



16th Annual Report
2011-12



A Subsidiary of Punjab National Bank

Board of Directors



Shri K. R. Kamath
Chairman



Shri Rakesh Sethi
Non-Executive Director



Shri S. K. Dubey
Managing Director



Shri P. K. Chhokra
Non-Executive Director



Dr. O. P. Chawla
Independent Director



Dr. Kamal Gupta
Independent Director



Shri S. K. Soni
Independent Director



Shri P. P. Pareek
Independent Director

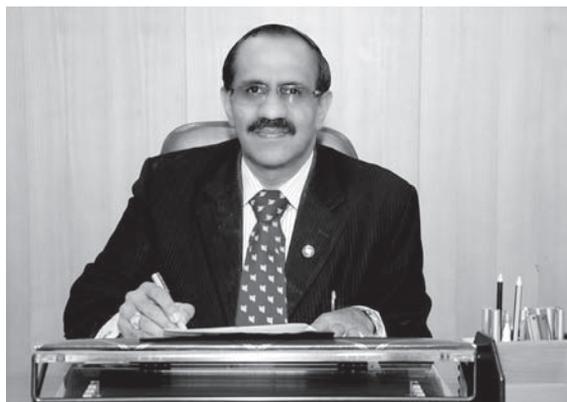
OUR MISSION

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



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Chairman's Letter to Shareholders

Dear Shareholders,

I have immense pleasure in presenting before you the highlights of your Company's performance during the financial year 2011-12. It is heartening that your company continued to deliver good performance notwithstanding the prevailing difficult economic conditions throughout the globe.

Domestic macroeconomic environment during the year was quite testing as a result of continued uncertainties in the global economy. The European economies were plagued with sovereign debt crisis, which continued to unfold throughout the year. As a result, growth in Emerging and Developing Economies also was adversely affected as the Euro crisis dented demand for exports.

In the backdrop of this global scenario, Indian economy entered the slowdown phases. The year 2011-12 was marked by increasing inflationary pressures, tight liquidity and slowing economic growth. GDP growth has declined to 6.5% in 2011-12 as against 8.4% in previous year. While there was an upward pressure on short term rates as a result of anti inflationary policy stance, fiscal deficit for the FY 2011-12 turned out to be much higher at 5.9% against the envisaged 4.6%. Moreover, Current Account Deficit increased sharply due to slowing exports.

Increase in gross market borrowings by 22.3% over the budgeted amount and significant recourse to Treasury Bills and Cash Management Bills exerted further pressure on the liquidity conditions. Though the liquidity stress was addressed to some extent through open market operations, including CRR cuts and repos under the LAF, the sentiments continued to remain cautious. This was reflected

in 10-year yield moving up to as high as 8.97% as against 7.98% as on March 31, 2011 before closing at 8.57% on March 31, 2012.

Your company smoothly sailed through aforesaid challenging conditions and delivered good performance during the FY 2011-12. Your company registered a Profit before Tax of Rs. 29.64 crore in the FY 2011-12. This was despite the fact that the overall profitability of the company was impacted by the high cost of borrowing compressing Company's net interest margin by 15% over the previous year. However, your Company counteracted the impact of high borrowing cost and sharp rise in yields via nimble and quick trading and by maintaining a balanced portfolio in line with market conditions. Net Worth of your company increased to Rs. 574.69 crore as on March 31, 2012 as against Rs. 568.92 crore previous year. Besides, total secondary market turnover increased significantly to Rs. 2,08,982 crore as against Rs. 68,745 crore registered in FY 2010-11.

I am pleased to share with you that your company fulfilled all its obligations as a Primary Dealer successfully achieving the minimum stipulations laid down by the regulator. Besides, strong risk management systems kept the Company's risk profile in check throughout the year.

Undoubtedly, this steady performance has been as a result of the support of all our shareholders. We are thankful to you for your cooperation through all these testing times, which helped us to grow with confidence and weather all unpredictable scenarios.

Way Forward

Future remains challenging during the year ahead when we are likely to witness volatility in the G-sec market. This is expected as the opposite forces of very high and continuous supplies and the probable policy rate changes pull the yields in either direction. To meet these challenges, your company's endeavor will be to encash the profitable opportunities. Through our competent trading skills and strong risk management systems, we shall endeavor to generate better risk adjusted returns. Towards this, your Company has inducted both fresh and experienced human capital for different functions, which would translate into improved performance in the near term.

We can assure you that your Company is well placed in today's environment and we will always strive to maintain our profitable performance in order to maximize our shareholder value.

Your continuous patronage and cooperation over the years has helped your company to grow to this stature. We are confident that your constant support in company's endeavors will help company to enhance its performance in future as well.

With warm regards,

Yours sincerely,

Date : June 14, 2012

(K.R.Kamath)

Place : New Delhi

Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the audited accounts of the company for the year ended March 31, 2012.

1. FINANCIAL RESULTS

The financial results for the year ended March 31, 2012 along with comparative figures for the previous year are given below:

(Rs. in lacs)

	For the year ended 31.3.2012	For the year ended 31.3.2011
Total Income	16529.71	10321.28
Total Expenditure	13565.58	5916.88
Profit/(loss) Before tax	2964.13	4404.40
Less : Provision for Income Tax (including deferred tax)	858.87	1346.55
Profit /(loss) After Tax	2105.26	3057.85
Add: Balance in Profit & Loss Account brought forward	5982.82	5503.14
Amount available for Appropriation	8088.08	8560.99
Proposed Appropriations		
Transfer to Statutory Reserve	421.05	612.00
General Reserve	-	77.00
Capital Reserve	40.46	-
Proposed Dividend	1350.08	1620.09
Dividend Distribution Tax	219.01	269.08
Balance carried forward	6057.48	5982.82

During the year, the company continued to fulfill all its obligations as a Primary dealer in both Primary and Secondary market. In Treasury Bills, the company exceeded the stipulated success ratio of 40 per cent. Due to significant rise in interest rates in general and short term rates in particular, the company's Net Interest Margin was affected. However, to minimize the risks in a rising interest rate environment, the company traded aggressively with the total secondary turnover increasing significantly to Rs. 208982 crore from Rs. 68745 crore in 2010-11. The total Profit Before Tax stood at Rs. 2964.13 lacs as against Rs. 4404.40 lacs in 2010-11.

This was achieved despite the challenging conditions of deteriorating fiscal position, inflationary pressures, tight liquidity and slowing economic growth. Reserve Bank of India hiked the reverse repo and repo rate by 175 basis points each. This put an upward pressure on short term rates significantly. Increase in gross market borrowings by 22.3 per cent over the budgeted amount and significant recourse to Treasury Bills and Cash Management Bills (CMBs) exerted further pressure on the liquidity conditions. The liquidity stress to some extent was handled by the Reserve Bank through CRR cut by 125 basis points and open market operations (OMO) including repos under the LAF, but the sentiments continued to remain cautious with the 10 yr yield moving up to as high as 8.97per cent as against 7.98per cent on March 31, 2011 before closing at 8.57per cent.

2. CAPITAL ADEQUACY

Capital adequacy ratio as on March 31, 2012 stood at 74.42 per cent as against the RBI stipulation of 15 per cent.

3. DIVIDEND

Your Board has recommended a final dividend of Re. 1.00 per share for the financial year 2011-12 amounting to Rs. 1350.08 lacs. The total outflow on account of said dividend shall be Rs. 1569.09 lacs (including Dividend Distribution Tax).

4. OTHER MATTERS

4.1. Directors

During the year, the Board of Directors met six 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 during the financial year 2011-12

The following changes took place in the Board of Directors of the company during the financial year 2011-12 :

- **Sh. A. S. Agarwal** and **Sh. M. S. Aftab** resigned from the Directorship of the company w.e.f. May 20, 2011 and May 21, 2011 respectively.
- **Sh. Rakesh Sethi**, Executive Director – Punjab National bank has been appointed as an Additional Director by the Board in its meeting held on October 24, 2011.
- **Sh P. K. Chhokra**, General Manager – Punjab National Bank has been appointed as an Additional Director by the Board in its meeting held on January 28, 2012.
- **Sh. D.V.S.S.V. Prasad** resigned from Directorship and Managing Directorship on February 1, 2012 due to recall of his services by the parent bank, Punjab National Bank.
- **Sh. S. K. Dubey**, who is already holding Directorship of the company, has been appointed as Managing Director by the Board w.e.f. February 1, 2012. He retired from Punjab National Bank on December 31, 2011.

Retirement of Directors by Rotation

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

Corporate Governance

Corporate Governance for the company means achieving high level of accountability, efficiency, responsibility and fairness in all areas of operations. Our workforce is committed towards the protection of the interest of the stakeholders including shareholders, creditors, investors, customers, employees, etc. Our policies consistently undergo improvements keeping in mind our goal i.e. maximization of value of all the stakeholders. The Corporate Governance practices followed by the company are given in the Annual

Report. A certificate from M/s 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, 2012 and the Profit and Loss Account for the year ended March 31, 2012.
- 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, 2012. 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 2011-12, 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, the firm 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, 2012 was 36 (including 4 employees on deputation from parent bank). The company has maintained peaceful and harmonious relations with its employees.

The information required under Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees)(Amendment) Rules, 2011 be treated as NIL as none of the employees of the company draws remuneration in excess of Rs. 500000/- p.m. No employee is related to any Director of the company.

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, 2012, 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., Parent 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 29, 2012

Place : New Delhi

(K.R.Kamath)

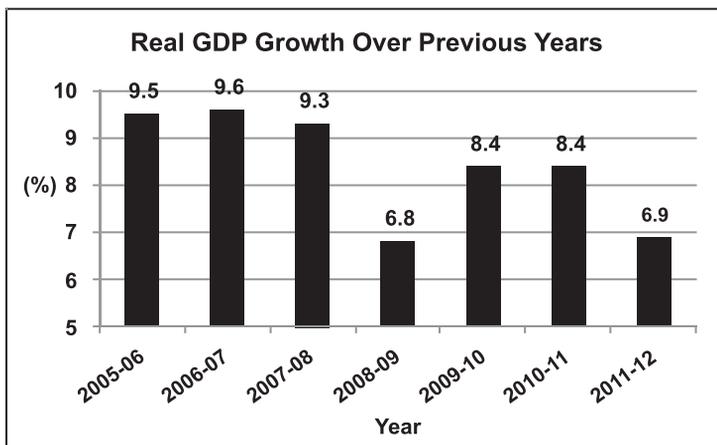
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW

Gross Domestic Product

The Indian economy slowed down significantly during FY 2011-12 as a result of tight monetary conditions and recession like conditions in Euro region. The deceleration in economic activity was sharper than anticipated at the onset of the year. The decline in growth rates in previous quarters of the year turned out to be seemingly disappointing. RBI itself has revised its growth projection for the FY 2011-12 sharply by 100 basis points from 8 per cent to 7 per cent, which is the lowest in previous nine years barring the year of recession, i.e. 2008-09. The industrial sector was largely responsible for the deceleration in overall growth.

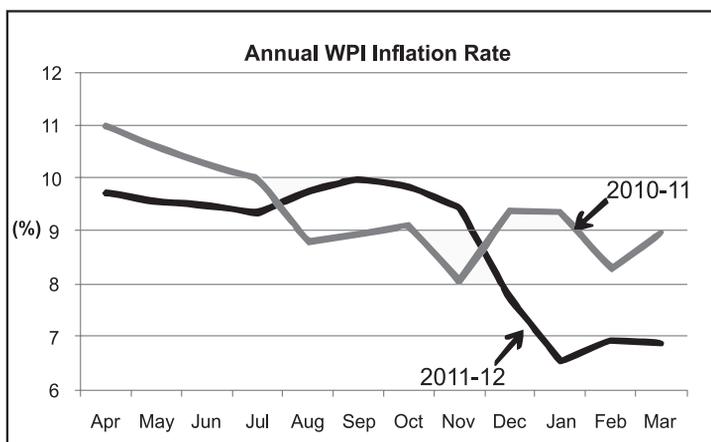


Frail economic recovery in the US and Euro area and moderately restrained investment sentiments domestically took a toll on the industrial output during the year. Industrial growth during April-December, 2011 stands at 3.6 per cent compared to 8.3 per cent in the corresponding period of the previous year. Agriculture and Service sectors' near the trend output however, helped offset the impact of weak industrial sector performance to some extent. Agriculture sector is expected to grow by 2.5 per cent during the year as against 7 per cent growth recorded in the previous year. While Service sector is expected to grow by 9.4 per cent, marginally up from 9.3 per cent in the previous fiscal.

On the expenditure side, private consumption and net exports were the major contributors towards the overall GDP growth. The same is expected to grow by 6.5 per cent during the year as against 8.1 per cent in the previous year. On the other hand, growth in government final consumption expenditure moderated sharply to four year low of 3.9 per cent. Growth in gross fixed capital formation also remained lukewarm at 5.6 per cent as against 7.5 per cent in previous year. Exports remained resilient during the year growing by 14.3 per cent, while imports grew by 17.5 per cent.

International Trade and Debt

India's exports grew robustly in the first half of the year, notching a growth rate of as high as 61 per cent in the month of July. However, as Euro debt crisis intensified, the growth in exports decelerated from October, 2011 onwards. Cumulative exports were at USD 242.8 billion, registering a growth of 23.5 per cent during 2011-12 (April- January). On the other hand, imports continued to remain buoyant partly owing to high crude oil prices, registering growth rate of 29.4 per cent in the period April to January cumulating at USD 391.5 billion. Low export growth and moderate import growth led to high trade deficit during the FY 2011-12 taking



current account deficit to record levels. With sharp rise in trade deficit, the current account deficit (CAD) widened

to USD 32.8 billion in H1 of FY 2011-12 as against USD 29.6 billion in corresponding period of last year. As a proportion of GDP, CAD stands at 3.6 per cent during H1 of 2011-12 vis-à-vis 3.8 per cent in H1 of the preceding year.

India's external debt increased by USD 20.2 billion (6.6 per cent) to USD 326.6 billion at end September, 2011 over end March, 2011 estimates of USD 306.4 billion. This increase was primarily on account of higher commercial borrowings and short term debt, which together contributed over 80 per cent of the total increase in external debt.

Inflation

The headline inflation as measured by the wholesale price index (WPI) remained stubbornly high near 9 per cent level during first three quarters of FY 2011-12. High food and manufactured items inflation contributed to the price pressures faced during the year. On the other hand, contribution of food grains to overall inflation declined substantially during the year due to robust harvest. Core inflation, i.e. non food manufacturing inflation, which averaged at 7.3 per cent during the year was the main cause of worry for RBI as it reflected strong demand pressures. In response to strong inflationary pressures, RBI maintained tightening stance, raising the policy rates by 175 basis points during the year. However, inflation started to moderate sharply from the fourth quarter onwards aided by seasonal fall in food prices, high base of the previous year and the lagged impact of monetary tightening by the central bank. Softening of global commodity prices especially that of metals also helped ease price pressures. Since December, 2011, inflation has broadly followed the projected trajectory moderating to as low as 6.5 per cent in January, 2012. RBI has revised the inflation target to 7 per cent for March, 2012.

Commodity Prices

Global commodity prices especially that of metals, exhibited upward trend during the year. There was sharp rise in volatility of international crude oil prices during the year. After rising dramatically at the end of the previous financial year, crude oil prices cooled off in the first half of the year, with prices falling below USD 100 a barrel mark on increasing uncertainty over global economic condition. Commodity prices plunged sharply after S&P downgraded US's sovereign rating, forcing investors to flee from commodities for safe haven assets. Further, deteriorating debt crisis in the Euro area and ambiguity over resolve of Euro ministers to bail out ailing Greece too kept downward pressure on commodity prices. However, oil prices firmed up sharply in the second half of the year on concerted efforts of Euro ministers to resolve the debt crisis and unlocking of global liquidity as central banks of advanced economies pumped in funds to boost growth. Political tension between Iran and western nations also fuelled fears of disruption in supply which pushed up oil prices sharply.

Fiscal Deficit

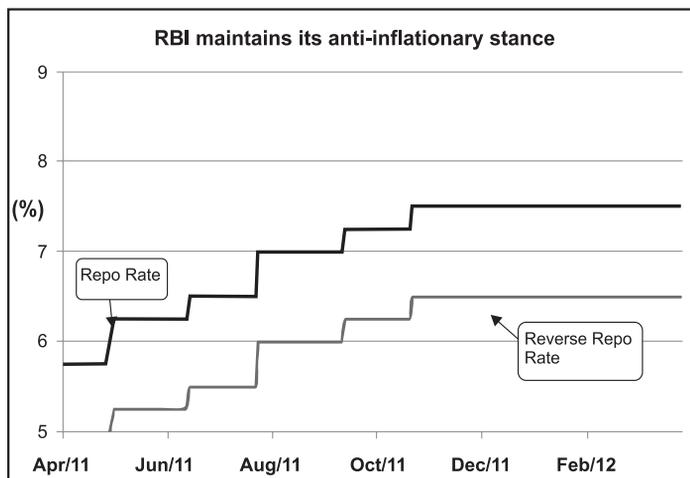
After witnessing improvement in fiscal health of the government in 2010-11, with fiscal deficit dropping to 4.8 per cent of GDP as against 6.5 per cent in FY 2009-10, the government finances were under tremendous pressure during FY 2011-12. During the year, fiscal health deteriorated considerably as tax revenues slowed down and expenses ran up sharply. The government had to shell out almost 9 per cent over and above the non planned expenses envisaged in the annual budget for FY 2011-12. Also, the disinvestment proceeds fell sharply short of the year's target of Rs. 40000 crore. As against the year's budget, government could realize only Rs. 15000 crore through stake sale in PSU companies. Higher expenditures clubbed with sharper than expected deceleration in GDP growth pushed up the fiscal deficit to 5.9 per cent as against 4.6 per cent envisaged in the beginning of the year. The net tax revenue for the current fiscal was originally pegged at Rs. 664457 crore, which was subsequently revised to Rs. 642252 crore. While total receipts (excluding borrowings) were revised downwards from Rs. 844912 crore to Rs. 796741 crore. On the other hand, total expenditure was revised upwards from Rs. 1257729 crore to Rs. 1318722 crore. Absolute fiscal deficit for the year stood at Rs. 521981 crore as against Rs. 412817 crore projected in the budget.

Government Borrowings

With the government finances coming under severe pressure, government had to resort to additional market borrowings during the year. As against budgeted gross borrowings (through dated securities) of Rs. 417000 crore, the actual borrowings of the Centre stand at Rs. 510000 crore. Net borrowings for FY 2011-12 stand at Rs. 436414 crore after netting redemptions of approximately Rs. 73000 crore. In addition to this, state governments also raised funds heavily via market borrowings the total amount of Rs. 159900 crore through market borrowings as against Rs. 104539 crore during the previous year.

Monetary Policy

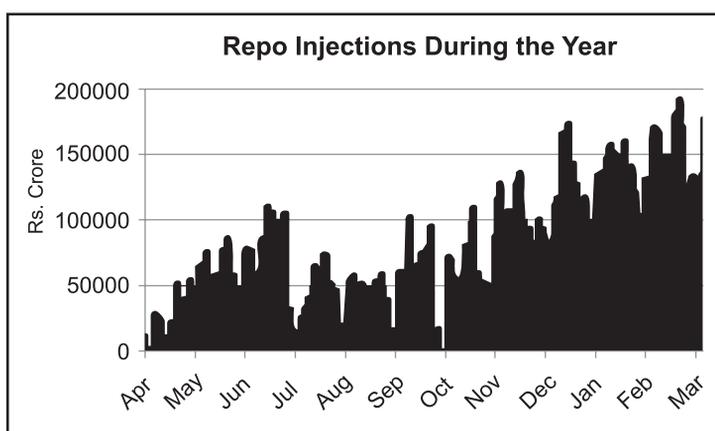
During FY 2011-12, RBI placed single minded focus on controlling inflation and anchoring inflationary expectations. Bringing inflation down, even at the cost of sacrificing some growth in the short run, was accorded precedence by RBI. Maintaining a strong anti inflationary stance, RBI raised the repo rate by 175 basis points to 8.50 per cent during the year till October, 2011 policy review. However, RBI brought the rate hike cycle to a halt in December, 2011 mid quarter policy review as growth showed signs of moderation and investment scenario turned increasingly uncertain. Headline inflation also started moderating from December, 2011 onwards giving comfort to RBI to turn slightly dovish in its stance.



During the year, the banking system witnessed immense shortage of liquidity which aggravated in the second half of the year. The tightness in liquidity was seen hampering credit outgo to the economy. Hence RBI slashed the CRR by 125 basis points (50 basis points in January, 2012 policy and 75 basis points on March 9, 2012) to address the liquidity woes, infusing approximately Rs. 80000 crore in the system.

Money Market

Liquidity remained in deficit mode during the year, with the deficit aggravating sharply in the second half of the year. During the first half of the year the shortage in liquidity remained around the RBI's comfort zone of 1 per cent of NDTL of the banking system, with occasional stress on account of advance tax outflows. However, post November, liquidity tightened sharply as RBI's intervention in the forex market to stem declining rupee, pressurized rupee liquidity immensely. To address the liquidity woes, RBI initiated liquidity injection via OMO buybacks effective from November 24, 2011 onwards.

