book Value	Book Value
13 8.50% SL (KE) 2018 (I)	2715.07	2715.06
14 7.09% SL (HP) 2019	-	401.13
15 7.76% SL (KA) 2019	1773.56	2903.87
16 8.13% SL (PB) 2019	161.40	161.40
17 8.24% SL (TN) 2019	-	1291.25
18 8.25% SL (WB) 2019	-	200.40
19 8.27% SL (KE) 2019	-	1005.44
20 8.28% SL (RJ) 2019	2484.99	2515.17
21 8.30% SL (MH) 2019	-	659.40
22 8.34% SL (JK) 2019	-	1004.36
23 8.40% SL (GJ) 2019	1180.15	1180.15
24 8.40% SL (HP) 2019	-	401.87
25 8.40% SL (MP) 2019	134.00	134.00
26 8.43% SL (AM) 2019	1006.50	1024.01
27 8.45% SL (BH) 2019	-	1163.64
28 8.45% SL (KE) 2019	736.93	754.02
29 8.46% SL (MH) 2019	1572.94	1572.94
30 8.46% SL (RJ) 2019	-	974.56
31 8.47% SL (JKD) 2019	-	1013.09
32 8.49% SL (KA) 2019	-	1019.40
33 8.57% SL (UP) 2019	2294.82	2294.82
34 8.59% SL (AP) 2019	2132.70	2132.70
35 8.59% SL (UP) 2019	4138.40	4138.40
36 8.75% SL (JKD) 2019	502.19	502.19
37 8.78% SL (BH) 2019	731.48	731.47
38 8.89% SL (AM) 2019	519.10	519.10
39 7.30% SL (JK) 2019	-	447.30
40 7.95% SL (KA) 2019	275.73	275.73
41 7.95% SL (RJ) 2019	561.35	561.35
42 7.99% SL (MH) 2019	1830.49	1830.49
43 8.02% SL (WB) 2019	-	501.53
44 8.03% SL (UP) 2019	1793.09	1800.00
45 8.05% SL (KE) 2019	-	403.10
46 8.06% SL (RJ) 2019	907.08	907.08
47 8.10% SL (WB) 2019	-	953.12
48 8.15% SL (HR) 2019	-	200.14
49 8.20% SL (PB) 2019(I)	-	250.28
50 8.20% SL (RJ) 2019	2262.20	2385.67
51 8.21% SL (GJ) 2019	60.80	60.80

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
S.No. Nomenclature	Book Value	Book Value
52 8.25% SL (KA) 2019	15.50	25.50
53 8.26% SL (UP) 2019	-	218.49
54 8.31% SL (MP) 2019	12.82	35.86
55 8.32% SL (MP) 2019	-	191.52
56 8.35% SL (BH) 2019	-	224.92
57 8.35% SL (RJ) 2019	-	164.70
58 8.11% SL (RJ) 2020	1270.50	-
59 8.25% SL (AP) 2020	-	93.80
60 8.25% SL (HP) 2020	-	90.70
61 8.25% SL (RJ) 2020	-	128.10
62 8.30% SL (MH) 2020	-	26.52
63 8.32% SL (TN) 2020	-	49.88
64 8.33% SL (GJ) 2020	-	46.47
65 8.39% SL (AP) 2020	-	45.45
66 8.48% SL (MH) 2020	-	210.21
67 8.52% SL (TN) 2020	-	1009.67
68 8.53% SL (MH) 2020	3.00	-
69 8.55% SL (UP ) 2020	0.10	-
70 8.56% SL (KE) 2020	-	770.29
71 8.57% SL (WB) 2020	-	663.16
72 8.58% SL (UP) 2020	-	421.71
73 8.37% SL (AP) 2021	112.36	-
74 8.38% SL (BH) 2021	426.43	-
75 8.38% SL (HR) 2021	200.20	-
76 8.39% SL (MH) 2020	23.50	-
77 8.42% SL (HP) 2021	501.51	-
<b>TOTAL (B)</b>	<b>32363.49</b>	<b>49208.79</b>
<b>TOTAL (A)+(B)</b>	<b>78969.96</b>	<b>68840.04</b>
<b>IV. CORPORATE BONDS &amp; DEBENTURES</b>		
1 7.50% IDBI OMNI BONDS 2012	450.00	450.00
2 8.80% PNB 2012	11.46	11.46
3 5.88% BOI 2014	159.32	159.32
4 7.15% UBI 2015	210.00	210.00
5 7.15% VIJAYA BANK 2015	9.88	9.88
6 DDB NABARD 2017	-	688.77
7 8.70% PFC 2020	497.93	-
8 8.70% PFC PT 2020	2011.64	-
9 8.80% REC 2020	999.39	-
10 9.75% MAHESH HYDRA POWER CORPORATION 2022	500.00	500.00

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
S.No. Nomenclature	Book Value	Book Value
11 8.95% HDFC Ltd. 2020 – NCD	1000.00	-
12 8.84% PGC 2023 – NCD	500.35	-
13 8.65% IDFC 2020 – NCD	999.80	-
14 8.84% PGC 2024 – NCD	500.35	-
15 8.90% HDFC Ltd. 2020 – NCD	498.50	-
16 6.85% IIFCL 2014 Taxfree	1000.00	1,000.00
17 8.80% REC 2019 (I)	130.00	1,000.00
18 6.00% IRFC 2015	999.67	1,000.00
19 6.30% IRFC 2017	1000.00	1,000.00
20 6.70% IRFC 2020	-	1,000.00
21 6.05% IRFC 2015	500.00	-
22 6.32% IRFC 2017	1000.00	-
23 6.72% IRFC 2020	1500.00	-
24 9.15% Dr. Reddy Taxable bonds (Bonus received)	-	-
<b>TOTAL</b>	<b>14478.28</b>	<b>7029.43</b>
<b>V. Equity Shares</b>		
1 Neyvelli Lignite	3.94	-
2 NHPC	1.91	-
3 Oil India Ltd.	11.74	-
4 PFC	17.86	-
5 Power Trading Corpn	6.41	-
6 Shipping Corp.of India Ltd.	20.90	-
<b>TOTAL</b>	<b>62.76</b>	<b>-</b>
<b>TOTAL (I)+(II)+(III)+(IV)+(V)</b>	<b>119161.78</b>	<b>94504.89</b>
LESS: DIMINUTION IN MARKET VALUE	1030.63	969.50
<b>STOCK-IN-TRADE</b>	<b>118131.15*</b>	<b>93535.39</b>

The aggregate carrying value and market value as at March 31, 2011 is Rs. 118131.15 Lacs and Rs.118131.15 Lacs respectively (Prev Year: Rs. 93535.39 Lacs and Rs.93535.39 Lacs, respectively)

\*(i) Govt. Securities pledged for availing LAF -Face Value Rs. 17835.80 lacs - Book Value Rs.18135.20 lacs.

(ii) Govt. Securities pledged for availing CBLO borrowing -Face Value Rs. 2700.00 lacs - Book Value Rs 2678.67 lacs.