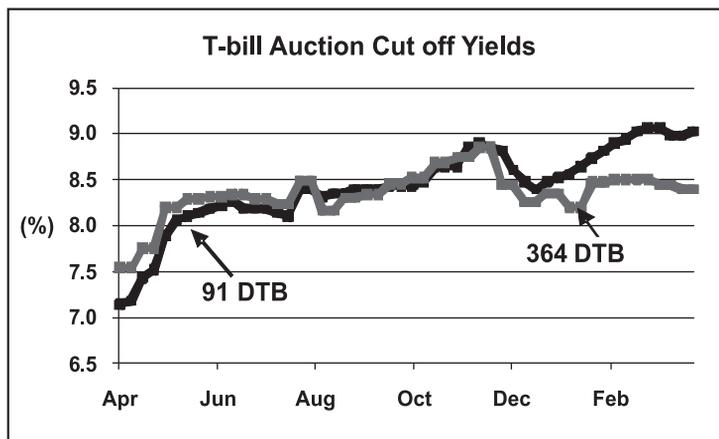


Furthermore, RBI decided (on December 21, 2011) to permit banks to avail of funds on overnight basis, under the MSF, against their excess statutory liquidity ratio (SLR) holdings, in addition to the existing facility under which they are already allowed to avail of funds (on overnight basis below the stipulated SLR) up to 1 per cent of their respective NDTL. Availability of funds at the LAF window and other liquidity management measures taken by RBI helped the money markets to remain orderly during the year. However, money market rates firmed up since December on account of unusually high shortage in banking liquidity. RBI slashed the CRR for the first

time since April, 2010 by 125 basis points to infuse permanent liquidity in the system and address the structural deficit in the system. During the year, injections of funds through the LAF window averaged at Rs. 81616 crore as against Rs. 56657 crore in the preceding year. Average rates of CBLO, market repo and call money during the year were 7.74 per cent, 7.96 per cent and 8.15 per cent respectively.

Treasury Bill Market

During FY 2011-12, government relied heavily on short term borrowings to tide over the shortage of cash. The borrowings through treasury bills (T-bills) and cash management bills (CMB) were much higher than envisaged in the budget. Borrowing through T-bills rose to Rs. 640949 crore as against Rs.343765 crore in the previous year. Net issuance of T-bill worked out to Rs. 116000 crore as against Rs. 15,000 crore projected in the budget. To meet the temporary mismatch in liquidity, government also raised funds heavily through CMBs during the year. Amount raised through CMB stands at Rs. 93000 crore as against Rs. 12000 crore during

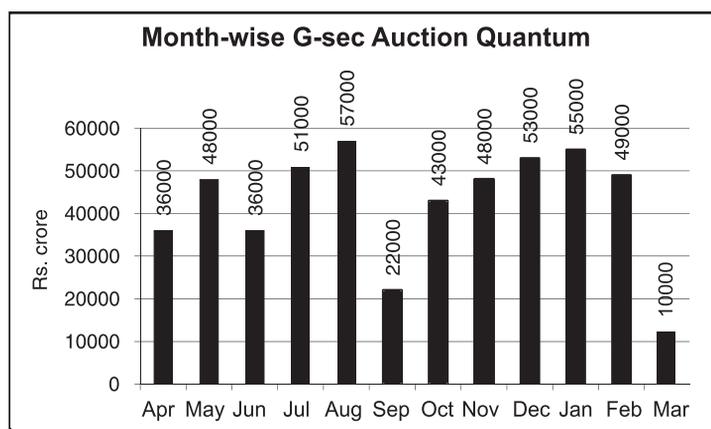


the previous year. Due to glut in supply, successive rate hikes till October policy and tightness in liquidity, primary market yields on T-bills rose consistently during the year. Weighted average implicit yield at cut-off price on 91 DTB, 182 DTB and 364 DTB stood at 8.41 per cent, 8.46 per cent & 8.38 per cent as against 6.18 per cent, 6.48 per cent & 6.56 per cent in the previous year respectively. Average bid-to-cover ratio on 91 DTB, 182 DTB and 364 DTB was 2.78, 2.75 and 3.62 respectively as against 2.85, 3.06 and 3.38 during the previous year. The yield spread between 364 DTB and 91 DTB was 62 basis points as on March 31, 2012 as compared to 35 basis points as on March 31, 2011.

GOVERNMENT DATED SECURITIES

Primary Market

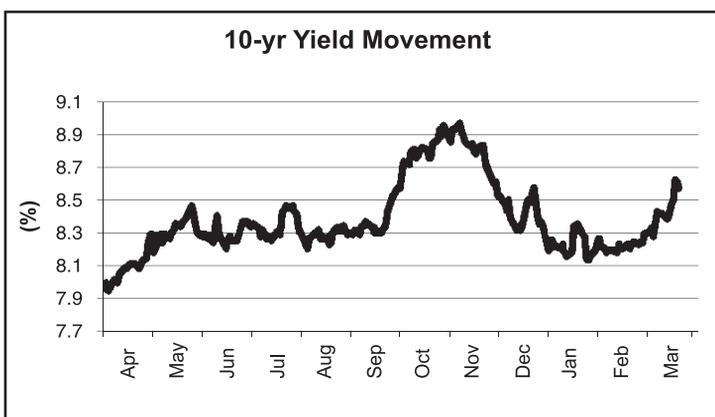
In the yearly budget for the year, government had planned to borrow Rs. 417000 crore through auction of dated securities. However, a shortfall in revenues and overshoot in unplanned expenditure forced the government to revise its borrowing target twice during the year. At the end of September, 2011, Government announced to increase the borrowing target for the second half of FY 2011-12 by Rs. 52800 crore. The government brought in a second round of increase of Rs. 40000 crore in borrowings at the end of third quarter. The additional borrowing of Rs. 40000 crore was



attributed to increased subsidy outgo and slowing tax revenues. The gross borrowings for the FY 2011-12 stand at an unprecedented Rs. 510000 crore, while net borrowings stand at Rs. 436414 crore. The weighted average maturity of issuances stood at 12.67 years from 11.64 years in the previous year. The weighted average yield of dated securities issued during FY 2011-12 rose to 8.52 per cent as compared to 7.91 per cent during 2010-11.

Secondary Market

During FY 2011-12, the bond market was rendered dull and range bound in H1 due to supply pressure and tight monetary stance of central bank, resulting in limited trading opportunities. After opening at 8 per cent, the 10-yr yield traded in a band of 8.20 per cent to 8.40 per cent in the first half of the year. While favorable global cues such as fall in oil prices, US rating cut and Euro debt crisis concerns helped boost sentiments to some extent, the domestic factors remained largely unfavorable & overbearing as RBI continued to maintain anti inflationary stance,

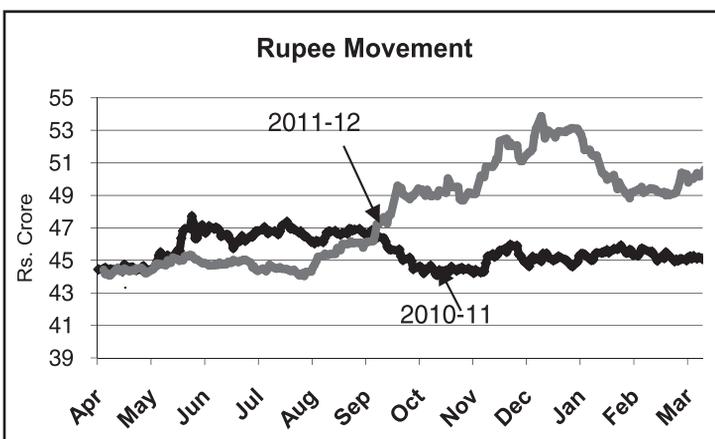


hiking the policy rates by 175 basis points between April to October, 2011. Heavy issuances of cash management bills by Gol to meet short term financing requirement also impacted the short term rates. Gol increased its annual borrowing by Rs. 53000 crore to meet shortfall on account of small savings collection and depletion of cash reserves. The market witnessed unrelenting rise in G-sec yields post announcement of extra borrowings with 10-yr yield scaling a three year high of 8.98 per cent in November, 2011. Market was again tested at the end of the third quarter, when Gol increased the borrowings by Rs. 40,000 crore more to meet burgeoning subsidy bill. Yields retreated with the beginning of the fourth quarter as market started factoring in further steps by RBI to ease the liquidity crunch and also due to the fact that this further increase in government borrowing was on the expected lines of the market unlike the one at the end of September, 2011. However, yields trended upward in March, 2012 with 10-yr yield rising past 8.60 per cent after RBI refrained from lowering the key policy rates in the March, 2012 policy. The annual budget too disappointed the market as government announced mammoth borrowing of Rs. 5.69 lakh crore for FY 2012-13.

During the year, yield curve flattened on account of sharp surge in short term rates. Yield on 10-yr benchmark paper closed the year at 8.57 per cent after touching a high and low of 8.98 per cent and 7.94 per cent respectively as against 7.98 per cent as on March 31, 2011.

Forex Market

Rupee remained under tremendous pressure during the year especially July, 2011 onwards registering a decline of around 15 per cent over previous year's closing level of Rs. 44.59 per USD. The sharp fall in rupee value was mainly on account of slowdown in FII inflows, strengthening of the US dollar in the international market due to the safe haven status of the US treasury, and heightened risk aversion and deleveraging due to the euro area crisis that impacted financial markets across emerging market economies. Apart from the global factors, there were several domestic factors that have added to the weakening trend of the rupee, which include increasing CAD and high inflation. To arrest

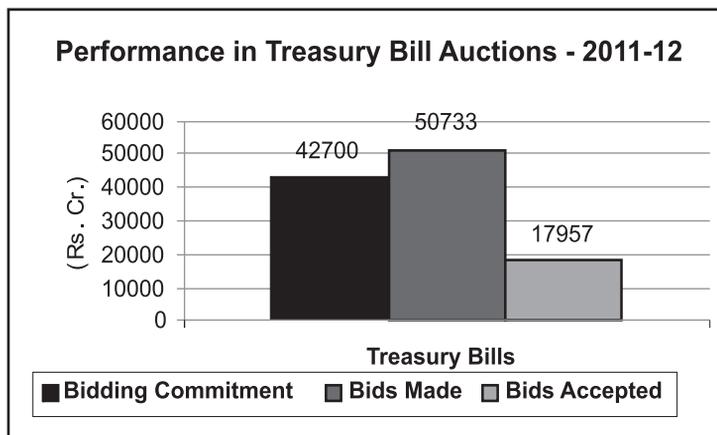


the consistent weakness in rupee, RBI intervened in the forex market and also introduced several measures to boost capital flows in the domestic economy. Rupee responded positively to the measures taken by RBI and bucked the falling trend. Rupee recuperated from its lowest level of 53.86 per USD to 51.28 per USD as on March 31, 2012.

COMPANY PERFORMANCE

Primary Market

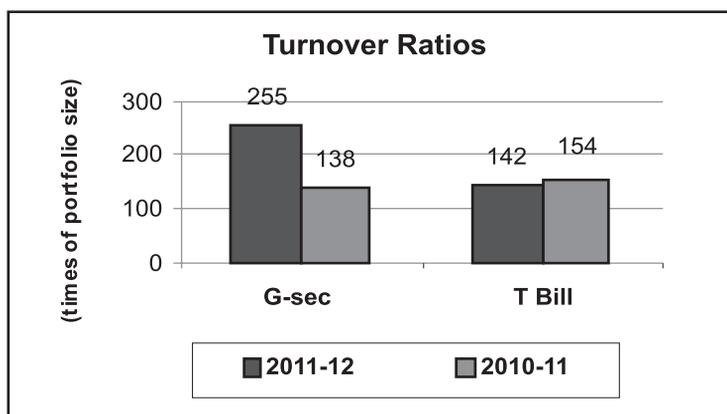
In primary market, the company continued to comply with all the regulatory requirements of bidding under Minimum Underwriting Commitments (MUC) and Additional Competitive Underwriting (ACU) for primary dealers. During the year, company earned an underwriting commission of Rs. 1.77 crore as against previous year's commission of Rs. 1.03 crore. In Treasury bill auctions, in the first half, Gol raised Rs. 329000 crore as against Rs. 158000 crore in the corresponding period of last fiscal. In the second half, Gol raised another Rs. 281000 crore



through T-bills as against Rs. 158000 crore raised in corresponding period last fiscal. Fulfilling its primary market commitment company achieved success ratio of 41.58 per cent and 42.60 per cent in H1 and H2 respectively of FY 2011-12. During the year, company submitted bids aggregating Rs. 50733 crore against the commitment of Rs. 42700 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs. 17957 crore were accepted.

Secondary Market

During the year, company's secondary market turnover surged sharply to Rs. 208982 crore as against Rs. 68745 crore achieved in FY 2010-11. The Central G-sec segment recorded the maximum turnover of Rs. 171343 crore as against Rs. 49676 crore in the preceding year. The company also increased turnover in corporate bonds registering a turnover of Rs. 6,563 crore in the segment as against Rs. 2,200 crore in the previous year. The company's total turnover ratio (secondary market) stands at 142

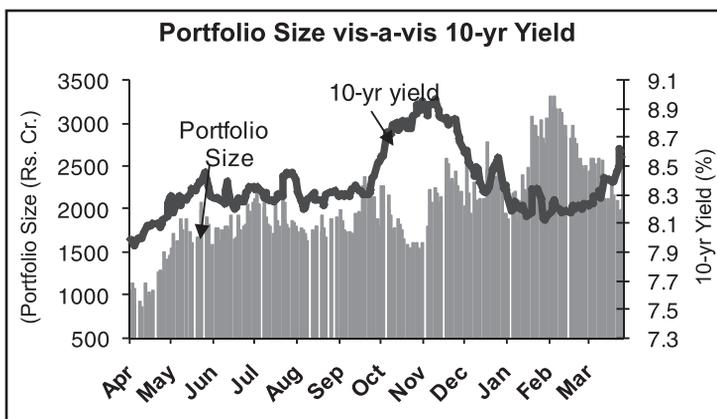


times for treasury bills and 255 times for government-dated securities as on March 31, 2012 against the minimum RBI stipulation of 10 times and 5 times respectively.

Portfolio Size and Composition

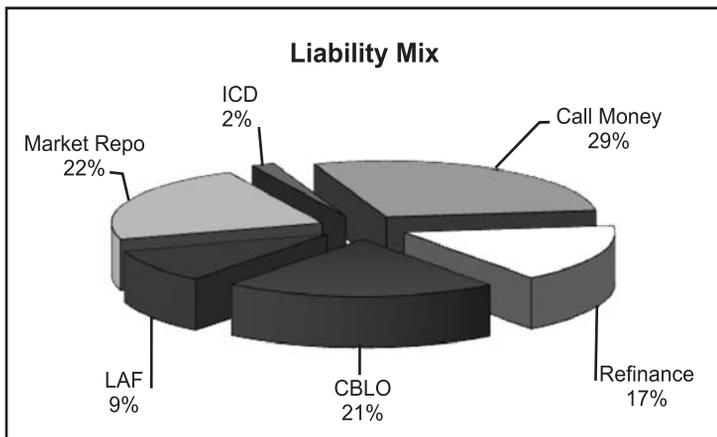
During the year, company maintained a highly dynamic portfolio. The portfolio size was also a function of company's expectations of the market conditions and the expected yield trajectory. In the second half of the year, company

maintained higher exposure in T-bills. With the yield curve remaining largely inverted, T-bills gave a positive arbitrage with low risk. Average holding in T-bills during the year stood at Rs. 870 crore as against Rs. 172 crore during the preceding year. The aggregate portfolio size varied between Rs. 849 crore to Rs. 3329 crore and averaged at Rs. 2003 crore. The company also undertook hedging of portfolio, taking a spread call between OIS and G-sec. As on March 31, 2012, the exposure in interest rate derivatives stood at Rs. 350 crore as against Rs. 200 crore as on March 31, 2011.



Liability Mix

During the year, company judiciously utilized different sources of borrowings. Fund management was extremely challenging as a high deficit in liquidity persisted throughout the year driving up short term borrowing rates. The company made use of financing support from RBI judiciously to curtail borrowing cost as call and other money market rates were trading at a spread over the RBI’s repo rate. Nevertheless, company’s borrowing cost increased considerably during the fiscal owing to continuous rate hikes by the central bank. The average borrowings from all sources amounted to Rs. 1531 crore as against Rs.



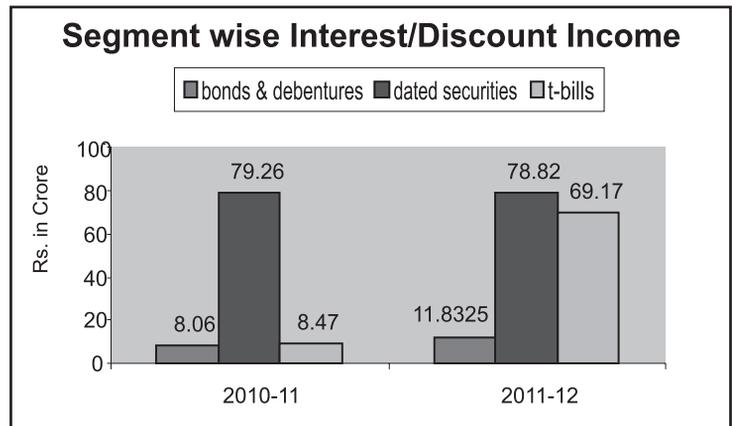
908 crore in 2010-11. The average leverage size during the year was higher at 2.69 times as against 1.59 times in the previous year. The average cost of funds during the fiscal at 8.14 per cent (5.68 per cent in FY 2010-11) was about 7 basis points lower than the average NSE overnight MIBOR of 8.21 per cent during the year.

Trading Stance and Risk Management

During FY 2011-12, the company operated under extreme volatility in the yields. The first half of the FY was marked with very high inflation and RBI’s persistent hawkish response to the threat of rising inflation. Apty, RBI raised policy rates at a fast clip (by 175 basis points from April to October, 2011) and kept liquidity on a tight leash. This led to a sharp increase in the yields. However, thaw in the inflationary expectations, sharp deceleration in the economic growth and RBI’s aggressive OMO buybacks led to a steep decline in the yields in the period November, 2011 to February, 2012. However, no policy rate cut and a larger government borrowing projection for the FY 2012-13 as envisaged in the Union budget led the yields to harden once again and 10 yr yield closed the year at 8.57 per cent, resulting in almost 60 basis points hardening during the year. Nonetheless, the company could successfully limit the adverse impact of rise in yields through nimble trading, higher and quick turnover and a balanced selection of securities. 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 defense against the operational risk.

Financial Performance

During the year, the company's Profit before Tax (PBT) stood at Rs. 29.64 crore as on March 31, 2012 as against Rs. 44.04 crore as on March 31, 2011. In view of high short term borrowing rates, the net interest margin was squeezed putting downward pressure on the bottom-line. The company's interest expenses surged by almost 144 per cent from Rs. 51.57 crore in last fiscal to Rs. 125.67 crore in FY 2011-12. Hardening of yields in the third quarter, also impacted the trading income adversely. 10 yr yield had surged to 8.40 per cent in the first quarter and touched a high of 8.98 per cent in the third quarter before closing the year at 8.57 per cent. Despite the challenging conditions, the company endeavored to make best use of its competencies to boost the bottom-line. During the year, the company also consolidated the non core activities, principally derivative segment in equity trading. The company earned income of Rs. 11.22 lakh from trading in equities during the year as against Rs. 14.19 lakh in the previous year. The Profit after Tax amounted to Rs. 21.05 crore as on March 31, 2012 as against Rs. 30.58 crore last year. The net worth of the company has risen by 1.01 per cent to Rs. 574.69 crore as on March 31, 2012. The company was adequately capitalized with capital adequacy ratio at 74.72 per cent as on March 31, 2012 as against RBI's minimum stipulation of 15 percent.



Human Resource Development

The company employs best HR practices and provides healthy work atmosphere to boost employees' motivation and productivity levels. Immense emphasis is placed on upgradation of the human resource and individual training requirements. Apart from this, in-house lectures and workshops are also conducted to stimulate healthy exchange of ideas. During the year, the company also boosted its staff strength, hiring finest quality human capital for different functions of the company.