(iii) Govt. Securities pledged for availing RBI Refinance -Face Value Rs. 26609.50 lacs - Book Value Rs 26920.59 lacs.

The securities mentioned in (i), (ii) and (iii) above were not available for trading as on March 31, 2011.



(Rs. in lacs)

	As at 31.03.2011		As at 31.03.2010	
<b>SCHEDULE - 9</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>a) CURRENT LIABILITIES :</b>				
Sundry Creditors*	19.52		84.61	
Investor Education and Protection Fund shall be credited by following amounts namely :-				
i) Unclaimed Dividend	28.64		25.38	
Other Liabilities	3.07		0.95	
Interest accrued but not due on short term borrowings	51.70		9.80	
Accruals on Interest Rate Swaps (Net)	119.53	222.46	-	120.74
* Includes amount due to SME - Nil (Prev Year : Nil)				
<b>b) PROVISIONS FOR :</b>				
Proposed Dividend (including DDT)	1889.17		1579.52	
Outstanding Liabilities				
- For Retirement Benefits	33.11		23.45	
- Tax Provision	3426.53		5629.88	
- Other Provisions	53.39	5402.20	157.02	7389.87
		5624.66		7510.61

(Rs. in lacs)

	Period ended 31.03.2011		Period ended 31.03.2010	
<b>SCHEDULE - 10</b>				
<b>DISCOUNT INCOME</b>				
<b>a) Commercial Papers</b>	0.00			
Sales/ Redemption	8.62		-	
Add: Closing stock	982.76	991.38	-	-
Less: Purchases	982.76		-	
Opening stock	-	982.76	-	
	8.62		-	
<b>b) Certificate of Deposit</b>				
Sales/ Redemption	39712.45		4772.21	
Add: Closing stock	2420.36	42132.81	-	4772.21
Less: Purchases	41879.18		9.38	
Opening stock	-	41879.18	4721.59	4730.97
	253.63		41.24	
<b>c) Deep Discount Bond</b>				
Sales/ Redemption	712.63		-	
Add: Closing stock	-	712.63	688.77	688.77
Less: Purchases	14.86		72.30	
Opening stock	688.77	703.63	616.47	688.77
	9.00		-	
<b>d) Treasury Bills / Cash Management Bills</b>				
Sales/ Redemption	1230379.80		1108147.92	
Add: Closing stock*	22238.25	1252618.05	18624.37	1126772.29
Less: Purchases	1233146.91		1120501.81	
Opening stock*	18624.38	1251771.29	5402.01	1125903.82
	846.76		868.47	
<b>(a)+(b)+( c)+(d)</b>	1118.01		909.71	
* Adjusted for diminution in market value of securities at year end, if any.				

(Rs. in lacs)

	Period ended 31.03.2011	Period ended 31.03.2010
<b>SCHEDULE - 11</b>		
<b>INTEREST INCOME</b>		
Call & Notice Money Lending	3.55	-
Repo / ST Lending	33.71	4.49
Government Dated Securities	7925.52	8860.59
Corporate Bonds and Debentures	806.15	313.12
Interest on Fixed Deposits with Scheduled Banks	932.00	2032.73
	9700.93	11210.93

<b>SCHEDULE - 12</b>				
<b>TRADING INCOME</b>				
<b>a) Sale of Govt. dated securities</b>				
Sales/ Redemption	2978964.71		9325586.32	
Add: Closing stock *	77955.94	3056920.65	67881.58	9393467.90
Less : Purchases	2990223.38		9226998.94	
Opening stock *	67881.58	3058104.96	169498.71	9396497.65
		(1184.31)		(3029.75)
<b>b) Sale of Corporate Bonds &amp; Debentures</b>				
Sales/ Redemption	112970.18		62743.42	
Add: Closing stock*	14478.28	127448.46	7029.43	69772.85
Less: Purchases	120380.70		66789.10	
Opening stocks*	7029.43	127410.13	2966.51	69755.61
		38.33		17.24
<b>c) Equity Shares</b>				
Sales/ Redemption	1451.75		-	
Add: Closing stock*	55.57	1507.32	-	-
Less: Purchases	1493.13		-	
Opening stocks*	-	1493.13	-	-
		14.19		-
<b>d) Mutual Funds</b>				
Sales/ Redemption	15049.86		-	
Add: Closing stock*	-	15049.86	-	-
Less: Purchases	15024.93		-	
Opening stocks*	-	15024.93	-	-
		24.93		-

(Rs. in lacs)

	Period ended 31.03.2011	Period ended 31.03.2010
<b>e) Derivatives</b>	(8.74)	(65.76)
(a) + (b) + (c) + (d)	(1115.60)	(3078.27)
* Adjusted for diminution in market value of securities at year end, if any.		

**SCHEDULE - 13**
**OTHER INCOME**

Commission and fee	299.65	791.01
Underwriting fee	75.89	288.30
Dividend Income from Equity	2.72	-
Profit on Sale of Fixed Assets	-	0.49
Miscellaneous income	239.68	50.77
	617.94	1130.57

**SCHEDULE - 14**
**INTEREST EXPENSES**

Call & Short Notice Money Borrowing	2252.64	2209.50
CBLO Borrowing	196.53	402.03
Repo Borrowing	1010.53	793.25
RBI Borrowing	1548.05	27.98
Overdraft Borrowing	4.48	0.88
Short term Borrowing	144.43	22.87
	5156.66	3456.51

**SCHEDULE - 15**
**OPERATING EXPENSES**

Brokerage on Securities & Financial Instruments	0.17	0.22
Financial Information Services	22.38	21.02
Operating Expenses for Equity Transactions	3.49	-
Transaction charges	73.79	85.60
Bank charges	0.73	3.71
Other Expenses (Project Appraisal Processing fees)	-	3.59
	100.56	114.14

**SCHEDULE - 16**
**ESTABLISHMENT EXPENSES**

Salaries & Allowances	148.48	161.48
Contribution to Provident Fund & Gratuity Fund	18.24	16.97
Staff welfare & Other Establishment Expenses	95.30	109.59
Staff Recruitment & Training	3.18	0.93
	265.20	288.97

(Rs. in lacs)

	Period ended 31.03.2011	Period ended 31.03.2010
<b>SCHEDULE - 17</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Rent of Business Premises	65.04	66.02
Postage, Telephone & Telegram	34.35	36.90
Travelling, Conveyance & Motor Car Expenses	17.48	17.13
Printing & Stationery	12.86	15.78
Repairs & Maintenance-others	30.05	27.18
Repairs to Buildings	12.03	11.48
Internal Audit Fee & Expenses	11.78	12.74
Legal & Professional Fees	10.77	6.74
Listing Fee	2.12	2.12
Books and Periodicals	1.98	2.26
Workshop & Business Meet	26.04	21.07
Power & Fuel	12.81	14.95
Insurance Charges	1.81	1.89
Directors' Sitting fee	7.35	5.50
Auditors Remuneration		
- Statutory Audit Fee	3.31	3.31
- Tax Audit Fee	0.83	0.83
- Certification Fee	4.13	4.13
Share Transfer Fees	3.61	4.72
Corporate Membership	2.25	2.08
Advertisement & Publicity	6.46	2.32
Miscellaneous Expense	23.02	20.98
	290.08	280.13
<b>Bad Debts written off</b>	1.17	2.16
<b>Provision for Bad &amp; Doubtful Debts</b>	-	381.88

**SCHEDULE - 18****ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. Method of Accounting**

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

2. Sales / Purchases of Treasury Bills (including Cash Management Bills) and Government Dated Securities, as disclosed in Profit & Loss Account does not includes repo transactions in accordance with revised RBI guidelines. In year prior to this, sale / purchase of Government dated securities includes repo transactions as well.

**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 & received on sale is netted and reckoned as expense/income.
- iv) Profit/loss on sale of securities is accounted on weighted average cost method and is recognised on settlement date. Profit on sale of securities is netted with loss on sale of securities.
- v) Brokerage and front-end fee received on subscription of securities is deducted in arriving at the cost of relevant securities. Underwriting fee earned in respect of devolvement in respect of underwriting commitments is proportionately reduced from the cost of securities devolving and the remaining amount is directly recognised as income.
- vi) In case of Merchant Banking activities (Project Appraisal, Loan Syndication etc.) the fee is accrued only on the completion of the assignment/work. 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) In case of Units of Mutual Fund, the company has invested in Daily Dividend Reinvestment Plan and the income (dividend) is accounted based on the dividend declaration by the Mutual Fund. Income on investment made in Mutual Funds with growth plan is accounted daily on the basis of closing NAV declared by mutual funds.

**4. Expenses Recognition**

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

**5. Valuation of Stock-in-Trade**

- i) All securities in which the company deals are regarded as Current Assets (Stock-in-Trade) and grouped as hedge and non-hedge portfolio.
- ii) The stock of Central Government Securities, Treasury Bills (including Cash Management Bills), State Development Loans and PSU/Corporate Bonds & Debentures, Equity Shares are valued at weighted average cost or market value, whichever is lower (except securities under HTM category as per RBI circular). 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.



The securities under HTM category are valued as per the guidelines issued by RBI from time to time.

- 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.

## 6. Accounting for Repo Transactions

In confirmation 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. The above said rules are applicable from this financial year onwards (2010-11) as per RBI guidelines.

## 7. Interest Rate Swaps (IRS)

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

### i) Trading Swaps

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

### ii) Hedge Swaps

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

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

## 8. Accounting for Future and Options Transactions

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

## 9. Investment

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

## 10. Deferred Tax

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

## 11. Depreciation

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

## 12. Preliminary Expenses

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

## 13. Share Issue Expenses

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

## 14. Tax on Dividend

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

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

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

## B. NOTES TO ACCOUNTS

- The company has adopted the rates provided by FIMMDA for determining market value of securities in terms of Accounting Policy no. 5(ii) and net diminution in the value of securities as on March 31, 2011 amounting to Rs. 1030.63 lacs has been provided for in the valuation of closing stock.
- Securities against Repo transactions outstanding are as under:**

(Rs. in lacs)

	As at 31 <sup>st</sup> March			
	2011		2010	
	Face Value	Book Value	Face Value	Book Value
Purchases (Rev. Repo)	NIL	NIL	NIL	NIL
Sales (Repo) (Borrowed amount Rs. 21621.87 lacs)	22373.00	21632.07	NIL	NIL

The above book value of securities under REPO is included under stock in trade in accordance with new REPO guidelines as mentioned in Accounting Policy no. 6. Due to change in Accounting Policy, the profit was over stated by Rs. 1.08 lacs.

## 3. Managerial Remuneration paid to the Managing Director during the year 2010-11:

(Mr. S. Ranganathan was Managing Director till April 3, 2010 and thereafter, Mr. D.V.S.S.V. Prasad joined the organization with immediate effect and later on appointed by the Board as Managing Director w.e.f. May 3, 2010)

(Rs. in lacs)

	Remuneration paid to Mr. S. Ranganathan	Remuneration paid to Mr. D.V.S.S.V. Prasad
Salaries and allowances	0.078	12.398*
Company's contribution to Provident Fund	0.005	1.096
Other perquisites	0.000	3.749

\*Includes salary arrears of Rs.4.02 lacs paid by parent bank – Punjab National Bank)

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

4. An amount of Rs.1000 lacs was lent in Call money to Madhavpura Mercantile Cooperative Bank Limited (MMCB) in March 2001, which became overdue as on March 31, 2001. We have been informed by MMCBL that the Government of India (Ministry of Agriculture, Department of Agriculture & Cooperation, New Delhi) has formed a reconstruction scheme and the amount would be repaid accordingly. However, the repayment was not made by them as per the scheme and vide Government's notifications instructed that all payments by the bank including installment of repayment due in August 2007, August 2008 and August 2009 (totalling to Rs. 761.88 lacs against which Rs. 380 lacs provision was outstanding) and payments of interest to banks on their deposits are deferred till August, 2010. However, during September, 2010, as per RBI's prudential norms on "Income Recognition and Asset Classification and Provisioning" the Board of Directors decided to make 100% provision for the concerned asset, by making additional provision of Rs. 381.88 lacs. As on March 31, 2011, the total principal outstanding was Rs. 761.88 lacs (previous year Rs.761.88 lacs) against which provision of Rs.761.88 lacs is outstanding. In view of the modification in the Reconstruction Scheme, and notification by the government, no further amount was due, till August 2011.

#### 5. Appropriation of the Profits:

- The Company has proposed a final dividend Rs. 1.20 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. 269.08 lacs has been made @ 15 per cent plus surcharge @ 7.50 per cent plus Education Cess @ 2 per cent and Secondary Higher Education Cess @ 1 per cent.
  - A sum of Rs. 77 lacs has been transferred to General Reserve. Further, a sum of Rs. 612 lacs has been transferred to Statutory Reserve Fund.
  - The Board of Directors, in its meeting held on 09th January 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 adoption of annual accounts each year, Board may decide the quantum of amount to be transferred to this Reserve, if necessary. For the FY 2010-11, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding in this reserve is Rs. 6300 lacs.
6. Reportable segments in respect of business operations of the company have been identified on the basis of varied risk and return profile attached to each business segment which is the primary reporting format, and which are in terms of Accounting Standard – 17 on Segment Reporting. The company does not have any geographical segments, as such there is no secondary reporting format.