OPPORTUNITIES AND THREATS

Indian economy faced severe challenges in FY 2011-12, with RBI being entrusted with the unenviable job of managing the "impossible trinity". The economy was marred with high levels of inflation till Q3. The WPI inflation touched a high of 10 per cent during the month of September 2011 and remained stubbornly high till the end of calendar year 2011. RBI reacted to the high inflation by aggressively raising the rates by 175 basis points during the first seven months of FY 2012 and also by reining in liquidity, leading inflation to less than 7 per cent by FY end. However the crusade against the inflation had an adverse impact on the economic growth with the GDP progressively dipping from 8.5 per cent in FY 2010-11 to 6.1 per cent in Q3 of FY 2011-12. The index of industrial production (IIP) continued to remain highly volatile with sharp downward bias and printed a low of (4.96 per cent) in the month of November, 2011. One of the major challenges was the management of Current account deficit [(4 per cent) for April-December, 2011 and (4.3 per cent) for September-December, 2011] as the exports slowed down considerably due to critical conditions in the western countries, mainly Europe. This resulted in considerable depreciation in the INR, further aggravating the import led inflation problem. RBI's intervention, since fag end of calendar year 2011, to reduce the volatility in currency movements led to further tightening in the system liquidity, putting brakes on growth further. At the same time, the global energy prices remained highly elevated for the

whole year due to geopolitical reasons, putting severe strain on both the fiscal deficit and the current account deficit simultaneously. The fiscal deficit for FY 2011-12 was 5.9 per cent as against the initial budget estimate of 4.6 per cent and the current account deficit may also be higher than 4 per cent for the FY 2011-12. The oil prices continue to remain high and with the lack of political will to pass on the higher crude prices at the retail level, the risk of under-reporting of inflation and fiscal deficit remains high.

Due to RBI's sustained efforts and favorable base effect, the inflation is expected to remain moderate for next few months. In this context, it may be expected that RBI may cut the policy rates by only 75-100 basis points during the course of year and also infuse more liquidity into the system to bring the system liquidity deficit to well within the 1 per cent of NDTL. RBI isn't expected to pursue growth very aggressively and they may remain cautious on the inflation front. However, due to large government borrowings planned for the FY 2012-13, it may expect a sustained and sharp fall in yields. The yields may remain range bound with a soft bias. With a projected fiscal deficit of 5.1 per cent (equivalent to Rs. 5,70,000 crore gross borrowing), we believe that the risk of fiscal overshoot in FY 2012-13 is remote (unlike FY 2011-12) and government should be able to stick to its borrowing program, which anyway is large enough to strain the system. RBI may again have to pitch in with OMOs during the year to ease the liquidity and fill in the gaps in the demand of government securities. The year ahead may again witness lot of volatility in the yields as the opposite forces of very high and continuous supplies and the policy rate cuts pull the yields in either direction. The company proposes to be actively engaged in trading profitable opportunities. The company, through its competent trading skills and strong risk management systems, shall endeavor to generate better risk adjusted returns through view based and opportunistic trading. Increased focus on other fee based and fund based activities is also expected to add positively to the company's bottom-line.

On behalf of Board of Directors

Date : May 29, 2012

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 eight Directors and the Chairman of the Board is a Non-Executive Director. The composition of the Board as on March 31, 2012 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 36 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., ECGC Ltd. and IIFCL.

Sh. Rakesh Sethi is Executive Director of Punjab National Bank. He was earlier General Manager in Andhra Bank. He is having a rich experience of around 32 years in Banking Industry especially in the field of integrated risk management, deposit planning, corporate communications and government business. He is also Director on the Board of PNB Housing Finance 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 A.S.P Research Service Pvt. Ltd.

Sh. P. P. Pareek is a practising Chartered Accountant. He is a senior partner of M/s S. Bhandari & Co. for the last 28 years. He was member of Central Council and Standing Committees like Executive Committee and Examination Committee of the Institute of Chartered Accountants of India.

Sh. P. K. Chhokra is General Manager of Treasury Department of Punjab National Bank. He is having a rich experience of Credit and Treasury Operations of Punjab National Bank. He is Director on the Board of Principal PNB Asset Management Co Pvt Ltd. and MCX Stock Exchange Ltd.

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

- **Other information regarding the Board as on March 31, 2012 is given below :**

Names of the Directors	Category	No. of other Directorships and Committee Memberships/Chairmanships ¹		
		Directorships	Committee Memberships	Committee Chairmanships
Sh. K. R. Kamath	Non-Executive	6	1	-
Sh. Rakesh Sethi	Non-Executive	2	-	-
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	-	-	-
Sh. P. P. Pareek	Non-Executive/ Independent	-	-	-
Sh. P. K. Chhokra	Non-Executive	2	-	-
Sh. S. K. Dubey ²	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 Managing Director w.e.f. 01/02/2012.

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 2011-12, six Board Meetings were held on April 30, 2011, June 25, 2011, August 9, 2011, October 24, 2011, January 28, 2012 and March 14, 2012. Attendance record of the Directors in the meetings is as under :

Names of Directors	No. of Board Meetings attended	Attended last AGM held on June 25, 2011
Sh. K. R. Kamath	6	Y
Sh. Rakesh Sethi ¹	3	N.A.
Dr. O. P. Chawla	5	Y
Dr. Kamal Gupta	6	Y
Sh. S. K. Soni	6	Y
Sh. A. S. Agarwal ²	1	N.A.
Sh. M. S. Aftab ³	1	N.A.
Sh. P. P. Pareek	6	Y
Sh. P. K. Chhokra ⁴	1	N.A.
Sh. D.V.S.S.V. Prasad ⁵	5	Y
Sh. S. K. Dubey ⁶	6	Y

1. Appointed as an Additional Director on 24/10/11.
2. Resigned on 20/05/11.
3. Resigned on 21/05/11.
4. Appointed as an Additional Director on 28/01/12.
5. Resigned from Directorship and Managing Directorship on 01/02/12.
6. Appointed as Managing Director w.e.f 01/02/12.

• 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 2011-12, four meetings of the Committee were held on April 30, 2011, August 9, 2011, October 24, 2011 and January 28, 2012. The composition and attendance of Directors in the Committee is as under:

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

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

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

During the year 2011-12, 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 :

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. P. K. Chhokra ¹	Chairman	Four
Dr. Kamal Gupta	Member	Twenty Four
Sh. M. S. Aftab ²	Member	Three
Sh. S. K. Dubey ¹	Member	Twenty Two
Sh. D.V.S.S.V. Prasad ³	Member	Eighteen

1. The Committee was reconstituted w.e.f. 01/02/12 on account of appointment of Sh. S. K. Dubey as Managing Director and Sh. P. K. Chhokra as an Additional Director on the Board. Sh. S. K. Dubey has been re-designated as Member and Sh. P. K. Chhokra has been designated as Chairman of the Committee.

2. Resigned on 21/05/11.

3. Resigned on 01/02/12.

Dr. Kamal Gupta, Sh. M. S. Aftab and Sh. P. K. Chhokra were paid sitting fees for these meetings. Sitting fee to Sh. S. K. Dubey was paid till 31/01/2012 and thereafter, it was not paid to him, as he became an Executive Director.

As on March 31, 2012, 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 2011-12, twelve meetings of the Committee were held.

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

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. S. K. Soni	Chairman	Twelve
Sh. A. S. Agarwal ¹	Member	One
Sh. S. K. Dubey	Member	Twelve
Sh. P. K. Chhokra ²	Member	Two
Sh. D.V.S.S.V. Prasad ³	Member	Nine

1. Resigned on 21/05/11.

2. Appointed as member w.e.f 1/02/12.

3. Resigned on 01/02/2012.

Sh. S. K. Soni, Sh. A. S. Agarwal and Sh. P. K. Chhokra were paid sitting fees for these meetings. Sitting fee to Sh. S. K. Dubey was paid till 31/01/2012 and thereafter it was not paid to him, as he became an Executive Director.

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 4 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 31/03/12.**

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

(C) Nomination Committee

During the year 2011-12, one Nomination Committee meeting was held. The composition of Nomination Committee and attendance of the Members is as under:

Names of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. Rakesh Sethi	Chairman	One
Dr. O. P. Chawla	Member	Nil
Sh. S. K. Soni	Member	One
Sh. D.V.S.S.V. Prasad ¹	Member	One

1. Resigned on 01/02/12.

Ms. Monika Kochar, 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 2011-12 is as under –

(Rs. in lacs)

Particulars	Sh. D.V.S.S.V. Prasad (till 31.01.2012)	Sh. S. K. Dubey (from 01.02.2012)
Salary & Allowances	8.44	1.56
Company's Contribution to Provident Fund	0.62	0.14
Other Perquisites	1.06	0.24

The Executive Director has been appointed for a period of 1 year (w.e.f. February 1, 2012), extendable for another one year and his service conditions are regulated by the service regulations of the company. As per Regulation 15(iii) of the service regulations, his service can be terminated by a notice period of 3 months on either side 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. Sitting fee payable for attending the Board Meeting was raised from Rs. 5000/- per meeting to Rs. 10000/- per meeting w.e.f. 25/06/11. In respect of Committee Meetings, sitting fee payable is 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 2011-12 is as under:

Names of the Directors	Sitting Fees (Rs.)
Sh. K. R. Kamath*	55,000/-
Sh. Rakesh Sethi*	35,000/-
Dr. O. P. Chawla	60,000/-
Dr. Kamal Gupta	1,95,000/-
Sh. S. K. Soni	1,40,000/-
Sh. A. S. Agarwal	10,000/-
Sh. M. S. Aftab	20,000/-
Sh. P. P. Pareek	75,000/-
Sh. P. K. Chhokra*	40,000/-
Sh. S. K. Dubey* ¹	2,05,000/-

* 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.

1. Sitting fee paid till 31/01/12

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). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2011-12. 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
2010-11	Air Force Auditorium, Subroto Park, New Delhi-110010	June 25, 2011 at 1200 hrs.
2009-10	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	July 31, 2010 at 1130 hrs.
2008-09	-do-	August 19, 2009 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 2011-12, 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 each other.

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

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

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

- **Means of communication**

Print

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

- **General Shareholder Information**

1. Annual General Meeting

Date and time	:	July 28, 2012 at 12:30 p.m.
Venue	:	Punjab National Bank Auditorium, Central Staff College 8, Under Hill Road, Civil Lines, Delhi – 110 054
Financial Year	:	April 1, 2011 to March 31, 2012
Date of Book Closure	:	July 21, 2012 to July 28, 2012 (both days inclusive)
Dividend Payment Date	:	August 22, 2012

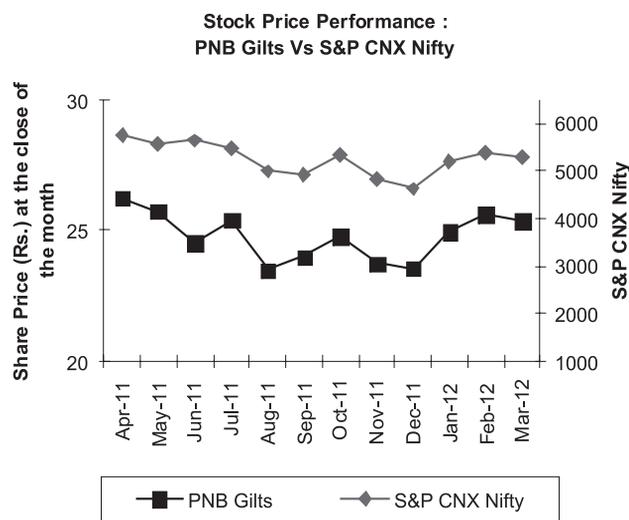
2. Listing on Stock Exchanges

:	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 2011-12 on National Stock Exchange is given as under :

Month	High (Rs.)	Low (Rs.)
Apr-11	28.85	23.75
May-11	26.90	24.00
Jun-11	27.40	23.00
Jul-11	28.25	24.10
Aug-11	25.85	22.45
Sep-11	25.05	23.15
Oct-11	25.05	22.85
Nov-11	29.40	22.80
Dec-11	26.20	23.10
Jan-12	25.90	23.50
Feb-12	28.00	24.05
Mar-12	29.25	24.60



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, registration of email-IDs etc. may please be sent directly to MCS LTD. at the above address.

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

7. **Share Transfer / Dematerialisation System**

The shares of the company are traded compulsorily in demat mode. Hence, most of the transfers are executed electronically. However, a few cases of transfer/ transmission are received by the company/registrar in physical mode. For transfer of shares in physical mode, the Share Transfer and Issue of Duplicate Share Certificates Committee meets every fortnight. Further, in pursuance of SEBI's circular, 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, 2012**

No. of equity shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	27139	85.56	3237624	2.39
501-1000	2262	7.13	1984911	1.47
1001-2000	1025	3.23	1653558	1.22
2001-3000	356	1.12	945844	0.70
3001-4000	194	0.61	711762	0.52
4001-5000	203	0.64	983528	0.72
5001-10000	285	0.90	2214800	1.64
10001 and above	256	0.81	123275573	91.31
Total	31720	100.00	135007600	100.00

- **Shareholding pattern as on March 31, 2012**

Particulars	No. of shares held	% of Shareholding
Promoter	100000000	74.07
Financial Institutions, Banks and Insurance Companies	5318933	3.94
Bodies Corporates, Trust & Foundations	8446399	6.26
Indian Public	19777355	14.65
NRI's and FII's	1464913	1.08
Total	135007600	100.00

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

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

- **Dematerialisation of shares**

The shares of the company are traded compulsorily in demat mode. At present (as on March 31, 2012) 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 after expiry of seven years from the date of its transfer to the Unpaid Dividend Account. In pursuance of above, unpaid/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 & final 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 March 31, 2012 :

Financial Year	Amt of dividend (Rs. Lacs)	Unclaimed Dividend as on 31.03.2012 (Rs. Lacs)	Unclaimed dividend Percentage	Last date for making claim	Due Date for making transfer to IEPF
2005-06 (Interim Dividend)	1080.06	4.35	0.40	3 rd Mar 2013	2 nd Apr 2013
2007-08 (Final Dividend)	2025.11	8.42	0.42	1 st Nov 2015	1 st Dec 2015
2008-09 (Final Dividend)	1080.06	5.12	0.47	18 th Sep 2016	18 th Oct 2016
2009-10 (Final Dividend)	1350.07	5.05	0.37	5 th Sep 2017	5 th Oct 2017
2010-11 (Final Dividend)	1620.09	6.20	0.38	26 th Aug 2018	25 th Sep 2018

*The company had also sent individual advice letters (along with format of indemnity bond) to shareholders for claiming their dividend(s) not claimed by them. It is hereby once again requested to shareholders who have not yet claimed the said dividend(s), to lodge their claim with the company by submitting an application and an indemnity bond on or before 3rd March, 2013. A format of indemnity bond in this respect is also available at the company's website (www.pnbgilts.com). **Kindly note that no claim shall lie against the company or the IEPF once the dividend amount is deposited in IEPF.**

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

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

4. Audit Qualifications

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

5. Training of Board Members

The same will be considered in due course.

6. Mechanism for evaluating non-executive Board members

The same will be considered in due course.

7. Whistle Blower Policy

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

• Compliance Officer and contact address

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

On behalf of the Board of Directors

Date : May 29, 2012
Place : New Delhi

(K. R. Kamath)
Chairman

DECLARATION

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

Dear Member,

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

Based on the affirmations received from Directors and Senior Management Personnel as covered under the said Code, I, S. K. Dubey, hereby declare that all the Directors and Senior Management Personnel of the company have complied with the Company's "Code of Conduct for Directors and Senior Management" during the year 2011-12.

For and on behalf of Board

Date : April 24, 2012
Place : New Delhi

(S. K. Dubey)
Managing Director

AUDITORS' CERTIFICATE

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

We have examined the compliance of conditions of Corporate Governance by PNB Gilts Ltd. for the year ended March 31, 2012, as stipulated in Clause 49 of the listing agreement of the said company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the condition of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

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

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

Date : May 2, 2012
Place : New Delhi

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



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, 2012 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, 2012 and taken on record by the Board of Directors in meeting held on May 2, 2012 we report that none of the Director is disqualified as on March 31, 2012 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 (Note-1) and notes on accounts (Note-2), 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, 2012.
 - 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

Membership No. 088767

Date : May 2, 2012

Place : New Delhi

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, 2012.

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 assets 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.1220 crores with closing balance of Rs. NIL. The rate of interest and other terms and conditions of loans taken are not prima facie 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 the information / explanations given to us the Company is regular in depositing undisputed statutory dues including Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. There were no arrears of outstanding undisputed statutory dues as at the last day of the financial year for a period of more than six months from the date they become payable.
- (x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion & according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders as applicable.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records, where the company has granted loans and advances on the basis of security by way of pledge of securities.
- (xiii) In our opinion and according to the information and explanations given to us, the provisions of special statute applicable to a chit fund or a nidhi/ mutual benefit fund/ societies are not applicable to the company.
- (xiv) According to the information and explanations given to us, the company is dealing or trading in shares, securities, debentures and other investments and proper records have been maintained for the same. All the shares, securities, debentures and other investments are held in the name of the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The company has not raised any term loan during the year under audit.
- (xvii) To the best of knowledge and information and explanation given to us, funds raised on short term basis have not been used for long term investment.
- (xviii) The company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to information and explanations given to us, the company has not issued any debenture during the year.
- (xx) According to information and explanations given to us, the company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor have we been informed of such case by the management during the course of our audit.

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

(R. K. Mittal)

Partner

Membership No.088767

Date : May 2, 2012

Place : New Delhi

The Board of Directors
PNB Gilts Limited

In terms of Reserve Bank of India, Department of Financial Companies Notification No. DNBS(PD)CC NO. 225 /03.02.001/2011-12 dated July 1, 2011, 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, 2012.
- 3) A resolution for non-acceptance of any public deposits, was passed in the meeting of the Board on April 30, 2011.
- 4) The company has not accepted any public deposits during the year ended March 31, 2012.
- 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, 2012 of the company alongwith Note 1 and 2 has disclosed the problem exposures and also the effect of valuation of portfolio as per instructions issued by Reserve Bank of India from time to time.

For **S.Mohan & Co.**
Chartered Accountants
(R.K. Mittal)
Partner
Membership No. 088767

Date : May 2, 2012
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, 2012.

The preparation of financial statements of PNB Gilts Limited, New Delhi for the year ended March 31, 2012 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 May 2, 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of PNB Gilts Limited, New Delhi, for the year ended March 31, 2012. 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

(Praveen Kumar Singh)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-III,
New Delhi

Date : May 22, 2012
Place : New Delhi

BALANCE SHEET AS AT 31ST MARCH, 2012

(Rs. in lacs)

	Note	As at 31.03.2012		As at 31.03.2011	
I. EQUITY & LIABILITIES					
1 Shareholders' Funds					
(a) Share Capital	2.1	13500.76		13500.76	
(b) Reserves & Surplus	2.2	44263.78	57764.54	43727.61	57228.37
2 Share Application Money pending allotment					
-					
3 Non-Current Liabilities					
(a) Long-term provisions	2.3		28.61		25.83
4 Current Liabilities					
(a) Short Term Borrowings	2.4	220767.99		85464.97	
(b) Trade Payables	2.5	24.25		15.66	
(c) Other Current Liabilities	2.6	169.17		206.80	
(d) Short Term Provisions	2.7	5898.50	226859.91	5376.37	91063.80
TOTAL		284653.06		148318.00	
II ASSETS					
1 Non-Current Assets					
(a) Fixed Assets	2.8	479.41		543.26	
- Tangible Assets		409.86		426.11	
- Intangible Assets		69.55		117.15	
(b) Non-Current Investments	2.9	17453.68		12898.88	
(c) Deferred Tax Assets (Net)	2.10	225.89		219.63	
(d) Long Term Loans & Advances	2.11	637.54	18796.52	534.82	14196.59
2 Current Assets					
(a) Inventories	2.12	248694.67		118131.15	
(b) Trade Receivables	2.13	1.78		82.04	
(c) Cash & Cash Equivalents	2.14	10204.40		10572.04	
(d) Short Term Loans & Advances	2.15	4.57		12.09	
(e) Other Current Assets	2.16	6951.12	265856.54	5324.09	134121.41
TOTAL		284653.06		148318.00	

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NOTE 2 - NOTES TO ACCOUNTS

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

(K. R. Kamath)
Chairman

(Rakesh Sethi)
Director

(Dr. O. P. Chawla)
Director

(Dr. Kamal Gupta)
Director

(S. K. Soni)
Director

(P. P. Pareek)
Director

(S. K. Dubey)
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

(R.K.Mittal)
Partner

Membership No. 088767

Date : May 2, 2012

Place : New Delhi

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2012

(Rs. in lacs)

	Note	As at		As at	
		31.03.2012		31.03.2011	
CONTINUING OPERATIONS					
I Revenue from Operations					
(a) Discount Income	2.17	7488.81		1118.01	
(b) Interest Income	2.18	10039.39		9700.93	
(c) Trading Income	2.19	(1450.62)		(1115.60)	
(d) Other Operational Income	2.20	391.07	16468.65	375.54	10078.88
II Other Income	2.21		61.06		242.40
III Total Revenue (I + II)			16529.71		10321.28
IV Expenses					
(a) Interest Expenses	2.22	12567.26		5156.66	
(b) Operating Costs	2.23	259.82		100.56	
(c) Employees Benefit Expenses	2.24	314.09		265.20	
(d) Depreciation & Amortisation	2.8	90.54		91.06	
(e) Other Expenses	2.25	333.87	13565.58	303.40	5916.88
V Profit Before Exceptional & Extra Ordinary Items & Tax (III-IV)			2964.13		4404.40
VI Exceptional Items			-		-
VII Profit Before Extra Ordinary Items and Tax (V - VI)			2964.13		4404.40
VIII Extra Ordinary Items			-		-
IX Profit Before Tax (PBT) (VII - VIII)			2964.13		4404.40
X Tax Expenses					
(a) Current Tax		851.57		1363.87	
(b) Deferred Tax Adjustment		(6.27)		20.20	
(c) Adjustment for earlier years		13.57	858.87	(37.52)	1346.55
XI Profit (Loss) for the period from Continuing Operations (IX-X)			2105.26		3057.85
XII Profit (Loss) from Discontinuing Operations			-		-
XIII Tax expenses of Discontinuing Operations			-		-
XIV Profit (Loss) for the period from Discontinuing Operations (XII-XIII)			-		-
XV Profit (Loss) for the period (XI + XIV)			2105.26		3057.85
XV Earning per Equity					
(a) Basic			1.56		2.26
(b) Diluted			1.56		2.26

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NOTE 2 - NOTES TO ACCOUNTS

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

(K. R. Kamath)
Chairman

(Rakesh Sethi)
Director

(Dr. O. P. Chawla)
Director

(Dr. Kamal Gupta)
Director

(S. K. Soni)
Director

(P. P. Pareek)
Director

(S. K. Dubey)
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

(R.K.Mittal)
Partner

Date : May 2, 2012
Place : New Delhi

Membership No. 088767

NOTE - 1**SIGNIFICANT ACCOUNTING POLICIES****1.1 Method of Accounting**

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

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

1.3 Revenue Recognition

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

1.4 Expenses Recognition

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

1.5 Valuation of Inventories / Investments**a. Inventories**

- i) All securities in which the company deals are regarded as Inventory (Stock-in-Trade) and grouped as hedged and non-hedged portfolio.
- ii) The stock of Central Government Securities, Treasury Bills (including Cash Management Bills), State Development Loans and PSU/Corporate Bonds, Debentures and Equity Shares are valued at weighted average cost or market value, whichever is lower (except securities under HTM category as per RBI guidelines). Market Value is determined by the prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA) except for equity shares. Market value of Equity shares is determined by the closing rates provided by the stock exchanges.

Further, 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 & Loss Account. Net appreciation, if any, is ignored. The diminution in one category of securities is not set off against appreciation in another category.
- iii) Certificates of Deposit, Commercial Papers, Bills Re-discounted and Zero Coupon Bonds held on the Balance Sheet date are valued at carrying cost.
- iv) In case of units of Mutual Fund, valuation is done on the basis of closing NAV declared by the Mutual Fund.

b. Non-Current Investments

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

- i) Securities classified under HTM category need not be Marked to Market and will be carried at the value at which they were transferred to HTM portfolio.
- ii) Transfer to/from HTM category shall be done at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer shall be fully provided for.
- iii) The profit on sale of securities, if any from HTM category shall first be taken to the Profit & Loss Account and thereafter be appropriated to the Capital Reserve Account (net of tax). Loss on sale shall be recognized in the Profit & Loss Account. The balance in the reserve account shall be utilized strictly as per the regulatory guidelines.

1.6 Accounting for Repo Transactions

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

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

1.7 Interest Rate Swaps (IRS)

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

i) Trading Swaps

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

ii) Hedge Swaps

Hedge Swaps are accounted for on accrual basis except the swap designated with an Asset or Liability that is carried at market value or lower of cost or market value. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated Asset or Liability.

Gains or losses on the termination of Swaps are recognized when the offsetting gain or loss is recognized on the designated Asset or Liability. This implies that any gain or loss on the terminated swap is deferred and recognized over the shorter of the remaining contractual life of the Swap or the remaining life of the Asset / Liability.

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

1.8 Accounting for Future and Options Transactions

- i) Initial Margin payable at the time of entering into Future Contract/sale of Option is adjusted against the deposits with the exchanges in the form of fixed deposits, cash deposits and securities.
- ii) Transactions in Future Contracts are accounted as Purchases and Sales at the notional trade value of the contract. The open interest in Futures as at the Balance Sheet date is netted by its notional value.
- iii) The difference in the settlement price or exchange closing price of the previous day and exchange closing price of the subsequent day, paid to or received from the exchange is treated as Marked to Market Margin. The balance in the Marked to Market Margin Account represents the net amount paid or received on the basis of movement in the prices of open interest in Futures Contracts till the Balance Sheet date. Net debit balance in the Marked to Market Margin Account is charged off to revenue, whereas net credit balance is shown under Current Liabilities.
- iv) Premium paid or received on purchase and sale of Options and the difference paid or received on exercise of Options is accounted as Purchases or Sales. In case of open interest in Options sold as on the Balance Sheet date, provision is made for the amount by which premium prevailing on the Balance Sheet date exceeds the premium received

for those Options. The excess of premium received over the premium prevailing on the Balance Sheet date is not recognized. Similarly, in case of Options bought, provision is made for the amount by which the premium paid for the Option exceeds the premium prevailing on the Balance Sheet date and the excess of premium prevailing on the Balance Sheet date over the premium paid is ignored. In case of multiple open positions, provision is made or excess premiums are ignored after netting off the balance in buy as well as sell positions.

1.9 Investment

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

1.10 Deferred Tax

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

1.11 Depreciation

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

1.12 Preliminary Expenses

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

1.13 Share Issue Expenses

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

1.14 Tax on Dividend

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

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

- i) Gratuity contribution made under the Employee Group Gratuity cum Life Insurance Scheme of LIC is charged to revenue.
- ii) Leave Encashment is accounted for on actuarial valuation carried at year-end.
- iii) Contribution to recognized provident fund is charged to revenue.

1.16 Operating Cycle

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

NOTE - 2

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
NOTE - 2. 1		
SHARE CAPITAL		
Authorised :		
50,00,00,000 Equity Shares of Rs.10/- each	50000.00	50000.00
Issued, Subscribed and Paid-up:		
13,50,07,600 Equity Shares of Rs.10/- each fully paid-up (Out of this 2,50,00,000 equity shares have been issued as fully paid-up bonus shares by capitalising general reserve in year 2000)	13500.76	13500.76
	13500.76	13500.76
There is no change in issued/subscribed and paid-up shares for the last 5 years)		
Promoter		
Punjab National Bank (10 crore shares of Rs. 10/- each) (Shareholding %)	10000.00 74.07%	10000.00 74.07%
Shareholding more than 5% details		
Punjab National Bank (10 crore shares of Rs. 10/- each) (Shareholding %)	10000.00 74.07%	10000.00 74.07%
NOTE - 2. 2		
RESERVES & SURPLUS		
General Reserves		
Opening Balance	9776.54	9699.54
Transfer from Profit & Loss Account	-	77.00
	9776.54	9776.54
Statutory Reserve Fund		
(Created pursuant to Section 45 - I C of Reserve Bank of India Act, 1934)		
Opening Balance	14666.73	14054.73
Transfer from Profit & Loss Account	421.05	612.00
	15087.78	14666.73
Share Premium Account	7001.52	7001.52
Market Fluctuation Reserve	6300.00	6300.00
Capital Reserve Account		
Opening Balance	-	-
Transfer from Profit & Loss Account	40.46	-
	40.46	-
Surplus		
Opening Balance	5982.82	5503.13
Current Year Profit	2105.26	3057.85
	8088.08	8560.99
Amount Available for Appropriation	8088.08	8560.99
Appropriations :		
- Capital Reserve	40.46	-
- Statutory Reserve Fund	421.05	612.00
- General Reserve	-	77.00
- Proposed Dividend	1350.08	1620.09
- Dividend Tax	219.01	269.08
Balance C/F to next year	6057.48	5982.82
TOTAL	44263.78	43727.61

- A sum of Rs. 421.05 lacs (20% of Profit After Tax) has been transferred to Statutory Reserve Fund as per RBI Guidelines.
- Net Profit (after tax) through sale of securities from HTM amounting to Rs. 40.46 lacs has been transferred to Capital Reserve Account as per RBI guidelines. The same will be utilised as per the provisions of the Companies Act, 1956.
- The Board of Directors, in its meeting held on January 9, 2003, had decided to build up Market Fluctuation Reserve over a period of time with the cap equal to paid up capital of the company. At the time of adoption of annual accounts each year, the Board may decide the quantum of amount to be transferred to this Reserve, if necessary. For the FY 2011-12, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding as on March 31, 2012 in this reserve is Rs. 6300 lacs.
- The company has proposed a final dividend of Re. 1.00 per share, subject to approval of shareholders in Annual General Meeting, amounting to Rs. 1350.08 lacs. Accordingly, a provision of Dividend Distribution Tax of Rs. 219.01 lacs has been made @ 15 per cent plus surcharge @ 5.00 per cent plus Education Cess @ 2 per cent and Secondary Higher Education Cess @ 1 per cent.
- Net Owned Funds (after deducting Deferred Tax Assets and Intangible Assets) of the company stands at Rs. 57469.10 lacs as against the minimum stipulated capital of Rs. 25000.00 lacs. Return on net worth for the year 2011-12 stands at 3.68 per cent.
- Capital Adequacy Ratios as on June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012 were 95.84 per cent, 79.76 per cent, 73.96 per cent and 74.72 per cent respectively as against RBI stipulation of 15 per cent.

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
NOTE - 2.3		
LONG TERM PROVISIONS		
Provision for Employee Benefits	28.61	25.83
Details of provision for employee benefits (leave encashment), are given in the note 2.34.		

NOTE - 2.4				
SHORT TERM BORROWINGS				
LOAN REPAYABLE ON DEMAND				
• From Banks				
(a) Secured Loans				
LAF Borrowings from RBI (Secured by Govt. Securities - Face Value Rs. 45852.90 lacs, Book Value Rs. 46024.21 lacs) (Last Year - Face Value Rs. 17835.80 lacs and Book Value Rs. 18135.20 lacs)	43000.00		16500.00	
RBI Refinance (Secured by Govt. Securities - Face Value Rs.36269.60 lacs, Book Value Rs. 36567.19 lacs) (Last Year - Face Value Rs. 26609.50 lacs and Book Value Rs. 26920.59 lacs)	32761.00	75761.00	24500.00	41000.00
(b) Unsecured Loans				
• From other Parties				
(a) Secured Loans				
CBLO Borrowings from CCIL (Secured by Govt. Securities - Face Value Rs. 29600 lacs, Book Value Rs 28644.04 lacs) (Last Year - Face Value Rs. 2700.00 lacs and Book Value Rs. 2678.67 lacs)	26121.78		1733.10	
Repo Borrowing (Secured by Govt. Securities - Face Value Rs. 35363.00 lacs, Book Value Rs 35089.23 lacs) (Last Year - Face Value Rs. 22373.00 lacs and Book Value Rs. 21632.07 lacs)	35546.98	61668.76	21621.87	23354.97
(b) Unsecured Loans				
Inter Corporate Borrowings	2600.00		-	
Call & Short Notice Borrowings	75725.00	78325.00	21110.00	21110.00

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
LOANS & ADVANCES FROM RELATED PARTIES		
(a) Secured Loans		
Punjab National Bank -(Loan/Over Draft against FDR)	5013.23	-
(b) Unsecured Loans	-	-
TOTAL	220767.99	85464.97
<ul style="list-style-type: none"> • During the year, the Net Average and Peak borrowings in Call Money amounted to Rs. 43892.52 lacs and Rs. 127775 lacs respectively. • For the year the average and peak leverage ratio stands at 2.68 and 4.92 times respectively. 		

NOTE - 2.5			
TRADE PAYABLES			
Stale Cheques	1.64	-	
Brokerage payable	0.03	-	
Settlement Charges payable	22.58	15.66	
Outstanding dues to SMEs	-	24.25	15.66
TOTAL	24.25	15.66	15.66

NOTE - 2.6			
OTHER CURRENT LIABILITIES			
Sundry Establishment	11.05	3.52	
Investor Education and Protection Fund shall be credited by Unclaimed Dividend	29.16	28.64	
TDS payable	1.19	3.07	
Interest accrued but not due on Short Term Borrowings	127.03	51.70	
Accruals on Interest Rate Swaps (Net)	-	119.53	
Stale cheques	0.74	169.17	206.80
TOTAL	169.17	206.80	206.80

NOTE - 2.7			
SHORT TERM PROVISIONS			
Proposed Dividend (including Dividend Distribution Tax)	1569.09	1889.17	
Provisions - For Employee Benefits	7.65	7.28	
- Other Provisions for various expenses	43.66	42.45	
Provision for Income Tax	4278.10	3426.53	
Provision for Interest Rate Swaps	-	10.94	
Futures & Options	-	5898.50	5376.37
TOTAL	5898.50	5376.37	5376.37

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

(Rs. in lacs)

NOTE - 2.8

FIXED ASSETS

Sl. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-04-2011	Additions during the year	Adjustments/ Deductions during the year	As at 31-03-2012	As at 01-04-2011	For the year ended 31-03-2012	Accumulated Depreciation on Deductions	As at 31-03-2012	As at 31-03-2012	As at 31-03-2011
1	Buildings (Built Up Flats)	589.44	-	-	589.44	249.26	17.01	-	266.27	323.17	340.18
2	Office Equipments	88.97	2.64	8.25	83.36	61.37	3.91	6.43	58.85	24.51	27.60
3	Computers	184.89	10.75	0.44	195.20	162.60	10.87	0.24	173.23	21.97	22.29
4	Furnitures & Fixtures	151.24	6.60	0.99	156.85	129.57	5.89	0.75	134.71	22.14	21.67
5	Vehicles	26.19	10.01	3.68	32.52	11.82	5.96	3.33	14.45	18.07	14.37
6	Intangibles (Software)	250.56	6.81	16.36	241.01	133.41	46.90	8.85	171.46	69.55	117.15
	Total	1291.29	36.81	29.72	1298.38	748.03	90.54	19.60	818.97	479.41	543.26
	Previous Year	1215.69	147.29	71.69	1291.29	719.06	91.06	62.09	748.03	543.28	496.63

During the year 2011-12, the carrying amount of assets were reviewed and none of the assets of the company are found to be impaired for which the procedure prescribed in Accounting Standard 28 needs to be applied.

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
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NOTE - 2.9

NON - CURRENT INVESTMENTS

a) Quoted Investments

	As at 31.03.2012	As at 31.03.2011
GOVERNMENT SECURITIES - HTM	17453.68	12898.88

- Market Value of the above stock as on March 31, 2012 is Rs.16769.22 lacs. As such, the above asset is overstated by Rs. 684.46 lacs. For basis of valuation, refer note 1.5 b.
- The company had categorized an amount of Rs. 12829.30 lacs (Book Value - Rs. 12898.88 lacs) of Government Securities in Held To Maturity (HTM) category as on March 31, 2011. During the current year, an amount of Rs. 21024.40 lacs (Book value - Rs. 20369.69 lacs) was transferred to HTM category, by subscribing from the primary market. Securities amounting to Rs. 16486.60 lacs (Book Value - Rs. 15802.69 lacs) were sold directly from the HTM category and the company earned a gross profit of Rs. 59.89 lacs. Balance after tax amounting to Rs. 40.46 lacs was transferred to Capital Reserve Account in accordance with the RBI guidelines. Further, an amount of Rs.12.20 lacs was amortized by Straight-line basis on the securities. The outstanding under HTM category as on March 31, 2012 is Rs. 17453.68 lacs (Face value - Rs. 17367.10 lacs).

b) Unquoted Investments

	As at 31.03.2012	As at 31.03.2011
TRADE DEPOSITS		
Call money lending converted into term deposit with Madhavpura Mercantile Co-operative Bank Ltd (MMCBL)	761.88	761.88
Provision for Investment - MMCBL	(761.88)	(761.88)
TOTAL (a+b)	17453.68	12898.88

- An amount of Rs. 1000 lacs was lent in Call Money to Madhavpura Mercantile Co-operative Bank Ltd. (MMCBL) in March 2001, which became overdue as on March 31, 2001. We have been informed by MMCBL that the Govt. of India (Ministry of Agriculture, Department of Agriculture & Co-operation, New Delhi) in consultation with RBI, has formed 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 bank including installment of repayment due in August 2007, August 2008, and August 2009 (totalling to Rs. 761.88 lacs against which Rs. 761.88 lacs provision was outstanding) and payments of interest to banks on their deposits are deferred till August 2011.

The Govt. of India made a reference to RBI for extending the validity of the Reconstruction Scheme. RBI has not extended

the validity of the Scheme and advised MMCBL to close their business on August 23, 2011. Gol instructed MMCBL to submit the modified restructuring plan after consulting all the stakeholders to enable them to forward the same to RBI for consideration. MMCBL has submitted their proposal and awaiting response from RBI.

(Rs. in lacs)

		As at 31.03.2012	As at 31.03.2011
Annexure 1 to Note 2.9 - DETAILS OF GOVT. SECURITIES - HTM CATEGORY			
S.No.	Nomenclature	Book Value	Book Value
1	7.65% SL TAMIL NADU 2019	7.82	7.82
2	7.68% SL PUNJAB 2019	319.05	319.18
3	7.76% SL KARNATAKA 2019 (I)	2020.17	2020.17
4	7.77% SL MADHYA PRADESH 2019	219.35	219.46
5	7.77% SL PUNJAB 2019 30.7.2019	2391.12	2391.12
6	7.77% SL RAJASTHAN 2019	273.59	273.72
7	7.77% SL RAJASTHAN 2019 30.7.2019	2442.53	2442.53
8	7.82% SL PUNJAB 2019	64.79	64.79
9	7.83% SL GUJARAT 2019	175.08	175.09
10	7.83% SL HARYANA 2019	200.09	200.11
11	7.83 % SL KERELA 2019	103.54	103.55
12	7.83% SL MAHARASHTRA 2019	1260.08	1261.41
13	7.83% SL RAJASTHAN 2019	400.19	400.21
14	7.95% SL KARNATAKA 2019	250.59	250.67
15	7.98% SL JAMMU & KASHMIR 2019	1008.38	1009.59
16	8.46% SL MAHARASHTRA 2019	1750.31	1759.45
17	9.23% SL (GJ) 30.3.2022	539.40	-
18	9.32% SL (JHARKHAND) 30.3.2022	500.00	-
19	9.32% SL (NAGALAND) 30.3.2022	500.00	-
20	9.36% SL (WB) 30.3.2022	501.30	-
21	9.39% SL (HR) 30.3.2022	502.25	-
22	9.42% SL (TRIPURA) 30.3.2022	503.20	-
23	9.49% SL (JK) 30.3.2022	1520.84	-
TOTAL		17453.68	12898.88

NOTE - 2.10

DEFERRED TAX ASSETS

For Provision against Investments	247.19	247.19
For Other Provisions	11.76	10.74
	258.95	257.93
Less : Deferred Tax Liabilities		
For Fixed Assets	33.06	38.30
	225.89	219.63
NET DEFERRED TAX ASSET	225.89	219.63

The calculation of deferred tax assets and liabilities is as per Accounting Standard 22 of The Institute of Chartered Accountants of India. An adjustment for the current year amounting to Rs. 6.26 lacs (Prev. Year - Rs. 20.20 lacs) has been made out of the profits for the current year.

(Rs. in lacs)

	As at 31.03.2012		As at 31.03.2011	
NOTE - 2.11				
LONG TERM LOANS & ADVANCES				
a) Secured and considered good-				
Loans to Staff				
Consumer Loan to staff	-		1.01	
Housing Loan to staff	13.33		11.26	
Vehicle Loan to staff	5.49		3.64	
b) Unsecured and considered good-				
Security Deposit				
Security deposits with CCIL	601.00		501.00	
Deposit for F&O margin money	12.00		12.00	
Security deposits with others	5.72	637.54	5.91	534.82
TOTAL		637.54		534.82

NOTE - 2.12				
INVENTORIES				
STOCK IN TRADE				
Quoted				
Treasury Bills - 91 days	51661.00		2954.50	
Treasury Bills - 182 days	25691.55		19293.16	
Treasury Bills - 364 days	29129.03		-	
Cash Management Bills	-		-	
Government Securities	123428.79		78969.96	
Certificate of Deposit & Commercial Papers	4547.23		3403.12	
Corporate Bonds and Debentures	15296.09		14478.28	
Mutual Fund Investment	-		-	
Equity Shares Investment	638.79	250392.48	62.76	119161.78
Less : Provision for diminution of Stocks		(1697.81)		(1030.63)
		248694.67		118131.15
Constituent Investment Account	1773349.29		1551559.70	
Less: Constituent Securities Account	(1773349.29)	-	(1551559.70)	-
TOTAL		248694.67		118131.15

- For basis of valuation, please refer accounting policy (note 1.5.a). Details of securities are given in Annexure 2.
- Stock in trade include hedged securities (Book Value - Rs. 33640.80 lacs and the market value of the same is Rs. 33556.20 lacs).
- Provision for Diminution of securities includes Rs. 84.60 lacs for Hedged stock securities and Rs. 50.30 lacs MTM gain on the designated Swap contracts.