The Segment information is as under:

FY 2009-10

(Rs. in lacs)

	T-Bills / CP / CDs	Corp. Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (including Equity shares)	Total
Segment Revenue	909.71	330.36	6119.14	(65.76)	2032.73	696.48	150.28	10172.94
Total Allocable (Expenses)	(586.55)	(92.78)	(2880.94)				(8.08)	(3568.35)
Segment Results	323.16	237.58	3238.20	(65.76)	2032.73	696.48	142.20	6604.59
Less: Unallocable Expenses								(1001.31)
Profit Before Tax								5603.28
Segment Assets	18701.80	7136.14	83378.68		22922.36	67.29	49.98	132256.25
Segment Liabilities	12802.90	4880.71	57989.71	44.65	761.88			76479.85

**FY 2010-11**

(Rs. in lacs)

	T-Bills / CP / CDs	Corp. Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (Including Equity shares)	Total
Segment Revenue	1109.01	853.48	6817.10	(8.74)	932.00	312.93	305.50	10321.28
Total Allocable Expenses	(843.44)	(399.73)	(3984.89)	-	-	-	(40.75)	(5268.81)
Segment Results	265.57	453.75	2832.21	(8.74)	932.00	312.93	264.75	5052.47
Less : Unallocable Expenses								(648.07)
Profit Before Tax								4404.40
Segment Assets	25478.73	14909.75	92240.46	-	11557.50	82.04	62.76	144331.24
Segment Liabilities	16435.93	9611.73	60492.45	130.47	761.88	-	7.19	87439.65

Note: Diminution of Rs. 1014.02 lacs on Government Securities, Rs.9.42 lacs on Treasury Bills, Rs.7.19 lacs on Equity investments and Rs. NIL on Corporate Bonds (as there is net appreciation) as on March 31, 2011 has been provided for (Prev. Year Rs.958.45 lacs on Government Securities, Rs. 11.05 lacs on Treasury Bills and Rs. NIL on Corporate Bonds and Debentures).

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

## 7. Related Party Transactions

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

- The overall supervision and control of company vests with Board of Directors. The Managing Director of the company is on deputation from Punjab National Bank and is working full time with the company. Details of managerial remuneration are disclosed vide Note No. 3 above in the Notes to Accounts.
- Out of a total of nine Directors on the Board of the company as at March 31, 2011, six are Independent directors. Only the Non-Executive Directors are being paid sitting fees for the Board / Committee meetings at the rate of Rs. 5000/- per meeting. During the year the company has paid a sum of Rs. 8.05 lacs (Prev. Year Rs.5.50 lacs) towards sitting fee.

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

Computation of EPS/DEPS is as under:

(Rs. in lacs)

	2010-11	2009-10
Weighted Average Number of shares outstanding (of Rs 10/- each)	135007600	135007600
Profit after Tax (Rs in lacs)	3057.85	3670.45
Basic Earnings per share (in Rs.)	2.26	2.72
Diluted Earnings per share (in Rs.)	2.26	2.72

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

## 9. Deferred Tax

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

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Assets</b>		
For Provision against Investments	247.19	258.96
For Other Provisions	10.74	8.36
<b>Total Deferred Tax Assets</b>	<b>257.93</b>	<b>267.32</b>
<b>Deferred Tax Liabilities</b>		
For Fixed Assets	38.30	27.49
<b>Total Deferred Tax Liabilities</b>	<b>38.30</b>	<b>27.49</b>
<b>Net Deferred Tax Assets</b>	<b>219.63</b>	<b>239.83</b>

An adjustment for the current year amounting to Rs 20.20 lacs {Prev. Year Rs. (126.16) lacs} has been made out of the profits for the current year.

#### 10. Disclosure on Interest Rate Swaps

(Rs. in lacs)

	Hedging Swaps		Trading Swaps	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Notional Principal	NIL	NIL	20000.00	95000.00
Marked to Market Positions	NIL	NIL	19989.06	94931.25
Max. of 100*PV01 observed during the year	NIL	NIL	101.25	280.92
Min. of 100*PV01 observed during the year	NIL	NIL	0.00082	13.11

Market risk : In the event of 100 basis points adverse movement in interest rates there will be a negative impact of Rs. 0.06246 lacs (Prev. Year Rs 38.04 lacs) on Trading Swaps in the swap book.

The losses, which would be incurred if, counter parties failed to fulfill their obligations works out to Rs.10.72 lacs (Prev. Year Rs. 789.97 lacs)

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

Collateral : No Collateral is insisted upon from counterparty

Credit Risk Concentration : State Bank of India. – Rs.5.36 lacs. (Previous year Rs. 251.62 lacs)

11. As on March 31, 2011, Secured loans (including market repo) of Rs. 64354.97 lacs comprise of Rs. 24500.00 lacs under RBI's refinance facility, Rs. 16500.00 lacs under RBI's LAF repo facility, Rs. 1733.10 lacs under CBLO and Rs. 21621.87 lacs under REPO facility. Unsecured loans of Rs. 21110.00 lacs comprise of Call Money Borrowings of Rs. 21110.00 lacs. During the year 2010-11, average and peak net borrowings in Call Money amounted to Rs. 41262.83 lacs and Rs.103590.00 lacs respectively. For the year, the average and peak leverage ratio stands at 1.59 and 3.06 times respectively.
12. (a) As on March 31, 2011, the total stock of Rs. 118131.15 lacs comprise of Government securities (including Treasury Bills) of Rs. 100194.19 lacs, Rs.55.57 lacs of Equity instruments, Rs.3403.12 lacs of Money Market Instruments and Rs. 14478.27 lacs of Corporate Bonds & Debentures. The portfolio of Corporate Bonds & Debentures comprises Rs.13649.07 lacs of AAA rated and Rs.829.20lacs of AA+ rated bonds.

#### Issuer Composition of Investments in Non Government Securities:

(Rs. in lacs)

Sl. No.	Issuer	Amount (Book Value)	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unlisted' Securities	Extent of 'Unrated' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	11639.12	NA	NA	NA	NA
2	FIs	1948.50	NA	NA	NA	NA
3	Banks	2811.02	NA	NA	NA	NA
4	Other PDs	NIL	NA	NA	NA	NA
5	Private Corporates	1482.76	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
	Total	17881.40	NA	NA	NA	NA

- (b) As per the RBI circular dated 31st August 2009, the company had categorized an amount of Rs. 13269.55 lacs of Government Securities in Held To Maturity (HTM) category. During the current year, an amount of Rs. 358.52 lacs was transferred from HTM to trading category by booking depreciation of Rs.0.64 lacs. Further, an amount of Rs. 12.15 lacs was amortized by Straight-line basis on the securities. The outstanding under HTM category as on March 31, 2011 stood at Rs. 12898.88 lacs, the details of which is given in the Annexure to Schedule 8 (b.1).

13. Capital Adequacy Ratios as on June 30, 2010, September 30, 2010, December 31, 2010 and March 31, 2011 were 57.60 per cent, 70.67 per cent, 56.18 per cent and 94.42 per cent respectively as against RBI stipulation of 15 per cent. Net Owned Funds of the company stands at Rs. 56891.59 lacs as against the minimum stipulated capital of Rs. 25000.00 lacs. Return on net worth for the year 2010-11 stands at 5.43 per cent.