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
Annexure 2 to Note 2.12 - DETAILS OF STOCK-IN-TRADE		
S.No. Nomenclature	Book Value	Book Value
I. TREASURY BILLS		
A. 91 DAYS		
1 30-Jun-11	-	2954.50
2 6-Apr-12	5.24	-
3 13-Apr-12	7585.37	-
4 20-Apr-12	9711.14	-
5 27-Apr-12	9470.17	-
6 04-May-12	13998.24	-
7 25-May-12	13.08	-
8 01-Jun-12	2306.18	-
9 8-Jun-12	8571.58	-
Total (A)	51661.00	2954.50
B. 182 DAYS		
1 15-Apr-11	-	3.24
2 29-Sep-11	-	19289.92
3 27-Apr-12	4872.26	-
4 20-Jul-12	9265.74	-
5 3-Aug-12	8498.55	-
6 31-Aug-12	3055.00	-
Total (B)	25691.55	19293.16
C. 364 DAYS		
1 04-May-12	4.97	-
2 15-Jun-12	14.76	-
3 21-Sep-12 (Hedge)	19263.33	-
4 02-Nov-12	42.15	-
5 02-Nov-12 (Hedge)	9528.65	-
6 25-Jan-13	270.51	-
7 08-Feb-13	4.66	-
TOTAL (C)	29129.03	-
TOTAL (A)+(B)+(C)	106481.58	22247.66
II. MONEY MARKET INSTRUMENTS		
A. CERTIFICATE OF DEPOSITS		
1 0.00% Bank of India CD - 7.9.2011	-	2420.36
2 0.00% Canara Bank CD - 5.3.2012	2279.23	-
3 0.00% PNB CD - 15.3.2012	2268.00	-
TOTAL	4547.23	2420.36
B. COMMERCIAL PAPER		
1 CP-Shree Renuka Sugar Ltd. 24.5.2011	-	492.40
2 CP-Shree Renuka Sugar Ltd. 7.6.2011	-	490.36
TOTAL	-	982.76
TOTAL (A) + (B)	4547.23	3403.12

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
S.No. Nomenclature	Book Value	Book Value
III. GOVERNMENT DATED SECURITIES		
A. CENTRAL GOVERNMENT		
1 6.85% Gol 2012	4994.89	0.81
2 9.39% Gol 2011	-	1.15
3 11.03% Gol 2012	0.12	0.12
4 7.59% Gol 2016	3825.47	4860.77
5 7.49% Gol 2017	0.78	1959.47
6 7.99% Gol 2017	-	1002.03
7 7.83% Gol 2018 (Hedge)	4848.82	-
8 8.24% Gol 2018	0.35	0.59
9 10.03% Gol 2019	0.27	-
10 Gol FRB 2020	259.58	970.27
11 6.35% Gol 2020	-	-
12 8.19% Gol 2020	647.97	-
13 8.79% Gol 2021	13805.56	-
14 8.08% Gol 2022	-	15392.56
15 8.35% Gol 2022	0.05	0.05
16 8.13% Gol 2022	-	18645.24
17 9.15% Gol 2024	0.83	-
18 8.24% Gol 2027	841.64	849.78
19 8.26% Gol 2027	-	1701.74
20 7.95% Gol 2032	1.08	1.08
21 7.50% Gol 2034	-	-
22 7.40% Gol 2035	1188.27	1190.17
23 8.30% Gol 2040	-	30.64
24 8.83% Gol 2041	1135.25	-
TOTAL (A)	31550.93	46606.47
B. STATE GOVERNMENT SECURITIES		
1 7.87% SL (KE)2016	0.10	0.10
2 7.89% SL (AP) 2016	0.05	0.05
3 8.50% SL (MH) 2017	0.60	0.60
4 7.02% SL (PUN) 2018	9.38	9.38
5 8.30% SL (MP) 2018	12.22	12.22
6 8.43% SL (GJ) 2018	0.05	0.05
7 9.89% SL (AP) 2018	0.20	0.20
8 8.50% SL (KE) 2018 (I)	2715.06	2715.07
9 7.76% SL (KA) 2019	1773.57	1773.56
10 8.13% SL (PB) 2019	161.40	161.40
11 8.28% SL (RJ) 2019	402.43	2484.99
12 8.40% SL (GJ) 2019	-	1180.15
13 8.40% SL (MP) 2019	-	134.00
14 8.43% SL (AM) 2019	-	1006.50

(Rs. in lacs)

S.No. Nomenclature	As at	As at
	31.03.2012	31.03.2011
	Book Value	Book Value
15 8.45% SL (KE) 2019	-	736.93
16 8.46% SL (MH) 2019	1572.94	1572.94
17 8.57% SL (UP) 2019	2294.82	2294.82
18 8.59% SL (AP) 2019	-	2132.70
19 8.59% SL (UP) 2019	4138.40	4138.40
20 8.75% SL (JKD) 2019	-	502.19
21 8.78% SL (BH) 2019	-	731.48
22 8.89% SL (AM) 2019	519.10	519.10
23 7.95% SL (KA) 2019	113.24	275.73
24 7.95% SL (RJ) 2019	561.35	561.35
25 7.99% SL (MH) 2019	1830.49	1830.49
26 8.03% SL (UP) 2019	1793.09	1793.09
27 8.06% SL (RJ) 2019	907.08	907.08
28 8.20% SL (RJ) 2019	1005.42	2262.20
29 8.21% SL (GJ) 2019	60.80	60.80
30 8.25% SL (KA) 2019	5.50	15.50
31 8.31% SL (MP) 2019	12.82	12.82
32 8.11% SL (RJ) 2020	1270.50	1270.50
33 8.53% SL (MH) 2020	-	3.00
34 8.55% SL (UP) 2020	0.10	0.10
35 8.37% SL (AP) 2021	-	112.36
36 8.38% SL (BH) 2021	-	426.43
37 8.38% SL (HR) 2021	-	200.20
38 8.39% SL (MH) 2020	-	23.50
39 8.42% SL (HP) 2021	-	501.51
40 8.54% SL(MH) 2021	0.50	-
41 9.04% SL(WB) 2021	3.15	-
42 8.73% SL(MP) 2012	1003.06	-
43 8.99% SL(MP) 2022	52.06	-
44 8.99% SL(GJ) 2022	0.40	-
45 9.23% SL(GJ) 2022	12235.97	-
46 9.25% SL(KE) 2022	2707.86	-
47 9.28% SL(UP) 2022	13586.70	-
48 9.32% SL(Jharkhand) 2022	2503.25	-
49 9.36% SL(WB) 2022	7577.25	-
50 9.49% SL(JK) 2022	30388.50	-
51 9.23% SL(GJ) 2022 (NC)	100.40	-
52 9.25% SL(KE) 2022 (NC)	558.05	-
TOTAL (B)	91877.86	32363.49
TOTAL (A)+(B)	123428.79	78969.96

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
S.No. Nomenclature	Book Value	Book Value
IV. CORPORATE BONDS & DEBENTURES		
1 7.50% IDBI OMNI BONDS 2012	450.00	450.00
2 8.80% PNB 2012	11.46	11.46
3 5.88% BOI 2014	159.32	159.32
4 7.15% UBI 2015	210.00	210.00
5 7.15% VIJAYA BANK 2015	9.88	9.88
7 8.70% PFC 2020	497.92	497.93
8 8.70% PFC PT 2020	2001.63	2011.64
9 8.80% REC 2020	999.39	999.39
10 9.25% PGC 2017	501.94	-
11 9.36% PFC 2021	502.04	-
12 9.75% MAHESH HYDRA POWER CORPORATION 2022	454.54	500.00
13 8.95% HDFC Ltd. 2020 - NCD	1000.00	1000.00
14 8.84% PGC 2023 - NCD	-	500.35
15 8.65% IDFC 2020 - NCD	999.80	999.80
16 8.84% PGC 2024 - NCD	-	500.35
17 8.90% HDFC Ltd. 2020 - NCD	498.50	498.50
18 6.85% IIFCL 2014 Taxfree	1000.00	1000.00
19 8.80% REC 2019 (I)	-	130.00
20 6.00% IRFC 2015	999.67	999.67
21 6.30% IRFC 2017	1000.00	1000.00
22 6.70% IRFC 2020	-	-
23 6.05% IRFC 2015	500.00	500.00
24 6.32% IRFC 2017	1000.00	1000.00
25 6.72% IRFC 2020	1500.00	1500.00
26 8.09% PFC 2021	1000.00	-
TOTAL	15296.09	14478.28
V. Equity Shares		
1 Neyveli 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
7 ACC Ltd.	40.63	-
8 Bharti Airtel	43.88	-
9 BHEL	40.64	-
10 Cipla Ltd.	39.25	-
11 GAIL	28.40	-
12 HDFC Bank	30.77	-
13 HDFC Ltd	102.32	-
14 Hindalco	38.83	-

(Rs. in lacs)

S.No. Nomenclature	As at	As at
	31.03.2012	31.03.2011
	Book Value	Book Value
15 Infosys Tech	43.11	-
16 LIC Housing finance	26.35	-
17 NTPC	26.20	-
18 ONGC Ltd.	27.29	-
19 Reliance Industries	56.87	-
20 State Bank of India	66.47	-
21 Sun Pharmaceuticals Ltd.	27.78	-
TOTAL	638.79	62.76
TOTAL (I)+(II)+(III)+(IV)+(V)	250392.48	119161.78
LESS: DIMINUTION IN MARKET VALUE	1697.81	1030.63
STOCK-IN-TRADE	248694.67*	118131.15

• The aggregate carrying value and market value as at March 31, 2012 is Rs. 248694.67 lacs and Rs. 248694.67 lacs respectively (Prev Year- Rs. 118131.15 lacs and Rs.118131.15 lacs).

*(i) Govt. Securities pledged for availing LAF - Face Value Rs. 45852.90 lacs - Book Value Rs.46024.21 lacs.

(ii) Govt. Securities pledged for availing CBLO borrowing - Face Value Rs. 29600 lacs - Book Value Rs. 28644.04 lacs.

(iii) Govt. Securities pledged for availing RBI Refinance - Face Value Rs. 36269.60 lacs - Book Value Rs. 36567.19 lacs.

The securities mentioned in (i), (ii) and (iii) above were not available for trading as on March 31, 2012.

NOTE - 2.13

TRADE RECEIVABLES (Unsecured considered good unless specifically stated)

Debts outstanding for more than 6 months	-	-
Other Debts -		
a) MF Commission Receivables	1.78	82.04
b) MTM F&O Receivables	-	82.04
TOTAL	1.78	82.04

NOTE - 2.14

CASH & CASH EQUIVALENTS

Balance with Reserve Bank of India	9.34	10.80
Balance with Scheduled Banks in Current Accounts	4.90	2.60
Balance with Scheduled Banks in Deposit Accounts (maturing within 12 months) (Fixed Deposits to the tune of Rs.10161.00 lakhs are pledged with the respective banks for availing overdraft Account. As on 31st March 2012, avilment of overdraft limit against the Fixed Deposits is Rs. 50.13 crores) Please see note 2.4	10161.00	10530.00
Balance with Scheduled Banks towards Unclaimed Dividends	29.16	10572.04
TOTAL	10204.40	10572.04

(Rs. in lacs)

	As at 31.03.2012		As at 31.03.2011	
NOTE - 2.15				
SHORT TERM LOANS AND ADVANCES				
Related Parties	-		-	
Others -				
i) MTM - F&O with SHCIL	2.80		9.76	
ii) Festival Loan to staff	1.77	4.57	2.33	12.09
TOTAL		4.57		12.09
● All the above short term advances are unsecured and considered as good.				

NOTE - 2.16				
OTHER CURRENT ASSETS				
a. ACCRUED INTEREST ON				
Government dated & approved securities	1462.80		994.49	
Bonds & Debentures	600.47		532.15	
Fixed Deposits with Scheduled Banks	227.30	2290.57	265.62	1792.26
b. OTHERS				
Prepaid Expenses	8.32		7.93	
Income Tax Paid	4483.50		3523.34	
Rent Receivables	0.24		0.56	
Others (Accrual on Swaps)	168.49	4660.55	-	3531.83
TOTAL		6951.12		5324.09

NOTE - 2.17				
DISCOUNT INCOME				
a) Commercial Papers*				
Sales/ Redemption	37874.37		8.62	
Add: Closing stock	-	37874.37	982.76	991.38
Less: Purchases	36487.06		982.76	
Opening stock	982.76	37469.82	-	982.76
		404.55		8.62
b) Certificate of Deposits*				
Sales/ Redemption	76942.78		39712.45	
Add: Closing stock	4547.22	81490.00	2420.36	42132.81
Less: Purchases	78947.34		41879.18	
Opening stock	2420.36	81367.70	-	41879.18
		122.30		253.63
c) Deep Discount Bonds*				
Sales/ Redemption	-		712.63	
Add : Closing stock	-	-	-	712.63
Less : Purchases	-		14.86	
Opening stock	-	-	688.77	703.63
			-	9.00
* Above securities are valued at Carrying cost (Please refer note 1.5.a)				

(Rs. in lacs)

	As at 31.03.2012		As at 31.03.2011	
d) Treasury Bills / Cash Management Bills				
Sales/ Redemption	1779444.28		1230379.80	
Add: Closing stock*	106424.46	1885868.74	22238.25	1252618.05
Less: Purchases	1856668.53		1233146.91	
Opening stock*	22238.25	1878906.78	18624.38	1251771.29
		6961.96@		846.76
@ This includes net diminution in the hedged portfolio.				
TOTAL (a)+(b)+(c)+(d)		7488.81		1118.01

NOTE - 2.18**INTEREST INCOME**

Call & Notice Money Lending		2.04		3.55
Short Term Lending		34.96		33.71
Government Dated Securities		7882.76		7925.52
Corporate Bonds and Debentures		1183.24		806.15
Interest on Fixed Deposits with Scheduled Banks		936.39		932.00
		10039.39		9700.93

- Interest on Short Term lending includes interest from CBLO Lending of Rs. 6.59 lacs, LAF Lending of Rs. 12.60 lacs and Reverse Repo Lending of Rs. 15.77 lacs.

NOTE - 2.19**TRADING INCOME**

a) Sale of Govt. Dated Securities				
Sales/ Redemption	10055926.29		2978964.71	
Add: Closing stock *	121849.27	10177775.56	77955.94	3056920.65
Less: Purchases	10101258.27		2990223.38	
Opening stock *	77955.94	10179214.21	67881.58	3058104.96
		(1438.65)		(1184.31)
@ This includes net diminution in the hedged portfolio.				
b) Sale of Corporate Bonds & Debentures				
Sales/ Redemption	332553.76		112970.18	
Add: Closing stock*	15249.72	347803.48	14478.28	127448.46
Less: Purchases	333419.63		120380.70	
Opening stock*	14478.28	347897.91	7029.43	127410.13
		(94.43)		38.33
c) Equity Shares				
Sales/ Redemption	7545.96		1451.75	
Add: Closing stock*	623.98	8169.94	55.57	1507.32
Less: Purchases	8103.15		1493.13	
Opening stock*	55.57	8158.72	-	1493.13
		11.22		14.19
d) Mutual Funds				
Sales/ Redemption	48871.82		15049.86	
Add: Closing stock*	-	48,871.82	-	15049.86
Less: Purchases	48785.91		15024.93	
Opening stock*	-	48785.91	-	15024.93
		85.91		24.93

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
e) Derivatives		
Interest Rate Swaps	(14.44)	(8.74)
Futures & Options	(0.23)	-
	(14.67)	(8.74)
TOTAL (a) + (b) + (c) + (d) + (e)	(1450.62)	(1115.60)

* Securities are valued as per accounting policy (note 1.5.a).

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

NOTE - 2.20

OTHER OPERATIONAL INCOME

Underwriting fee	94.37	75.89
Commission and fee	296.70	299.65
TOTAL	391.07	375.54

- The Mutual Fund Commission accrued (Rs.1.78 lacs) as on March 31, 2012, has been taken to income on an estimated basis.

NOTE - 2.21

OTHER INCOME

Dividend Income from Equity	4.78	2.72
Profit on Sale of Fixed Assets	-	-
Rent	14.28	11.13
Miscellaneous income	42.00	228.55
TOTAL	61.06	242.40

- Miscellaneous Income includes interest on application money for Bonds amounting to Rs. 21.29 lacs and write back of excess provision of Rs. 11.21 lacs made for FY 2010-11.

NOTE - 2.22

INTEREST EXPENSES

Call & Short Notice Money Borrowing	3614.85	2252.64
CBLO Borrowing	2633.43	196.53
Repo Borrowing	2760.93	1010.53
RBI Borrowing	3296.17	1548.05
Overdraft Borrowing	30.61	4.48
ICD Borrowing	231.27	144.43
TOTAL	12567.26	5156.66

NOTE - 2.23

OPERATING COSTS

Brokerage on Securities & Financial Instruments	0.36	0.17
Financial Information Services	24.06	22.38
Operating Expenses for Futures & Options	8.52	3.49
Operating Expenses for Equity	20.27	-
Transaction charges	205.73	73.79
Bank charges	0.88	0.73
TOTAL	259.82	100.56

(Rs. in lacs)

	As at 31.03.2012	As at 31.03.2011
NOTE - 2.24		
EMPLOYEES BENEFIT EXPENSES		
Salaries & Allowances	190.75	148.48
Contribution to Provident Fund & Gratuity Fund	20.16	18.24
Staff Welfare Expenses	101.14	95.30
Staff Recruitment & Training	2.04	3.18
TOTAL	314.09	265.20
NOTE - 2.25		
OTHER EXPENSES		
Rent of Business Premises	64.85	65.04
Postage, Telephone & Telegram	42.03	34.35
Travelling, Conveyance & Motor Car Expenses	19.28	17.48
Printing & Stationery	12.56	12.86
Repairs to Buildings	12.77	12.03
Repairs & Maintenance - Others	48.91	30.05
Internal Audit Fee & Expenses	11.78	11.78
Legal & Professional Fees	8.70	10.77
Listing Fee	3.03	2.12
Books and Periodicals	2.39	1.98
Workshop & Business Meet	31.59	26.04
Water & Electricity Expenses	11.84	12.81
Insurance Charges	2.36	1.81
Directors' Sitting Fee	8.35	7.35
Auditors' Remuneration		
- Statutory Audit Fee	4.41	3.31
- Tax Audit Fee	1.11	0.83
- Certification Fee	4.74	4.13
Loss on sale of Fixed Assets	0.08	-
Share Transfer Fees	4.43	3.61
Corporate Membership	2.33	2.25
Advertisement & Publicity	2.34	6.46
Board/Statutory Meeting Expenses	11.06	10.92
Miscellaneous Expenses (includes donation Rs. 0.50 lacs. Prev. Year - Nil)	10.73	12.10
Bad Debts written off	-	1.17
Amortisation on HTM Portfolio	12.20	12.15
TOTAL	333.87	303.40

NOTE - 2.26 SEGMENT INFORMATION

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

FY 2010-11

	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

FY 2011-12

	T-Bills / CP / CDs	Corp. Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Mutual Fund Commission	Unallocated (Including Equity shares)	Total
Segment Revenue	5466.00	1088.81	6005.97	2540.67	936.39	281.64	210.23	16529.71
Total Allocable Expenses	(3987.28)	(913.61)	(5637.57)	(2234.85)	-	-	(65.77)	(12839.08)
Segment Results	1478.72	175.20	368.40	305.82	936.39	281.64	144.46	3690.63
Less : Unallocable Expenses								(726.50)
Profit Before Tax								2964.13
Segment Assets	82164.27	15882.53	137190.42	33795.84	11150.18	1.78	638.79	280823.81
Segment Liabilities	65454.53	12690.33	110740.14	33693.02	761.88	-	14.81	223354.71

- Provision for Diminution of Rs 1584.35 lacs on Government Securities (including the hedging securities), Rs.52.28 lacs on Treasury Bills, Rs.14.81 lacs on Equity investments and Rs. 46.37 lacs on Corporate Bonds as on 31.03.2012 has been provided for and shown in segment liabilities (Prev Year 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 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.

NOTE - 2.27 RELATED PARTY INFORMATION

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

- The overall supervision and control of the company vests with the Board of Directors. The Managing Director of the company, appointed by the Board of Directors, is working full time with the company.
- Out of a total of eight Directors on the Board of the company as at March 31, 2012, four are Independent Directors. Only the Non-Executive Directors are being paid sitting fees for the Board / Committee Meetings. The Sitting fees for attending the Board Meeting was raised from Rs. 5000/- to Rs. 10000/- per meeting w.e.f. June 25, 2011 and for Committee Meeting sitting fee payable is Rs. 5000/- per meeting. During the year the company has paid a sum of Rs. 8.35 lacs towards sitting fee.

(Rs. in lacs)

NOTE - 2.28. DISCLOSURE ON INTEREST RATE SWAPS

	Hedging Swaps		Trading Swaps	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Notional Principal	35000.00	NIL	NIL	20000.00
Marked to Market Positions	35050.30	NIL	NIL	19989.06
Max. of 100*PV01 observed during the year	635.66	NIL	NIL	101.25
Min. of 100*PV01 observed during the year	105.28	NIL	NIL	0.00082
Market risk	: In the event of 100 basis points adverse movement in interest rate there will be a negative impact of Rs. 344.05 lacs (prev. year Rs. 0.06246 lacs) on Hedging Swaps in Swap Book. The losses, which would be incurred if, counter parties failed to fulfil their obligations works out to Rs. 220.99 lacs (Prev. Year Rs. 10.72 lacs). The 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	: Axis Bank Rs. 131.63 Lacs (Prev. Year - State Bank of India Rs. 5.36 lacs).			