**CRAR**

Sl. No.	Particulars	As on 31.03.2011	As on 31.03.2010
i)	CRAR (%)	94.42	41.59
ii)	CRAR- Tier I Capital (%)	94.42	41.59
iii)	CRAR- Tier II Capital (%)	NA	NA

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

**Derivatives**
**Forward Rate Agreement/Interest Rate Swap**

(Rs. in lacs)

Sl. No.	Particulars	As on 31.03.2011	As on 31.03.2010
i)	The notional principal of swap agreements	20000.00	95000.00
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	10.72	789.97
iii)	Concentration of credit risk arising from the swaps	5.36	251.62
iv)	The fair value of the swap book	19989.06	94931.25

**Quantitative Disclosures for Financial year 2010-11 are as under:**

(Rs. in lacs)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	NIL	NIL
	b) For trading	NIL	20000.00
(ii)	Marked to Market Positions		
	a) Asset (+)	NIL	NIL
	b) Liability (-)	NIL	19989.06
(iii)	Credit Exposure	NIL	10.72
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	NIL	NIL
	b) on trading derivatives	NIL	0.06246
(v)	Maximum and Minimum of 100*PV01 observed		
	a) on hedging	NIL	NIL
	b) on trading	NIL	101.25 & 0.00082

## Asset Liability Management

Maturity pattern of certain items of assets and liabilities for Financial Year 2010-11 are as under:-

(Rs. in crore)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3	Over 3 months to 6 months	Over 6 months to 1 year months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>	-	-	-	-	-	-	-	-	-
Borrowings from banks	621.10	-	-	-	-	-	-	-	621.10
Market Borrowings	233.55	-	-	-	-	-	-	-	233.55
<b>Assets</b>	-	-	-	-	-	-	-	-	-
Advances	-	-	-	-	0.08	-	-	0.18	0.26
Investments	-	-	-	-	-	-	-	-	-

14. Tax deducted at source on interest, miscellaneous income and commission and fees during the FY 2010-11 amounted to Rs 98.07 lacs (Prev. Year : Rs 312.18 lacs).
15. Provision for leave encashment has been done in accordance with the requirement of AS - 15 (revised) as per actuarial valuation for the year 2010-11 on April 1, 2011 and as per Projected Unit Credit Method, details for which are given hereunder:

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

Attrition Rate (per annum)	5.00%
Imputed Rate of Interest (per annum)	8.50%
Salary Rise (per annum)	7.00%
Remaining Working Life (in years)	21.72
Mortality Table	LIC 1994-96 Ultimate

**b) Changes in the present value of the Long Term obligations**

(in Rs.)

Present Value of obligation at the beginning of the I.V.P	1747317.00
Interest Cost	117954.00
Current Service Cost	764737.00
Benefits Paid	(719256.00)
Actuarial (Gain)/ Loss on obligation	672256.00
Present Value of obligation at the end of the I.V.P.	2583008.00

**c) Short Term Obligation**

Rs. 727965.00

**d) Fair Value of Plan Assets**

(in Rs.)

Fair Value of Plan Assets at the beginning of the I.V.P.	NIL
Actual Return on Plan Assets	NIL
Contribution	NIL
Benefits Paid	(719256.00)
Fair Value of Plan Assets at the end of the I.V.P.	NIL
Present Value of Long Term obligation at the end of the I.V.P	2583008.00
Funded Status	(2583008.00)

**e) Amount to be Recognized in the Balance Sheet**

(in Rs.)

Present Value of Long Term Obligation at the end of the I.V.P	2583008.00
Fair Value of Plan Assets at the end of the I.V.P	NIL
Funded Status	(2583008.00)
Unrecognized Actuarial (Gain)/ Loss at the end of the I.V.P	NIL
Net Asset/ (Liability) Recognized in the Balance Sheet	3310973.00 *

\* Including short term liability of Rs. 727965/- as given in 15(c)



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

Current Service Cost	764737.00
Interest Cost	117954.00
Benefits paid	(719256.00)
Expected Return on Plan Assets	NIL
Actuarial (Gain)/ Loss Recognized in the I.V.P	672256.00
Short Term Liability (Additional)	130724.00
Expenses Recognized in the Statement of Profit & Loss Account	966415.00

16. During the year 2010-11, the carrying amount of assets were reviewed and none of the assets of the company were found to be impaired, for which the procedure prescribed as per Accounting Standard 28 needs to be applied.
17. The Mutual Fund Commission accrued (Rs. 82.04 lacs) as on March 31, 2011, has been taken to income on an estimated basis and to the extent that the commission on reinvestment of dividend, in case of reinvestment plan, cannot be calculated accurately.
18. During the year, refund from the Income Tax Department, related to eight years from FY 2001-02 to 2008-09, amounting to Rs.1818.16 lacs have been received. Interest to the tune of Rs. 183.88 lacs received on the refund is included in the miscellaneous income.
19. During the year, an amount of Rs.1.13 lacs on account of non- receipt of TDS certificate and Rs. 0.04 lacs on account of excess accrual in Mutual Fund income receivable have been written off.
20. 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.

<b>(K. R. Kamath)</b> Chairman	<b>(Dr. O. P. Chawla)</b> Director	<b>(Dr. Kamal Gupta)</b> Director	<b>(S. K. Soni)</b> Director	<b>(A. S. Agarwal)</b> Director	<b>(M. S. Aftab)</b> Director
<b>(P. P. Pareek)</b> Director	<b>(S. K. Dubey)</b> Director	<b>(D.V.S.S.V. Prasad)</b> Managing Director	<b>(Sunita Gupta)</b> Sr. Exec.Vice President	<b>(P. Rajendran)</b> Exec.Vice President (Accts)	<b>(Monika Kochar)</b> Company Secretary & Asstt. Vice President

In terms of our report of even date

For **S. Mohan & Co.**

Chartered Accountants

Date : April 30, 2011

Place : New Delhi

**(R.K.Mittal)**

Partner

Membership No. 088767

## Balance Sheet Abstract & Company's General Business Profile

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

### I. Registration Details

Registration No.: 

5	5	-	0	7	7	1	2	0
---	---	---	---	---	---	---	---	---

 State Code 

5	5
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

  
Date Month Year

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

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

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

Total Liabilities 

1	4	8	3	1	8	0	0
---	---	---	---	---	---	---	---

 Total Assets 

1	4	8	3	1	8	0	0
---	---	---	---	---	---	---	---

#### Sources of Funds

Paid up Capital 

1	3	5	0	0	7	6
---	---	---	---	---	---	---

 Reserves & Surplus 

4	3	7	2	7	6	1
---	---	---	---	---	---	---

Secured Loans 

6	4	3	5	4	9	7
---	---	---	---	---	---	---

 Unsecured Loans 

2	1	1	1	0	0	0
---	---	---	---	---	---	---

#### Application of Funds

Net Fixed Assets 

5	4	3	2	6
---	---	---	---	---

 Investments 

N	I	L
---	---	---

Net Current Assets 

1	4	1	9	3	0	4	5
---	---	---	---	---	---	---	---

 Misc.Expenditure 

N	I	L
---	---	---

Accumulated Losses 

N	I	L
---	---	---

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

Turnover/Income 

1	0	3	2	1	2	8
---	---	---	---	---	---	---

 Total Expenditure 

5	9	1	6	8	8
---	---	---	---	---	---

Profit Before Tax 

4	4	0	4	4	0
---	---	---	---	---	---

 Profit After Tax 

3	0	5	7	8	5
---	---	---	---	---	---

Earning per share in Rs.p. 