NOTE - 2.29 ISSUER COMPOSITION OF INVESTMENTS IN NON-GOVERNMENT SECURITIES

As on March 31, 2012, the total stock of Rs. 248694.67 lacs comprise of Government securities (including Treasury Bills) of Rs. 228273.74 lacs, Rs. 623.98 lacs of Equity instruments, Rs. 4547.23 lacs of money market instruments and Rs. 15249.72 lacs of Corporate Bonds & Debentures. The portfolio of Corporate Bonds & Debentures comprises Rs.14466.90 lacs (Book value) of AAA rated, Rs. 829.20 lacs (Book value) of AA+ rated bonds and Rs. 4547.23 lacs (Book value) of A1+ rated Bank CDs.

There is no migration/ decline in ratings of these Bonds during the year 2011-12.

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	12502.39	NA	NA	NA	NA
2	FIs	1948.50	NA	NA	NA	NA
3	Banks	4937.88	NA	NA	NA	NA
4	Other PDs	NIL	NA	NA	NA	NA
5	Private Corporates	454.55	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	19843.32	NA	NA	NA	NA

NOTE - 2.30 CRAR AND RELATED INFORMATION

S. No.	Particulars	Current year	Prev. year
i)	CRAR (%)	74.72	94.42
ii)	CRAR- Tier I Capital (%)	74.72	94.42
iii)	CRAR- Tier II Capital (%)	NA	NA

Forward Rate Agreement/Interest Rate Swaps

S. No.	Particulars	Current year	Prev. year
i)	The notional principal of swap agreements	35000.00	20000.00
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	220.99	10.72
iii)	Concentration of credit risk arising from the swaps	131.63	5.36
iv)	The fair value of the swap book	35050.30	19989.06

Quantitative Disclosures for Financial year 2011-12 are as under:

S. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
i)	Derivatives (Notional Principal Amount)		
	a) For hedging	-	35000.00
	b) For trading	-	-
ii)	Marked to Market Positions		
	a) Asset (+)	-	35050.30
	b) Liability (-)	-	0.00
iii)	Credit Exposure	-	220.99
iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	344.05
	b) on trading derivatives	-	-
v)	Maximum and Minimum of 100*PV01 observed		
	a) on hedging derivatives	-	635.66 & 105.28
	b) on trading derivatives	-	-

NOTE - 2.31 REAL ESTATE EXPOSURE

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).

NOTE - 2.32 ASSET LIABILITY MANAGEMENT

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities	-	-	-	-	-	-	-	-	-
Borrowings from banks	156496	-	-	-	-	-	-	-	156496
Market Borrowings	64268	-	-	-	-	-	-	-	64268
Assets	-	-	-	-	-	-	-	-	-
Advances / Investments	-	-	-	-	10	-	-	628	638

NOTE - 2.33 CESS PROVISION

In the absence of any government notification, the company has not provided for cess envisaged in terms with the Section 441A(1) of the Companies Act, 1956.

NOTE - 2.34 PROVISION FOR EMPLOYEE BENEFITS

Provision for leave encashment has been done in accordance with the requirement of AS-15 (revised) as per Actuarial Valuation for the year 2011-12 on March 31, 2012 as per Projected Unit Credit Method (PUCM), 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)	8.75%
Salary Rise (per annum)	7.00%
Remaining Working Life (in years)	21.37
Mortality Table	LIC 1994-96 Ultimate

b) Changes in the present value of the Long Term Obligations

Present Value of obligation at the beginning of the I.V.P.	2583008.00
Interest Cost	209530.00
Current Service Cost	716018.00
Benefits Paid	(376767.00)
Actuarial (Gain)/ Loss on obligation	(270516.00)
Present Value of obligation at the end of the I.V.P.	2861273.00

c) Short Term Obligations

764488.00

d) Fair Value of Plan Assets

Fair Value of Plan Assets at the beginning of the I.V.P.	NIL
Actual Return on Plan Assets	NIL
Contribution	NIL
Benefits Paid	(376767.00)
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.	2861273.00
Funded Status	(2861273.00)

e) Amount To Be Recognized In The Balance Sheet

Present Value of Long Term Obligation at the end of the I.V.P.	2861273.00
Fair Value of Plan Assets at the end of the I.V.P.	NIL
Funded Status	(2861273.00)
Unrecognized Actuarial (Gain)/ Loss at the end of the I.V.P.	NIL
Net Asset/ (Liability) Recognized in the Balance Sheet	3625761.00*

* Including short term liability of Rs. 764488/- as given in (c)

(in Rs.)

f) Expenses Recognized in the Statement of Profit & Loss Account

Current Service Cost	716018.00
Interest Cost	209530.00
Benefits paid	376767.00
Expected Return on Plan Assets	NIL
Actuarial (Gain)/ Loss Recognized in the I.V.P	(270516.00)
Short Term Liability (Additional)	36523.00
Expenses Recognized in the Statement of Profit & Loss Account (Additional)	314788.00

NOTE - 2.35 OTHERS

Tax deducted at source on interest, miscellaneous income and commission and fees during the FY 2011-12 amounted to Rs. 88.36 lacs (Prev. Year : Rs 98.07 lacs)

Figures for the previous year have been regrouped and rearranged wherever considered necessary, in order to make them comparable with those of the current period.

(K. R. Kamath)

Chairman

(Rakesh Sethi)

Director

(Dr. O. P. Chawla)

Director

(Dr. Kamal Gupta)

Director

(S. K. Soni)

Director

(P. P. Pareek)

Director

(S. K. Dubey)

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**(R.K.Mittal)**

Partner

Membership No. 088767

Date : May 2, 2012

Place : New Delhi

Balance Sheet Abstract & Company's General Business Profile

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

I. Registration Details

Registration No.: State Code

Balance Sheet Date
Date Month Year

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc.Expenditure

Accumulated Losses

IV Performance of Company (Amount in Rs.Thousands)

Turnover/Income Total Expenditure

Profit Before Tax Profit After Tax

Earning per share in Rs. P. Dividend @ %

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

Item Code No.(ITC Code)

Service Description Primary Dealer in Govt.Dated Securities

Item Code No.(ITC Code)

Service Description Dealing in Treasury Bills

Item Code No.(ITC Code)

Service Description Dealing in Money Market Instruments

(K. R. Kamath)
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(Monika Kochar)
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For **S. Mohan & Co.**
Chartered Accountants

(R.K.Mittal)
Partner

Date : May 2, 2012
Place : New Delhi

Membership No. 088767

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(Rs. In Lacs)

	For the period ended 31.03.2012		For the Year ended 31.03.2011	
CASH FLOW FROM OPERATING ACTIVITY				
Profit as per Profit & Loss Account		2964.13		4404.40
Add: Depreciation on Fixed Assets		90.54		91.06
Decrease/(Increase) in Long Term Advances		(102.72)		(185.81)
Decrease/(Increase) in Current Inventory		(130563.52)		(24595.75)
Decrease/(Increase) in Trade Receivables		80.27		(14.41)
Decrease/(Increase) in Short Term Advances		7.52		79.57
Decrease/(Increase) in Other Current Assets		(666.87)		(58.21)
Increase/(Decrease) in Long Term Provisions		2.78		1.31
Increase/(Decrease) in Trade Payables		8.59		(48.91)
Increase/(Decrease) in Current Liabilities		(37.63)		150.63
Increase/(Decrease) in Short Term Provisions		(9.37)		(95.27)
Tax Refund		-		1818.16
Tax Paid		(973.73)	(132164.14)	(1987.63)
(A) Net Cash Flow from Operating Activities		(129200.01)		(20440.86)
CASH FLOW FROM INVESTING ACTIVITY				
Add : Sale Proceeds of Fixed Assets		2.57		9.60
Decrease/(Increase) in Non-Current Investments- HTM		(4554.80)		370.67
Less Provision for Diminution in Portfolio		29.33		147.29
Loss/(Profit) on Sale of Fixed Assets		(0.08)	(4581.48)	-
(B) Net Cash flow from Investing Activities		(4581.48)		232.98
CASH FLOW FROM FINANCING ACTIVITY				
Add: Increase/(Decrease) in Secured/Unsecured Loans	135303.02			10770.95
Dividend Distribution including Dividend Distribution Tax	(1889.17)	133413.85	(1579.51)	9191.44
(C) Net Cash Flow from Financing Activities		133413.85		9191.44
Consolidated Cash Flow during the Year (A+B+C)		(367.64)		(11016.44)
Cash at the beginning of the year		10572.04		21588.48
Cash at the end of the year		10204.40		10572.04
Balance in RBI Account	9.34			10.80
Balance in PNB Account	4.90			2.59
Balance in Unclaimed Dividend Account (not available for use by the company)	29.16			28.64
Fixed Deposit Pledged with PNB for Overdraft facilities (not available for use by the company)	10161.00	10204.40	10530.00	10572.04

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Chairman

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

(R.K.Mittal)
Partner

Membership No. 088767

Date : May 2, 2012
Place : New Delhi

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY FOR FY 2011-12

[as required in terms of para 13 of Non-Banking Financial (Non-Deposit Accepting or Holding)
Companies Prudential Norms (Reserve Bank) Directions, 2007

(Rs. in lacs)

Particulars		
Liabilities Side :		
(1) Loans and advances availed by the non-banking financial company inclusive of Interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	-	-
: Unsecured	-	-
(Other than falling within the meaning of public deposits*)		
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Inter-Corporate loans and Borrowings	-	-
(e) Commercial Paper	-	-
(f) Other Loans (specify nature)	220764.76	-
Secured Loans		
1. Borrowings from RBI	75761.00	-
2. CBLO Borrowings	26121.78	-
3. Repo Borrowing	35546.98	-
4. Overdraft Borrowings	5010.00	-
Unsecured Loans		
1 Call Money Borrowings	75725.00	-
2 Inter Corporate Borrowings	2600.00	-
* Please see Note 1 below		
Assets Side :		
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured	18.82	-
(b) Unsecured	5115.12	-
(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities	N.A.	N.A.
(I) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	-	-
(b) Operating lease	-	-
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-

(Rs. in lacs)

(4) Break-up of Investments / Stock-in-trade :	Amount outstanding	
Current investments (Stock-in-trade):		
1. Quoted :		
(I) Shares : (a) Equity	638.79	(Market Value Rs.623.98 lacs)
(b) Preference	-	
(ii) Debentures and Bonds	15296.09	(Market Value Rs.15249.72 lacs)
(ii) Units of mutual funds	-	
(iv) Government Securities	229910.37	(Market Value Rs. 228273.75 lacs)
(v) Others (please specify)		
- Certificate of Deposits	4547.23	(Market Value Rs. 4547.23 lacs)
2. Unquoted :		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(iii) Units of Mutual Funds	-	
(iv) Government Securities	-	
(v) Others (please specify)	-	
Long Term Investments :		
1. Quoted :		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(ii) Units of mutual funds	-	
(iv) Government Securities	-	
(v) Other (Please specify)	-	
2. Unquoted :		
(I) Shares : (a) Equity	-	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(iii) Units of Mutual Funds	-	
(iv) Government Securities	-	
(v) Others (please specify)	-	
TOTAL :	250392.48	

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

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

(Rs. in lacs)

(6) Investor group-wise classification of all investments (current and long term) in shares and Securities		
(both quoted and unquoted) : (Please see note 3 below)		
Category	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	-	-
(b) Companies in the same group	9.99	9.99
(c) Other related parties	-	-
2. Other than related parties	248684.68	248684.68
TOTAL :	248694.67	248694.67
** As per Accounting Standard of ICAI (Please see Note 3)		
(7) Other Information		
Particulars	Amount	
(I) Gross Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(ii) Net Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(iii) Assets acquired in satisfaction of debt	-	

Notes :

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

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

Date : May 2, 2012

Place : New Delhi

(R.K.Mittal)

Partner

Membership No. 088767

FINANCIALS AT A GLANCE

FINANCIAL PARAMETERS

	2011-12 (%)	2010-11 (%)	2009-10 (%)	2008-09 (%)
Financial Performance				
Interest Income/ Total Income	106.03	104.94	119.15	120.85
Trading Income/ Total Income	(8.78)	(10.94)	(30.26)	(27.65)
Other Income/ Total Income	2.73	6.00	11.11	6.80
Interest Expense/ Total Income	76.03	50.02	33.98	59.68
Interest Expense/ Total Expense	92.64	87.33	75.64	90.28
Establishment Expense/ Total Expense	2.31	4.49	6.32	3.05
Admn and other Expense/ Total Expense	5.04	8.16	9.63	6.65
PBT/ Total Income	17.93	42.72	55.08	33.89
PAT/ Total Income	12.74	29.66	36.08	21.77
Human Assets				
Security Turnover per employee (Rs. Crore)	6927.28	2440.50	2055.68	1776.77
Profit before tax per employee (Rs. crore)	0.82	1.22	1.81	1.08
Average Age of the employees (years)	38.00	38.00	43.00	43.00
Per Share Data				
Earnings Per Share (Rs.)	1.56	2.26	2.72	1.81
Cash Earnings Per Share (Rs.)	2.89	3.11	3.80	6.73
Book Value Per Share (Rs.)	42.57	42.14	41.31	39.89
Price Earnings, end of year (Rs.)	16.35	10.42	8.75	10.28
Price/ Cash Earnings, end of year (Rs.)	8.82	7.57	6.26	2.76
Price/ Book Value, end of year (Rs.)	0.60	0.56	0.58	0.47
Dividend Per Share (Rs.)	1.00	1.20	1.00	0.80

FINANCIALS (Last 10 Yrs.)

(Rs. in crore)

Financials \ Financial Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
INCOME	230.09	237.94	11.31	127.06	126.14	172.63	112.47	101.73	103.09	165.30
I Interest & Discount on Securities	126.50	121.89	112.99	143.43	156.70	181.57	135.92	121.21	108.19	175.28
II Profit on Sale of Securities	101.79	113.30	(103.85)	(22.86)	(35.07)	(12.97)	(31.10)	(30.78)	(11.28)	(14.51)
III Other Income	1.80	2.75	2.17	6.49	4.51	4.03	7.65	11.30	6.18	4.53
EXPENDITURE	80.08	69.29	79.44	98.54	109.75	105.62	74.35	45.70	59.05	135.66
I Interest Expenses	70.69	61.62	71.86	91.69	103.37	98.87	67.12	34.57	51.57	125.67
II Operating Expenses	8.45	6.73	6.54	6.06	5.75	6.22	6.78	6.83	6.56	9.08
III Depreciation on fixed assets	0.94	0.94	1.04	0.79	0.63	0.53	0.45	0.46	0.91	0.91
IV Bad debts written off								0.02	0.01	
Prov. Against overdue call lending								3.82		
PROFIT BEFORE TAX	150.01	168.65	(68.13)	28.52	16.38	67.01	38.12	56.03	44.04	29.64
Less Prov. / (Release) for Taxation	57.50	61.69	0.12	(1.12)	0.42	21.85	13.63	19.33	13.47	8.59
PROFIT AFTER TAX	92.51	106.96	(68.25)	29.64	15.96	45.16	24.49	36.70	30.58	21.05
PAID UP CAPITAL	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01	135.01
RESERVES	337.44	406.32	338.07	355.40	371.36	392.82	404.68	425.59	437.28	442.64
NET WORTH	472.45	541.33	471.51	485.58	502.85	525.41	538.48	557.76	568.92	574.69
Total Turnover	102875	116336	61740	53390	33552	59868	62187	63726	87858	249382



**SOME FACTS
ON
THE GILTS MARKET**

Macroeconomic Developments during Financial Year 2011-12

Gross Domestic Product	GDP growth slowed down significantly to 6.9% in FY 2011-12 (advance estimates) compared to 8.4% in previous year due to tight monetary conditions and recessionary pressure in Euro Zone area.
Inflation	The headline inflation as measured by WPI moderated significantly to below 7% in Q4 after remaining high at above 9% during first three quarters of FY 2011-12.
IIP	Industrial output growth slowed significantly to 2.8% during FY 2011-12 as against a robust growth of 8.2% in FY 2010-11 due to weaker domestic demand and frail economic recovery in US and Euro area.
Money Supply *	Money supply expanded at a tepid pace of 13% compared to RBI projection of 16% for FY 2011-12.
Credit Growth *	Credit Growth accelerated at 16.8% during the year compared to RBI projection of 18% for FY 2011-12.
Deposit Growth *	Aggregate Deposits have shown moderate growth of 13.4% during the year as against the RBI projection of 17% for FY 2011-12
Fiscal Deficit	As against envisaged 4.6% fiscal deficit in Union Budget, the actual fiscal deficit for FY 2011-12 turned out to be 5.9% due to lower tax collection and increase in Non Planned Expenditure.
Current Account Deficit	Current Account Deficit during the period April to December 2011 increased to 4% of GDP compared to 3.3% of GDP in same period of previous year due to slowing exports.
Market Borrowing	Net Market Borrowing under government security category increased by 27% to Rs. 4.36 lac crore due to short fall in NSSF fund and financing budget deficit. Net market borrowing under T-Bill category has increased by Rs. 1.16 lac crore compared to Budgeted Rs. 15000 crore.
Policy Rate	Central Bank hiked the interest rate by 175 bps from 6.75 % to 8.5% in first seven month to contain inflation, sacrificing growth momentum. In view of slow industrial activity and slow domestic demand, the apex bank of India choose to maintain status quo on policy rate since Dec, 2011 but is expected to change its monetary stance soon.
Liquidity	Liquidity conditions during the year remained stressful. Despite liquidity easing, measures taken by RBI in form of 125 BPS CRR cut (50 bps on 28th January and 75 bps on 8th March and regular OMO purchase (Rs. 1.24 lac crore), significant deficit in liquidity in the banking system continued to prevail. During the FY 2011-12 injection of fund through LAF window averaged at Rs. 81660 crore as against Rs. 56657 crore in previous year.
Crude Oil	Crude oil price remained elevated during the FY 2011-12 due to increasing uncertainty in global economic condition. Also, significant quantitative easing by central banks of advanced economies flushed in huge liquidity, pushing up prices of commodities in general. After touching a high of 114.18 USD per barrel, crude oil closed at 102.95 USD compared to 106.72 USD in the previous year.
Rupee	Along with high inflation, increasing Current Account Deficit and slow down in FIIs inflow exerted tremendous pressure on Indian currency. Rupee recuperated from its lowest level of 53.86 per USD to 51.26 per USD on year end, as RBI introduced several measures to boost capital inflow in domestic economy. Rupee closed at 44.75 per USD on the last day of the year.

* RBI projections made for FY 2011-12 through Annual Monetary Policy held on May 2011.

Significant Measures Related to Debt Market Announced by RBI during FY 2011-12

Date of Announcement of Circular	Guidelines
May 3, 2011	A single rate structure introduced in Monetary Policy Framework, according to which Repo Rate is the single signal rate with reverse repo and a new rate called Marginal Standing Facility(MSF) which are fixed at -100bps and +100 bps respectively with respect to Repo Rate. Newly introduced MSF is an exclusive facility for banks wherein they can borrow overnight upto 1% of their respective NDTL.
July 1, 2011	The maximum limit for Inter Corporate Deposit borrowings for PDs has been increased to 75% from 50% of the NOF as at the end of March of the preceding financial year.
August 23, 2011	The symbol of minimum rating required for issuing Non Convertible Debentures of maturity upto 1 year has been revised to 'A2' from 'P2'.
August 30, 2011	Existing PDs shall have to submit an annual target alongwith plan of action for turnover to be achieved on behalf of mid segment and retail investors at the time of renewal of their PD authorisation. Annual target should not be less than 75% of minimum NOF for standalone/bank PDs.
November 17, 2011	<ul style="list-style-type: none"> The limit for FII investment in G-secs and corporate bonds has been increased by USD 5 billion each to USD15 & USD 20 billion respectively. Maintenance of short position in G-sec from 5 days to a maximum period of 3 months (including the day of trade). Participants, in addition to covering their short positions through outright purchase may also cover the same through long position in the When Issued market or allotment in the primary market.
Feb 6, 2012	<ul style="list-style-type: none"> Borrowing through repo against the security already sold on T+1 basis has been permitted. Participants should report all OTC trades in Commercial Papers and Certificate of Deposits through NSCCL or ICCL.