2	.	2	6
---	---	---	---

 Dividend @ % 

1	2
---	---

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

Item Code No.(ITC Code) 

NIL
-----

Service Description Primary Dealer in Govt.Dated Securities

Item Code No.(ITC Code) 

NIL
-----

Service Description Dealing in Treasury Bills

Item Code No.(ITC Code) 

NIL
-----

Service Description Dealing in Money Market Instruments

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

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

Date : April 30, 2011  
Place : New Delhi

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

# **CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

(Rs. in lacs)

	For the year ended 31.03.2011		For the year ended 31.03.2010	
<b>CASH FLOW FROM OPERATING ACTIVITY</b>				
Profit as per Profit & Loss Account	4404.40		5603.28	
Add: Depreciation on Fixed Assets	91.06		45.87	
Decrease/(Increase) in Govt. Securities - HTM	370.67		(13269.55)	
Decrease/(Increase) in Stock in Trade	(24656.88)		94466.46	
Provision for Diminution in Portfolio	61.13		(5413.03)	
Increase/(Decrease) in Current Liabilities & Provisions	7.75		64.38	
Decrease/(Increase) in Interest Receivable	(78.25)		1788.80	
Decrease/(Increase) in Other Current Assets	(100.59)		61.27	
Taxes Refund	1818.16		0.00	
Taxes Paid	(1987.63)		(1408.09)	
	(24474.58)		76336.11	
(A) Net Cash Flow from Operating Activities	(20070.18)		81939.39	
<b>CASH FLOW FROM FINANCING ACTIVITY</b>				
Add: Increase/(Decrease) in Secured/Unsecured Loans	10770.95		(81162.44)	
Dividend Distribution including DDT	(1579.52)		9191.43	
			(1263.61)	
(B) Net Cash Flow from Financing Activities	9191.43		(82426.05)	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Add : Sale Proceeds of Fixed Assets	9.60		2.67	
Less Purchase of Fixed Assets	(147.29)		(74.22)	
Loss/(Profit) on Sale of Fixed Assets	-		(0.49)	
(C) Net Cash flow from investing activities	(137.69)		(72.04)	
Consolidated Cash Flow during the FY (A+B+C)	(11016.44)		(558.70)	
Cash at the beginning of the year	21588.48		22147.18	
<b>Cash at the end of the year</b>	10572.04		21588.48	
Balance in Unclaimed Dividend Account (not available for use by the Company)	28.64		25.38	
Balance in Fixed Deposit {Rs. 5500 lakhs as on 31.03.2011 pledged with respective banks for availment of overdraft (availment NIL) not available for use by the Company}	10530.00		21501.00	
Balance in RBI Current Account	10.80		14.58	
Balance in PNB Current Account	2.60		47.52	
	10572.04		21588.48	

**(K. R. Kamath)** (Dr. O. P. Chawla) (Dr. Kamal Gupta)  
 Chairman Director Director  
**(P. P. Pareek)** (S. K. Dubey) (D.V.S.S.V. Prasad)  
 Director Director Managing Director

**(S. K. Soni)** (A. S. Agarwal) (M. S. Aftab)  
 Director Director Director  
**(Sunita Gupta)** (P. Rajendran) (Monika Kochar)  
 Sr. Exec.Vice President Exec.Vice President Company Secretary &  
 (Accts) Asstt. Vice President

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

Date : April 30, 2011  
 Place : New Delhi

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

## 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)	85464.97	-
<b>Secured Loans</b>		
1 Borrowings from RBI	41000.00	-
2 CBLO Borrowings	1733.10	-
3 REPO Borrowings	21621.87	-
<b>Unsecured Loans</b>		
1 Call Money Borrwoings	21110.00	-
* 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	14.90	-
(b) Unsecured	4063.29	-
<b>(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities</b>	<b>N.A.</b>	<b>N.A.</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 activitives		
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-

(Rs. in lacs)

<b>(4) Break-up of Investments / Stock-in-trade :</b>	<b>Amount outstanding</b>	
<b>Current investments (Stock-in-trade):</b>		
<b>1. Quoted :</b>		
(I) Shares : (a) Equity	62.76	(Market Value Rs.55.57 lacs)
(b) Preference	-	
(ii) Debentures and Bonds	14478.28	(Market Value Rs.14498.05 lacs)
(ii) Units of mutual funds	-	
(iv) Government Securities	101217.62	(Market Value Rs.100194.19 lacs)
(v) Other (Please specify)		
<b>2. Unquoted :</b>		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(iii) Units of Mutual Funds	-	
(iv) Government Securities	-	
(v) Others	-	
– Certificates of Deposit & Commercial Papers	3403.12	(Fair value Rs.3403.12 lacs)
<b>Long Term Investments :</b>		
<b>1. Quoted :</b>		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(ii) Units of mutual funds	-	
(iv) Government Securities	-	
(v) Other (Please specify)	-	
<b>2. Unquoted :</b>		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(iii) Units of Mutual Funds	-	
(iv) Government Securities	-	
(v) Others (please specify)	-	
– Term Deposit	-	(Fair Value Rs.NIL lacs)
<b>TOTAL :</b>	119161.78	

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

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

(Rs. in lacs)

<b>(6) Investor group-wise classification of all investments (current and long term) in shares and Securities</b>		
<b>(both quoted and unquoted) : (Please see note 3 below)</b>		
<b>Category</b>	<b>Market Value/ Break up or fair value or NAV</b>	<b>Book Value (Net of Provisions)</b>
1. Related Parties **		
(a) Subsidiaries	-	-
(b) Companies in the same group	9.93	9.93
(c) Other related parties	-	-
2. Other than related parties	118141.00	118121.22
<b>TOTAL :</b>	<b>118150.93</b>	<b>118131.15</b>
** As per Accounting Standard of ICAI (Please see Note 3)		
<b>(7) Other Information</b>		
<b>Particulars</b>	<b>Amount</b>	
(I) Gross Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(ii) Net Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(iii) Assets acquired in satisfaction of debt	-	

**Notes :**

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

<b>(K. R. Kamath)</b> Chairman	<b>(Dr. O. P. Chawla)</b> Director	<b>(Dr. Kamal Gupta)</b> Director	<b>(S. K. Soni)</b> Director	<b>(A. S. Agarwal)</b> Director	<b>(M. S. Aftab)</b> Director
<b>(P. P. Pareek)</b> Director	<b>(S. K. Dubey)</b> Director	<b>(D.V.S.S.V. Prasad)</b> Managing Director	<b>(Sunita Gupta)</b> Sr. Exec.Vice President	<b>(P. Rajendran)</b> Exec.Vice President (Accts)	<b>(Monika Kochar)</b> Company Secretary & Asstt. Vice President

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

Date : April 30, 2011  
Place : New Delhi

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

## NOTICE

### **PNB GILTS LTD.**

**REGD. OFFICE : 5, SANSAD MARG, NEW DELHI 110 001**

NOTICE is hereby given that the FIFTEENTH Annual General Meeting of the Members of PNB GILTS LIMITED will be held at Air Force Auditorium, Subroto Park, New Delhi – 110010 on June 25, 2011 at 12:00 noon to transact the following business :

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended March 31, 2011.
3. To appoint a Director in place of Dr. O. P. Chawla, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sh. P. P. Pareek, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the year 2011-12 and fix their remuneration.