Monetary Policy Actions in India: 2001 to 2011

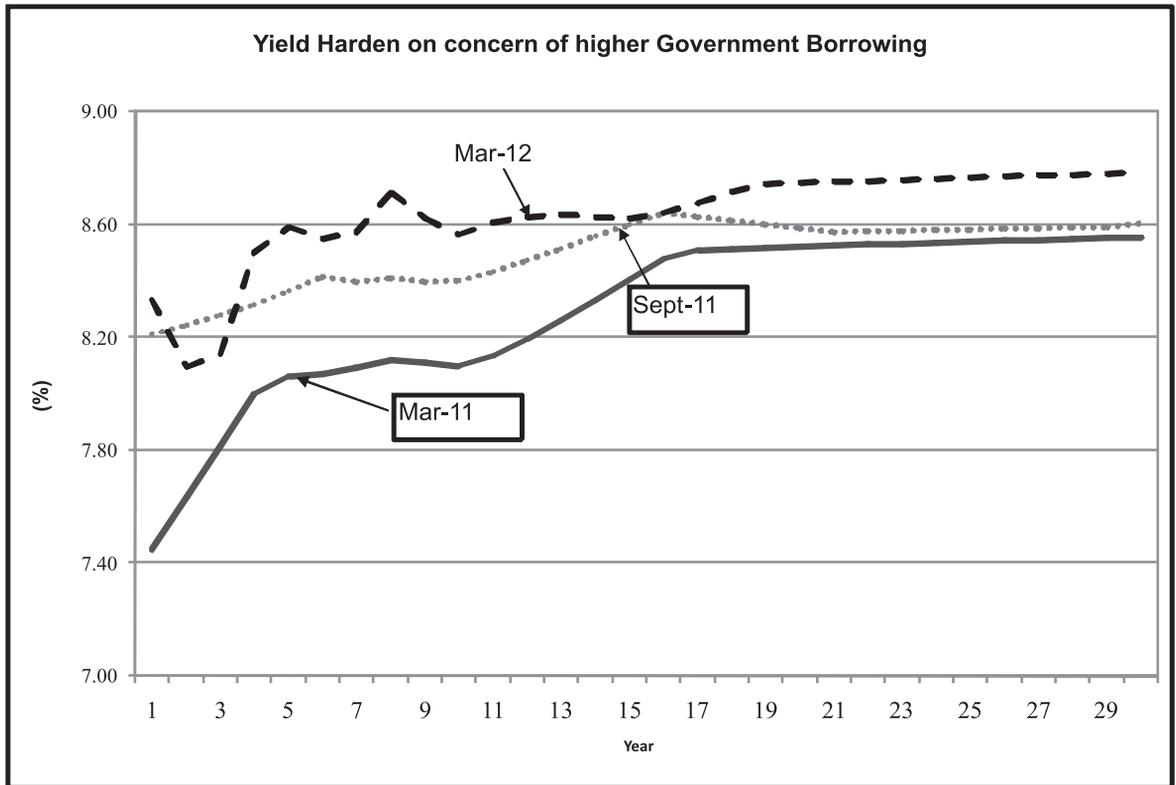
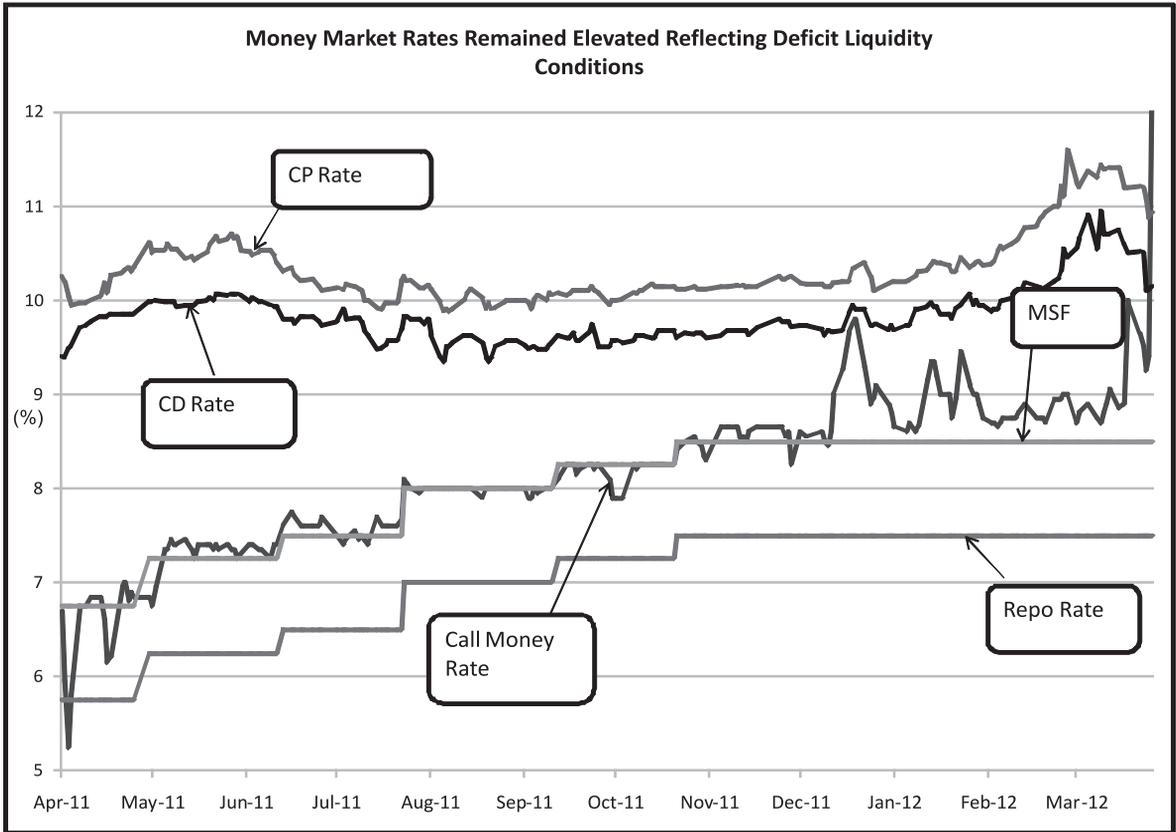
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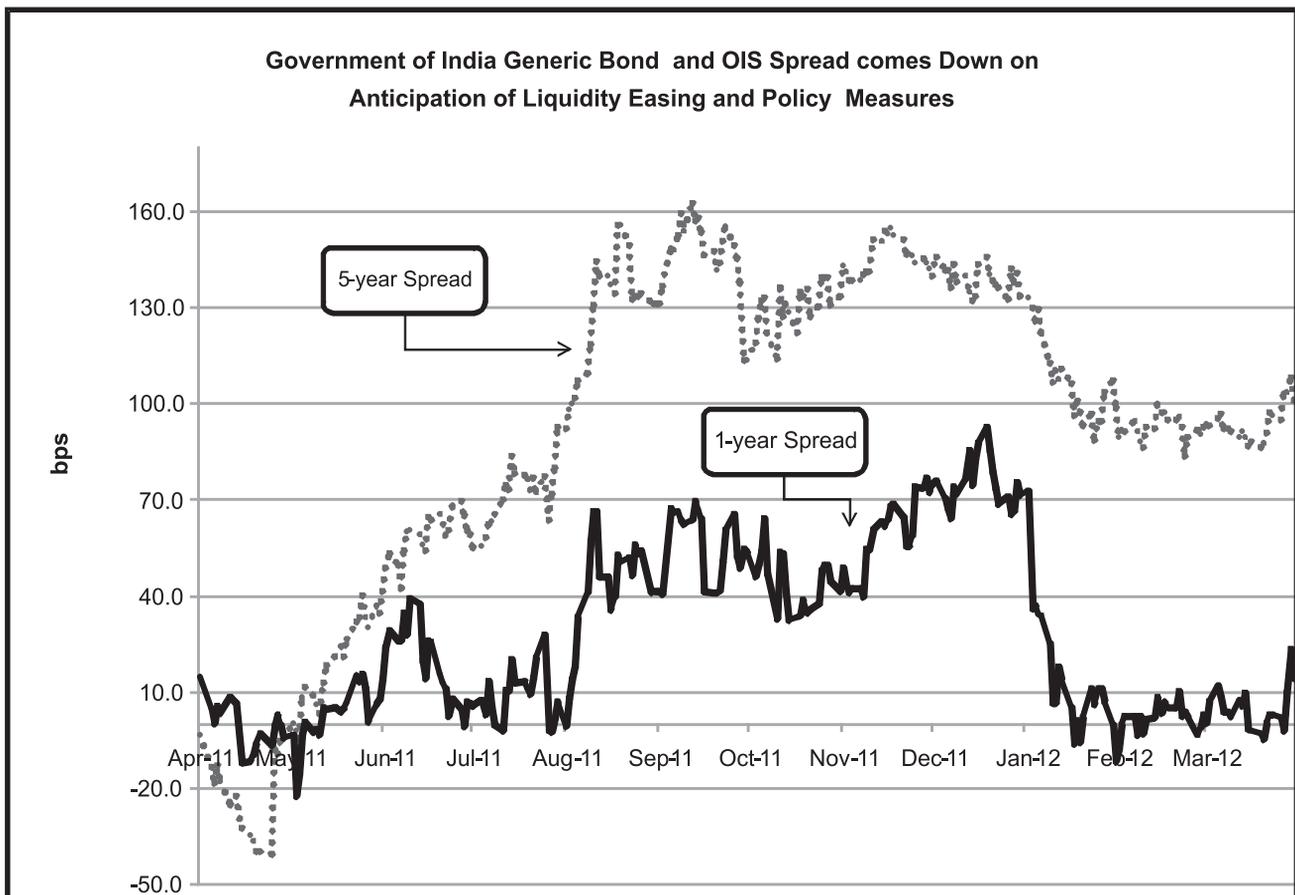
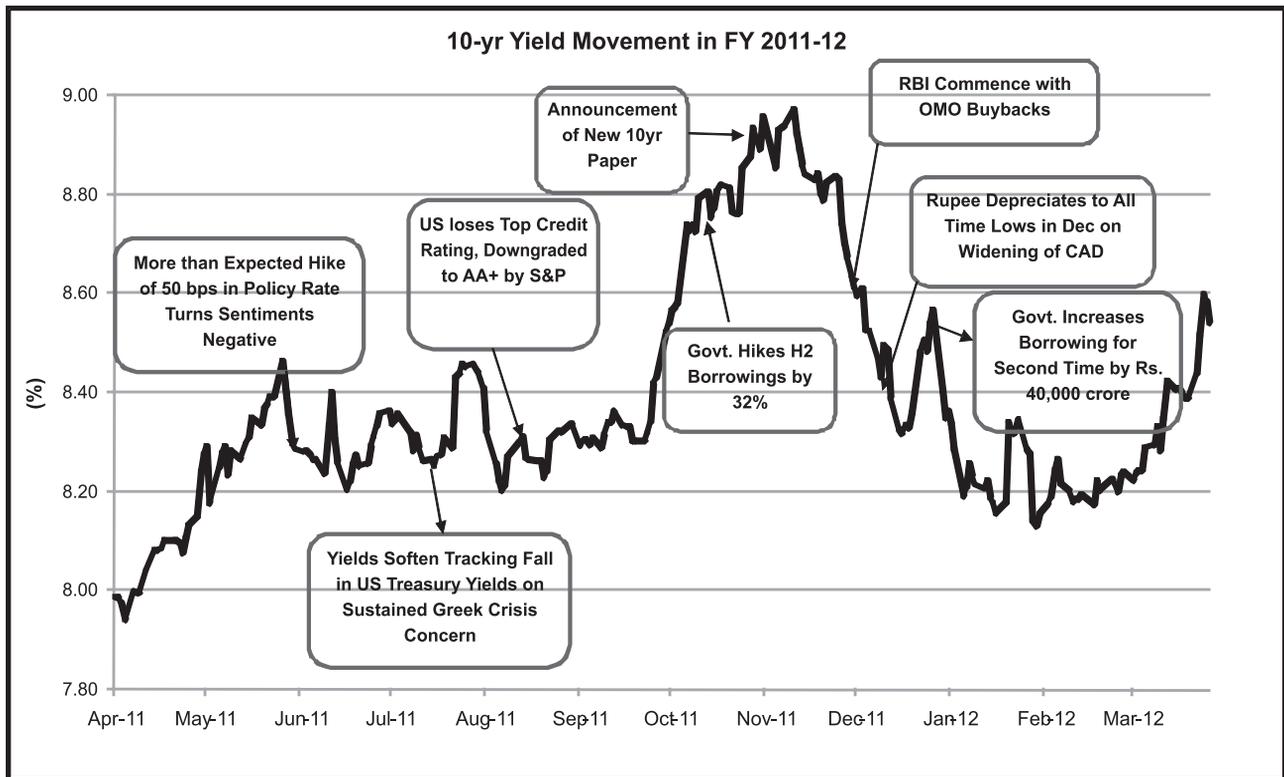
Date	CRR	Bank Rate	SLR	Repo Rate	Reverse Repo	Monetary Policy Structure
27-Apr-01	8.00	7.00	25.00	9.00	6.75	Provision of adequate liquidity, vigil on price level and greater flexibility to the interest rate regime in the medium term
30-Apr-01				8.75		
19-May-01	7.50					
28-May-01					6.50	
7-Jun-01				8.50		
23-Oct-01		6.50				
3-Nov-01	5.75					
29-Dec-01	5.50					
5-Mar-02					6.00	
28-Mar-02				8.00		
1-Jun-02	5.00					
27-Jun-02					5.75	

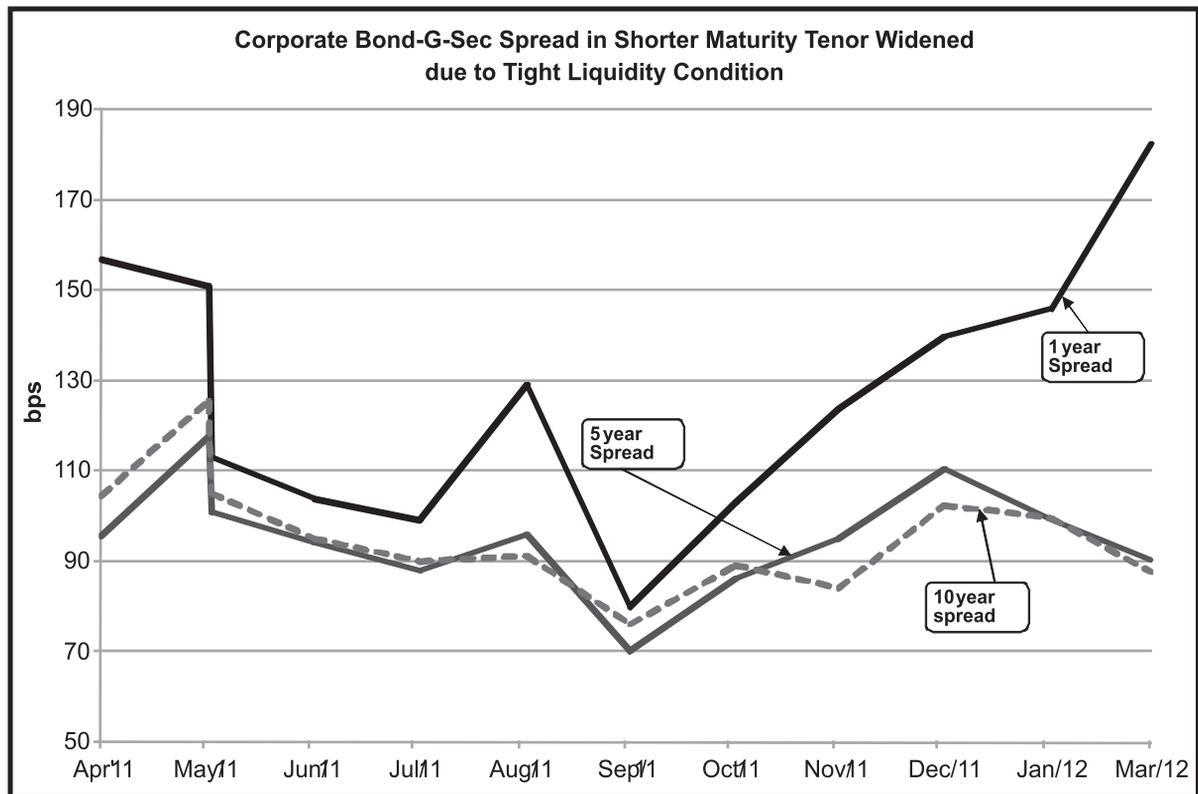
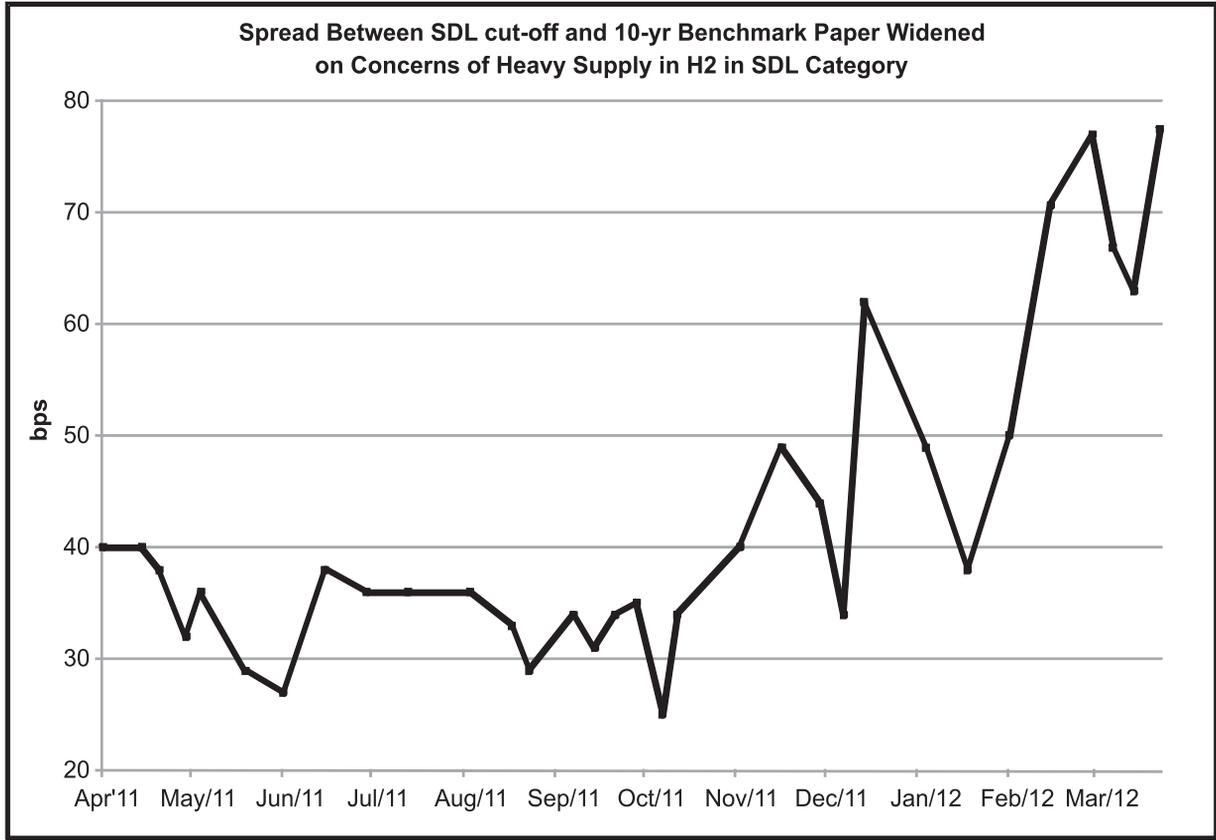
Date	CRR	Bank Rate	SLR	Repo Rate	Reverse Repo	Monetary Policy Structure
30-Oct-02		6.25			5.50	Provision of adequate liquidity, support revival of investment demand, vigil on price level and continue the soft interest rate regime
16-Nov-02	4.75					
12-Nov-02				7.50		
3-Mar-03					5.00	
7-Mar-03				7.10		
19-Mar-03				7.00		
30-Apr-03		6.00			4.50	
25-Aug-03	4.50					
31-Mar-04				6.00		
18-Sep-04	4.75					
2-Oct-04	5.00					
27-Oct-04					4.75	
29-Apr-05					5.00	
26-Oct-05				6.25	5.25	
24-Jan-06				6.50	5.50	
8-Jun-06				6.75	5.75	
25-Jul-06				7.00	6.00	
31-Oct-06				7.25		
23-Dec-06	5.25					Price stability, anchoring inflation expectations, maintaining growth momentum and financial stability
6-Jan-07	5.50					
31-Jan-07				7.50		
17-Feb-07	5.75					
3-Mar-07	6.00					
31-Mar-07				7.75		
14-Apr-07	6.25					
28-Apr-07	6.50					
4-Aug-07	7.00					
10-Nov-07	7.50					
26-Apr-07	7.75					Price stability, anchoring inflation expectations, maintaining growth momentum and financial stability
10-May-08	8.00					
24-May-08	8.25					
5-May-08	8.50					
12-Jun-08				8.00		
25-Jun-08				8.50		
19-Jul-08	8.75					
30-Jul-08				9.00		
30-Aug-08	9.00					
11-Oct-08	6.50					