**BY ORDER OF THE BOARD**

Date : May 19, 2011

Place : New Delhi

**(Monika Kochar)**

**Company Secretary**

#### **NOTES FOR MEMBER'S ATTENTION :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the company remain closed from June 18, 2011 to June 25, 2011 (both days inclusive) (for both the shares held in physical mode and in demat mode) for the purpose of determining the names of the shareholders entitled to receive the Final Dividend for the Financial Year 2010-11.

The Transfer Deed(s) along with Share Certificate(s) received upto Friday, the June 17, 2011 i.e. the previous day of the opening of Book Closure Dates, will be considered for entitlement of shareholders to receive the Final Dividend for FY 2010-11.

4. The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid on July 20, 2011 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 June 17, 2011 as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
  - b) As Members in the Register of Members of the company after giving effect to valid share transfers in physical form lodged with the company on or before June 17, 2011.



5. Members are requested to notify the change of address (with pincode), dividend mandate, bank details (including complete details of bank account, branch & bank name, address of branch etc), nomination etc. quoting reference of their folio number to the Share Transfer Agents at the following address :

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

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

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

#### **10. E-COMMUNICATION FACILITY :**

Shareholders are requested to avail E-Communication facility by registering their Email ID with M/s MCS Ltd, our Share Transfer Agents (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. 67. Shareholders holding shares in demat form may also submit similar information to their Depository Participant to avail this facility.

#### **11. 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. 69. Shareholders are therefore requested to fill the same and submit to MCS Ltd. or to their DP, as the case may be.

#### **12. NON-RECEIPT OF DIVIDEND:**

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

**13. REQUEST TO SHAREHOLDERS:**

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

**ANNEXURE TO NOTICE**
**I. DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT IN FIFTEENTH ANNUAL GENERAL MEETING**
**ITEM NO. 3 & 4**

Name of Director	Dr. O. P. Chawla	Sh. P. P. Pareek
Date of Birth	15/02/1934	01/10/1959
Date of Appointment/Reappointment	11/04/1996	10/02/2009
Expertise in Specific functional area	Former Director of National Institute of Bank Management	Sr. Partner in S. Bhandari & Co. for last 28 years.
Qualifications	M.Com, Ph.D	B. Com, LL.B, F.C.A
List of outside Directorships held	<ul style="list-style-type: none"> <li>Shree Ram Urban Infrastructure Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Andhra Bank</li> <li>India Nivesh Investment Advisors Pvt. Ltd.</li> </ul>
Chairman/Member of the Committee of the Board of Directors of the Company.	<ul style="list-style-type: none"> <li>Member - Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Member - Audit Committee</li> </ul>
Chairman/Member of the Committees of Director of other Companies in which he is a Director.		
a) Audit Committee	<ul style="list-style-type: none"> <li>Chairman – Shree Ram Urban Infrastructure Ltd.</li> </ul>	-
b) Shareholders' Grievance Committee	-	<ul style="list-style-type: none"> <li>Member - Andhra Bank</li> </ul>
No. of Shares held in Company	Nil	1000 (One thousand only)

**BY ORDER OF THE BOARD**
**(Monika Kochar)**
**Company Secretary**

Date : May 19, 2011

Place : New Delhi

# 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.

# FINANCIALS AT A GLANCE

## FINANCIAL PARAMETERS

	2010-11 (%)	2009-10 (%)	2008-09 (%)	2007-08 (%)
<b>Financial Performance</b>				
Interest Income/ Total Income	104.94	119.15	120.85	105.18
Trading Income/ Total Income	(10.94)	(30.26)	(27.65)	(7.51)
Other Income/ Total Income	6.00	11.11	6.80	2.33
Interest Expense/ Total Income	50.02	33.98	59.68	57.27
Interest Expense/ Total Expense	87.33	75.64	90.28	93.61
Establishment Expense/ Total Expense	4.49	6.32	3.05	2.04
Admn and other Expense/ Total Expense	8.16	9.63	6.65	4.35
PBT/ Total Income	42.72	55.08	33.89	38.82
PAT/ Total Income	29.66	36.08	21.77	26.16
<b>Human Assets</b>				
Security Turnover per employee (Rs Crore)	2440.50	2055.68	1776.77	1618.05
Profit before tax per employee (Rs crore)	1.22	1.81	1.08	1.81
Average Age of the employees (years)	38	43	43	43
<b>Per Share Data</b>				
Earnings Per Share (Rs)	2.26	2.72	1.81	3.34
Cash Earnings Per Share (Rs)	3.11	3.80	6.73	10.00
Book Value Per Share (Rs)	42.14	41.31	39.89	38.92
Price Earnings, end of year (Rs.)	10.42	8.75	10.28	8.35
Price/ Cash Earnings, end of year (Rs.)	7.57	6.26	2.76	2.79
Price/ Book Value, end of year (Rs.)	0.56	0.58	0.47	0.72
Dividend Per Share (Rs)	1.20	1.00	0.80	1.50

## FINANCIALS (Last 10 Yrs.)

(Rs. in crore)

Financials \Financial Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<b>INCOME</b>	<b>234.39</b>	<b>230.09</b>	<b>237.94</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>
I Interest & Discount on Securities	104.62	126.50	121.89	112.99	143.43	156.70	181.57	135.92	121.21	108.19
II Profit on Sale of Securities	128.05	101.79	113.30	(103.85)	(22.86)	(35.07)	(12.97)	(31.10)	(30.78)	(11.28)
III Other Income	1.72	1.80	2.75	2.17	6.49	4.51	4.03	7.65	11.30	6.18
<b>EXPENDITURE</b>	<b>58.13</b>	<b>80.08</b>	<b>69.29</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>
I Interest Expenses	50.65	70.69	61.62	71.86	91.69	103.37	98.87	67.12	34.57	51.57
II Operating Expenses	6.85	8.45	6.73	6.54	6.06	5.75	6.22	6.78	6.83	6.56
III Depreciation on fixed assets	0.63	0.94	0.94	1.04	0.79	0.63	0.53	0.45	0.46	0.91
IV Bad debts written off									0.02	0.01
Prov. Against overdue call lending									3.82	
<b>PROFIT BEFORE TAX</b>	<b>176.26</b>	<b>150.01</b>	<b>168.65</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>
Less Prov. / (Release) for Taxation	63.67	57.50	61.69	0.12	(1.12)	0.42	21.85	13.63	19.33	13.47
<b>PROFIT AFTER TAX</b>	<b>112.59</b>	<b>92.51</b>	<b>106.96</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>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>135.01</b>
<b>RESERVES</b>	<b>279.66</b>	<b>337.44</b>	<b>406.32</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>NET WORTH</b>	<b>414.67</b>	<b>472.45</b>	<b>541.33</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>
Turnover (out right)	106800	102875	116336	61740	53390	33552	59868	62187	63726	87858

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

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

Dear Sir,

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

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

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

**DECLARATION**

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

Place :

Date :

\_\_\_\_\_  
Signature of the first / sole shareholder

**Notes :**

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

----- **Tear Here** -----

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

**Certificate of the Shareholder's Bank**

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

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

Bank's Stamp :

Date :

\_\_\_\_\_  
Signature of the Authorised Official of the Bank





**PNB GILTS LTD.**  
5, Sansad Marg, New Delhi - 110 001

**For Dematerialised Shares -**

DP ID No. .... and

Client ID No. ....

**For Shares in Physical Form -**

Regd Folio No. ....

## PROXY FORM

(To be filled and signed by the shareholder)

I/We \_\_\_\_\_ resident/s of \_\_\_\_\_ in  
the District of \_\_\_\_\_ in the state of \_\_\_\_\_ being a  
shareholder/s of PNB Gilts Ltd., hereby appoint Shri/Smt \_\_\_\_\_  
resident of \_\_\_\_\_ or failing him/  
her, Shri/Smt \_\_\_\_\_ resident of \_\_\_\_\_

\_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the  
FIFTEENTH ANNUAL GENERAL MEETING of the shareholders of the Company to be held on Saturday, 25<sup>th</sup> June, 2011  
at 12:00 noon at Air Force Auditorium, Subroto Park, New Delhi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
Signature of the Proxy

\_\_\_\_\_  
Signature of the Shareholder

Please Affix  
Revenue  
Stamp (not less  
than 15 paise)

..... (TEAR HERE) .....

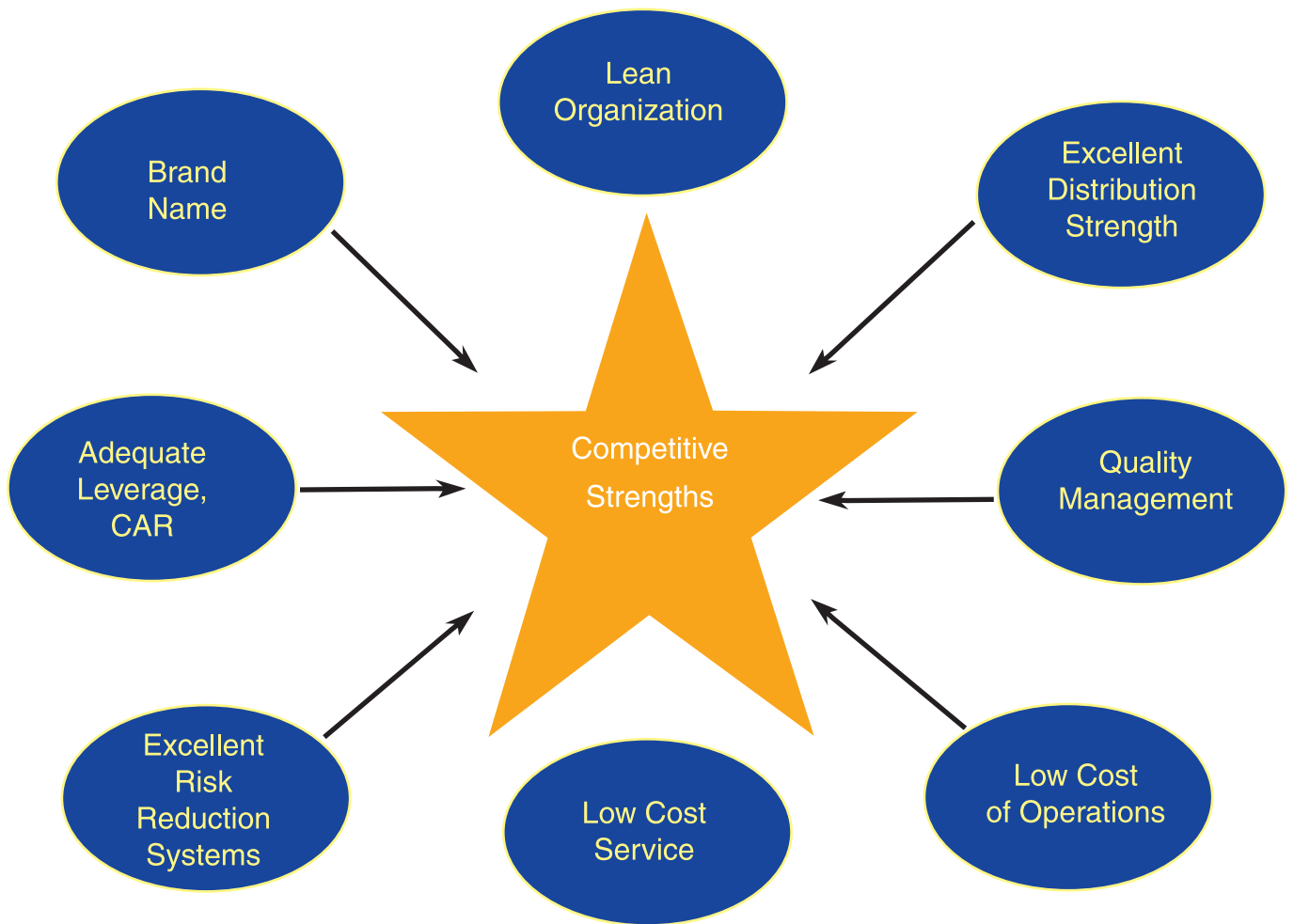
### INSTRUCTIONS FOR SIGNING AND LODGING THE PROXY FORM

- The instrument of proxy to be valid:
  - In the case of any individual shareholder, shall be signed by him/her or by his/her attorney duly authorized in writing.
  - In the case of joint holders, shall be signed by the shareholders, first named in the Register of Members or by his/her attorney duly authorized in writing.
  - In the case of a body corporate, shall be signed by its officer and executed under its common seal, if any, or otherwise signed by its attorney duly authorized in writing.
- An instrument of proxy, in which the thumb impression of the shareholder is affixed, will be valid provided it is attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or any Government Gazetted Officer or an officer of PNB Gilts Ltd.
- The Proxy together with :
  - The power of attorney or other authority, if any, under which it is signed; or
  - A copy of that power of attorney or authority, certified by a Notary Public or Magistrate.  
should be deposited at PNB Gilts Ltd., 4th Floor, 5, Sansad Marg, New Delhi-110001, not later than 12:00 noon on 23<sup>rd</sup> June, 2011 i.e. 48 hrs before the meeting.
- No proxy shall be valid unless proper revenue stamp is affixed on it.
- An instrument of proxy deposited with the Company shall be irrevocable and final.
- In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.
- The shareholder who has executed an instrument of proxy shall not be entitled to vote in person at the meeting to which such instrument relates.





# OUR STRENGTHS



**COMPANY SECRETARY**

Ms. Monika Kochar

**STATUTORY AUDITORS**

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

**INTERNAL AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountants  
7th Floor, Building 10, Tower B  
DLF Cyber City Complex  
DLF City, Phase II  
Gurgaon – 122 002

**BANKERS**

Reserve Bank of India  
Punjab National Bank

**REGISTERED-CUM-CORPORATE OFFICE**

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

**BRANCHES**

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

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

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