Date	CRR	Bank Rate	SLR	Repo Rate	Reverse Repo	Monetary Policy Structure
20-Oct-08				8.00		Price stability, anchoring inflation expectations, financial stability and financial inclusion
25-Oct-08	6.00					
3-Nov-08				7.50		
8-Nov-08	5.50		24.00			
8-Dec-08				6.50	5.00	
5-Jan-09				5.50	4.00	
17-Jan-09	5.00					
5-Mar-09				5.00	3.50	
21-Apr-09				4.75	3.25	
7-Nov-09			25.00			
13-Feb-10	5.50					
27-Feb-10	5.75					
19-Mar-10				5.00	3.50	
20-Apr-10				5.25	3.75	
24-Apr-10	6.00					
2-Jul-10				5.50	4.00	
27-Jul-10				5.75	4.50	
16-Sep-10				6.00	5.00	
2-Nov-10				6.25	5.25	
16-Dec-10			24.00			
25-Jan-11				6.50	5.50	
17-Mar-11				6.75	5.75	
3-May-11				7.25	6.25	
16-Jun-11				7.50	6.50	
26-Jul-11				8.00	7.00	
16-Sep-11				8.25	7.25	
25-Oct-11				8.50	7.50	
28-Jan-12	5.50					Maintain an interest rate environment to contain inflation and anchor inflation expectations, maintaining liquidity in moderate deficit and respond to increasing downside risks to growth.
9-Mar-12	4.75					
17-Apr-12				8.00	7.00	

Financial Markets in 2011-12







DEBT INDICATORS OF THE CENTRAL AND STATE GOVERNMENTS (As percentage to GDP)

Year	Domestic liabilities of the Centre	External Liabilities of the Centre	Total Liabilities of the Centre	Total Liabilities of the States	Combined Total Liabilities of the Centre & States
1982-83	37.26	7.16	44.42	19.35	51.43
1983-84	36.02	6.80	42.82	19.42	50.10
1984-85	38.84	6.67	45.51	20.35	53.58
1985-86	42.42	6.45	48.87	21.81	57.24
1986-87	46.45	6.45	52.90	22.20	61.56
1987-88	48.16	6.49	54.65	22.68	63.53
1988-89	48.06	6.06	54.12	22.09	62.99
1989-90	49.18	5.81	54.99	22.52	64.38
1990-91	49.69	5.53	55.22	22.50	64.75
1991-92	48.53	5.64	54.17	22.46	63.91
1992-93	47.79	5.62	53.41	22.37	63.65
1993-94	49.74	5.47	55.21	21.70	65.23
1994-95	48.01	5.01	53.03	21.31	63.09
1995-96	46.57	4.30	50.87	20.94	61.10
1996-97	45.08	3.93	49.01	20.74	59.35
1997-98	47.34	3.62	50.96	21.66	61.83
1998-99	47.66	3.27	50.93	22.82	62.62
1999-00	49.31	2.99	52.31	26.10	66.60
2000-01	52.45	3.14	55.58	28.26	70.59
2001-02	56.82	3.14	59.96	30.31	76.05
2002-03	61.09	2.43	63.52	32.04	80.29
2003-04	61.37	1.67	63.05	32.79	81.09
2004-05	59.64	1.88	61.51	31.28	78.55
2005-06	58.66	2.55	61.21	31.08	77.44
2006-07	56.73	2.39	59.12	28.92	74.10
2007-08	54.66	2.25	56.90	26.64	71.43
2008-09	54.39	2.20	56.59	26.34	72.11
2009-10	51.54	2.13	53.68	25.01	69.13
2010-11	48.03	2.06	50.09	23.11	64.91

Public Debt as a Percentage of GDP at the end of December of Major Countries

Country	2005	2006	2007	2008	2009	2010	2011
India	53.8	60	58.2	56.4	57.3	50.6	51.6
Brazil	51.6	46	45.1	38.8	59.5	54.7	54.4
Russia	12.9	7.7	5.9	6.5	8.3	9	8.7
China	24.4	22.1	18.4	15.6	16.9	16.3	43.5
USA	64.7	62.3	60.8	37.5	53.5	62.9	69.4
Spain	42.9	39.9	36.2	40.7	53.2	60.1	68.2
Greece	106.8	82.4	89.5	97.4	113.4	142.7	165.4
Germany	67.3	67.8	64.9	66	73.2	83.4	81.5

Market Borrowings of Central Government			
Year	Gross Borrowings (Rs. Crore)	Net Borrowings (Rs. Crore)	Wtd Avg Cost (%)
1995-96	40509	26790	13.75
2000-01	115183	73787	10.95
2005-06	160018	98237	7.34
2006-07	179373	111275	7.89
2007-08	188205	109504	8.12
2008-09	318550	242317	7.69
2009-10	492497	394358	7.23
2010-11	479482	326398	7.91
2011-12	510000	435872	8.52
2012-13 (BE)	569616	479000	

BE: Budget Estimates

Weighted Average Yield & Maturity of Govt Issuances during the Year			
Year	Issuance (Rs. Crore)	Weighted Average Cost (%)	Weighted Average Maturity (years)
1995-96	40509	13.75	5.7
2000-01	115183	10.95	10.6
2005-06	158000	7.34	16.9
2006-07	179373	7.89	14.72
2007-08	156000	8.12	14.9
2008-09	261000	7.69	13.83
2009-10	418000	7.23	11.16
2010-11	437000	7.92	11.62
2011-12	510000	8.52	12.67

Weighted Average Yield & Maturity of Outstanding Govt Issuances			
As on 31st March	Outstanding Amount (Rs. Crore)	Weighted Average Cost (%)	Weighted Average Maturity (years)
1999	305413	11.40	6.3
2000	375690	11.59	7.1
2001	448395	11.64	7.5
2002	536108	11.40	8.2
2003	673689	11.44	8.9
2004	762496	9.30	9.8
2005	895348	8.84	9.4
2006	969743	8.76	9.9
2007	1094638	8.59	9.71
2008	1334735	8.38	9.43
2009	1512862	8.23	9.78
2010	1834238	7.78	9.59
2011	2156915	7.80	9.65
2012	2593328	7.86	9.7

Maturity Pattern of Gov Loans

Year	Under 5 Years	Between 5 and 10 Years	Over 10 Years
2000-01	35%	39%	26%
2005-06	24%	30%	46%
2006-07	24%	30%	46%
2007-08	30%	30%	40%
2008-09	26%	35%	40%
2009-10	24%	39%	38%
2010-11	29%	38%	33%
2011-12	29%	34%	37%

(Rs. Crore)

Maturity Profile of Outstanding Securities as on 31st March 2012

Year of Maturity	State Development Loan	Central Government Securities
2012-13	30628	80157
2013-14	32079	95008
2014-15	33384	168018
2015-16	35191	197244
2016-17	31522	231130
2017-18	67779	206774
2018-19	118138	215478
2019-20	130622	137000
2020-21	104539	84000
2021-22	158585	261846
2022-23	-	193272
2023-24	-	27000
2024-25	-	58000
2025-26	-	16688
2026-27	-	72389
2027-28	-	114680
2028-29	-	11000
2030-31	-	19000
2031-32	-	64687
2032-33	-	75957
2034-35	-	60000
2035-36	-	42000
2036-37	-	59000
2038-39	-	13000
2039-40	-	72000
2040-41	-	18000
Grand Total	742467	2593328

Open Market Operations of Reserve Bank of India	
Year	Net purchase (+) / Net sale (-) Rs. in Crore
2000-01	-19282
2005-06	-3913
2006-07	-11125
2007-08	-3531
2008-09	94871
2009-10	75484
2010-11	67289
2011-12	135077

TOP 10 TRADED GOVERNMENT SECURITIES OF FY 2011-12		
Security	Volume in Crore	% of total Volume
7.80% GS 2021	1848533	29.81
8.79% GS 2021	1457212	23.50
9.15% GS 2024	1085484	17.50
8.13% GS 2022	509234	8.21
7.83% GS 2018	402807	6.50
8.08% GS 2022	328167	5.29
8.97% GS 2030	59111	0.95
8.28% GS 2027	50027	0.81
GOI FRB 2020	48185	0.78
7.59% GS 2016	46118	0.74
Total SGL Volume	6201340	

PD Market Share (%)		
Year	G Sec	T Bills
2006-07	29.97	24.86
2007-08	18.51	13.71
2008-09	18.79	18.86
2009-10	18.12	16.36
2010-11	17.85	19.72
2011-12	26.17	24.78

NOTICE

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

NOTICE is hereby given that the SIXTEENTH Annual General Meeting of the Members of PNB GILTS LIMITED will be held at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi – 110054 on July 28, 2012 at 12:30 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2012 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, 2012.
3. To appoint a Director in place of Dr. Kamal Gupta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sh. S. K. Soni, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the year 2012-13 and fix their remuneration.

SPECIAL BUSINESS

Appointment of Director

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

Appointment of Director

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

Appointment of Managing Director

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-
“RESOLVED THAT in terms of Section 269, 309, 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and Article 132-134 of the Articles of Association of the company, the consent of the company be and is hereby accorded for appointment of Sh. S. K. Dubey as the Managing Director of the company for a period of one year w.e.f. February 1, 2012 on the terms and conditions as set out in the Explanatory Statement annexed to the notice.”

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

Increase in Borrowing Power Limits of the Company

9. To consider and if thought fit, pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of Resolution no. 8 passed at 3rd Annual General Meeting held on 13th August 1999 and pursuant to Section 293(1)(d) of Companies Act, 1956 or any amendment or modifications thereof and Article 64 of Articles of Association of the company and all other applicable provisions, if any, the consent of the members of the company be and is hereby accorded to the Board of Directors of the company, to borrow and raise such sum or sums of money from time to time as may be required for the purposes of the business of the Company, in excess of the aggregate of the paid-up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose, subject to the proviso that such borrowing shall not exceed Rs. 5000 crore (Rupees Five Thousand Crores only) over and above the aggregate of the paid-up capital of the company and its free reserves and shall exclude all temporary loans obtained by the company from its bankers in the ordinary course of its business, on such terms and conditions as the Board may consider necessary and expedient in the best interest of the company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”

BY ORDER OF THE BOARD

Date : May 31, 2012
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 shall remain close from July 21, 2012 to July 28, 2012 (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 2011-12.

The Transfer Deed(s) along with Share Certificate(s) received upto Friday, the July 20, 2012 i.e. the previous day of the opening of Book Closure Dates had been considered for entitlement of shareholders to receive the Final Dividend for FY 2011-12.

4. The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid on August 22, 2012, 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 July 20, 2012 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 July 20, 2012.

- 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.

- 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.
- 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.
- Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting is contained in the Explanatory Statement for the item of Special Business and is separately annexed hereto for the item of Ordinary Business.
- 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. 84. 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. 85. 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., E-mail ID 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. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

Sh. Rakesh Sethi, Executive Director of Punjab National Bank, was co-opted as an Additional Director by the Board of Directors in its meeting held on October 24, 2011. Under Section 260 of the Companies Act, 1956 read with Article 101 of the Articles of Association of the company, Sh. Rakesh Sethi vacates the office on the forthcoming Annual General Meeting.

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

Prior to his appointment as Executive Director of Punjab National Bank, Sh. Rakesh Sethi was General Manager of Andhra Bank. He is having a rich experience of around 33 years in banking industry. He is also Director on the Board of PNB Housing Finance Ltd.

Sh. Rakesh Sethi may be deemed to be interested or concerned in the Resolution at Item No. 6.

ITEM NO. 7

Sh. P. K. Chhokra, General Manager of Treasury Department of Punjab National Bank, was co-opted as an Additional Director by the Board of Directors in its meeting held on January 28, 2012. Under Section 260 of the Companies Act, 1956 read with Article 101 of the Articles of Association of the company, Sh. P. K. Chhokra vacates the office on the forthcoming Annual General Meeting.

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

He is also Director on the Board of MCX Stock Exchange Ltd. and Principal Asset Management Co. Pvt. Ltd.

Sh. P. K. Chhokra may be deemed to be interested or concerned in the Resolution at Item no. 7.

ITEM NO. 8

The services of Sh. D.V.S.S.V. Prasad have been recalled by the parent bank i.e. Punjab National Bank and in his place, the Board has appointed Sh. S. K. Dubey, who is already Director on the Board, as Managing Director of the company for a

period of one year w.e.f. February 1, 2012. Sh. S. K. Dubey retired from the parent bank as General Manager on December 31, 2012 and thus he is not having any relation with the parent bank since then. He will be liable to retire by rotation.

The terms and conditions of appointment of Managing Director, Sh. S. K. Dubey are given as under :

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

The appointment shall be for a period of one year effective from February 1, 2012.

The salary, allowance and other perquisites of Sh. S. K. Dubey shall be governed by the Service Regulations of the company and any modifications, revision therein that may take place from time to time, subject to the limits prescribed under Schedule XIII of the Companies Act, 1956.

Subject to the aforesaid, the present salary, allowances and other perquisites of Sh. S. K. Dubey shall be as under:

Basic Pay	Rs. 60000/- p.m.
Special Allowance	Rs. 17800/- p.m.
Company's Contribution to PF	@12%, presently Rs. 7200/- p.m.

Other Allowances and perquisites:

- a) Conveyance Allowance : Use of company's car for official purpose with the facility of personal use upto 3000 k.m. every half year on payment of Rs. 150/- p.m. for such use. For use beyond 3000 k.m. every half year, he shall be required to pay to the company at the end of the half year Rs.3/- per k.m. Journeys from residence to office and back is being treated as duty runs.
- c) Leave Travel Concession:
 - During each block of two years, shall be eligible for leave travel concession for travel to his home town/anywhere in India by AC First Class or air economy class for self and spouse.
 - Once in block of two years, at the time of availing leave travel concession, he may be permitted to surrender and encash privilege leave not exceeding 15 days a year. For the purpose of such encashment, all emoluments payable for the month during which the availment of Leave Travel Concession commences shall be admissible.
 - He may travel by train AC 1st Class or by Air (Economy Class).
 - He may travel by car between places not connected by Air or Rail provided that the distance does not exceed 500 kms. However, when the major part of the distance between the two places can be covered by air or rail, only the rest of the distance should normally be covered by car.
 - Alternatively, he may by exercising an option anytime during the two year block, surrender and encash his LTC, upon which he shall be entitled to receive an amount equivalent to approx Rs. 6500/- per month. The facility of encashment of privilege leave while availing of LFC is also available while encashing the facility of LFC.
 - Telephone, Entertainment, Medical and other facilities shall be as per service regulations of the company.

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

Sh. S. K. Dubey may be deemed to be interested or concerned in the Resolution at Item No. 8.

ITEM NO. 9

The company is a Primary Dealer (PD) in Government Securities (G-Sec) and its main objective is to support the Government Borrowing programme. In fulfillment of its commitment as PD, it has to participate in the T-Bills and G-sec auctions conducted by RBI.

The company is a regular borrower under call money market, repo market, CBLO and all other money markets etc.

In 1999, the borrowing powers of the Board of Directors of the company were capped at Rs. 2500 crores in accordance with Section 293(1)(d) of the Companies Act, 1956.

In view of the significant increase in the government borrowing and company's commitment thereto since then, it is proposed that the borrowing powers of the Board be raised to Rs. 5000 crore as against a ceiling of Rs. 2500 crores fixed by the company in the Annual General Meeting held on 13th August 1999.

As per the provisions of Section 293(1)(d) of the Companies Act, 1956 and Article 64 of the Articles of Association of the company, the Board of Directors of the company cannot borrow moneys together with the moneys already borrowed by the company in excess of the paid-up capital and free reserves of the company unless the consent to borrow in excess is accorded to by the shareholders in the general meeting. Hence the approval of shareholders is sought to increase the borrowing powers of the company as set out in Item No. 9 of the notice.

None of the Directors are concerned or interested in this resolution.

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

ITEM NO. 3

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

ITEM NO. 4

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

BY ORDER OF THE BOARD

(Monika Kochar)
Company Secretary

Date : May 31, 2012

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
- 3) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email Id given hereunder is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned email ID.

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

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

Dear Sir,

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

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

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

DECLARATION

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

Place :

Date :

Signature of the first / sole shareholder

Notes :

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

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

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

Certificate of the Shareholder's Bank

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

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

Bank's Stamp :

Date :

Signature of the Authorised Official of the Bank



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 SIXTEENTH ANNUAL GENERAL MEETING of the shareholders of the company to be held on Saturday, 28th July, 2012 at 12:30 p.m. at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054 and at any adjournment thereof.

Signed this _____ day of _____ 2012.

Signature of the Proxy

Signature of the Shareholder

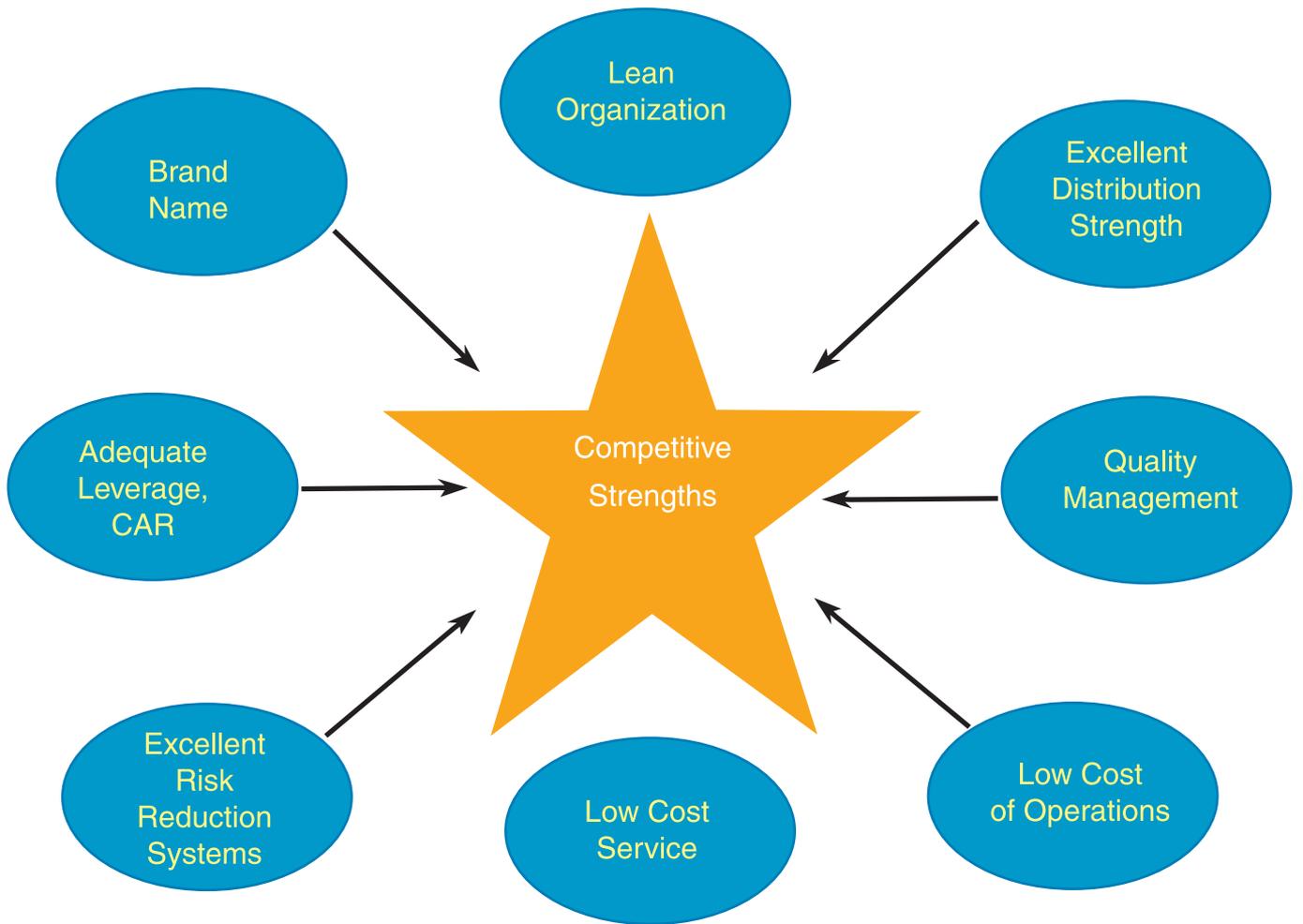
Please Affix Revenue Stamp (not less than 15 paise)

(TEAR HERE)

INSTRUCTIONS FOR SIGNING AND LODGING THE PROXY FORM

1. The instrument of proxy to be valid:
 - a. In the case of any individual shareholder, shall be signed by him/her or by his/her attorney duly authorized in writing.
 - b. 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.
 - c. 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.
2. 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.
3. The Proxy together with :
 - a. The power of attorney or other authority, if any, under which it is signed; or
 - b. 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 12:30 p.m. on 26th July, 2012 i.e. 48 hrs before the meeting.
4. No proxy shall be valid unless proper revenue stamp is affixed on it.
5. An instrument of proxy deposited with the company shall be irrevocable and final.
6. 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.
7. 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 - 23325759 / 23325779
Fax: 011 - 23325751
E-mail: pnbgilts@ndb.vsnl.net.in
Website: www.pnbgilts.com

BRANCHES

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

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

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