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 short 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 ten directors and the Chairman of the Board is a non-executive Director. The composition of the Board as on 31st March, 2008 is as under :

The Board of PNB Gilts is headed by Dr. K. C. Chakrabarty, who is the Chairman and Managing Director of Punjab National Bank and Chairman of PNB Housing Finance Ltd. and PNB International Ltd. He was earlier the Chairman and Managing Director of Indian Bank. He is also the member of Governing Board of IBPS, Governing Council of Indian Institute of Banking & Finance, Governing Boards of Finance Committee & Standing Committee of NIBM, Management Committee of IBA and Chairman of CII's National Committee on Banking. He is also a Director on the Board of Export Import Bank of India and Oriental Insurance Co. Ltd.

Sh. K. Raghuraman, Executive Director, Punjab National Bank is a qualified Chartered Accountant. Prior to his appointment as Executive Director of Punjab National Bank, Sh. K. Raghuraman was General Manager of Central Bank of India. He has a rich experience of thirty-four years in Banking Sector. He is expert in the area of Treasury and Forex operations in addition to Information Technology. He is a 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 Chairman of Provogue (India) Ltd. and S. Kumars Landmarc Leisure Corporation Ltd. He is also Director in Allied Digital Services Ltd. and 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. and AD Hydro Power Limited.

Sh. S. K. Soni has rich experience of thirty-two years in Banking industry. He retired from Oriental Bank of Commerce as Chairman and Managing Director. He is also a Director of Centurion Bank of Punjab, Wisec Global Ltd., Cashpor Financial Services Ltd., HDIL and A.S.P Research Service (Pvt.) Ltd.

Sh. R. S. Lodha is a qualified Chartered Accountant. He is serving as a Director of various companies and institutions, prominent among them are: Alfred Herbert (India) Ltd., Birla Corporation Ltd., First Capital India Ltd., Hindustan Gum & Chemicals Ltd., BDO Lodha (Pvt.) Ltd., Henkel India Ltd., Mazbat Tea Estate Ltd., The Punjab Produce Holdings Ltd., SBI Life Insurance Co. Ltd., Universal Cables Ltd., Vindhya Telelinks Ltd. and Birla Ericsson Optical Ltd.

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

Sh. D. K. Singla is a practising Chartered Accountant. He has an experience of over eighteen years in Accounts and Audit. He is a member of Audit Committee of "Institute of Auto Parts Technology" and "Research and Development Center for Bicycle & Sewing Machine"(UNDP/UNIDO assisted Punjab Government Projects).

Sh. Arun Kaul is Master in Business Administration. He is General Manager in Punjab National Bank heading Treasury Division. He was earlier the Managing Director of the company. He is also holding the position of Director in National Multi Commodity Exchange of India Ltd. and PNB International Ltd.

Sh. A. K. Gupta, General Manager-Punjab National Bank, is the Managing Director of company. He is B.Com (Hons.), CAIIB, DFM and has an experience of thirty two years in various senior capacities in the PNB group. In addition to Core Banking, he has a rich experience of Treasury and Merchant Banking. He is also a Director of Primary Dealers Association of India.

Other information regarding the Board is given below:

		No. of other Directorships and Committee Memberships /Chairmanships*		
Name of the Director	**Category**	**Other Directorships**	**Committee Memberships**	**Committee Chairmanships**
Dr. K. C. Chakrabarty	Non-Executive	4	-	-
Sh. K. Raghuraman	Non-Executive	2	2	-
Dr. O. P. Chawla	Non-Executive/Independent	4	1	3
Dr. Kamal Gupta	Non-Executive/Independent	5	4	3
Sh. S. K. Soni	Non-Executive/ Independent	4	1	-
Sh. R. S. Lodha	Non-Executive/ Independent	11	-	-
Sh. A. S. Agarwal	Non-Executive/ Independent	-	-	-
Sh. D. K. Singla	Non-Executive/ Independent	-	-	-
Sh. Arun Kaul	Non-Executive	1	-	-
Sh. A. K. Gupta	Executive	-	-	-

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

None of the Directors of the company are holding any shares / convertible instruments of the company.

1. Meetings and Attendance

During the year 2007-08, seven Board Meetings were held. Attendance record of the Directors in the meetings is as under:

Name of Director	Board Meetings held on	No. of Board Meetings attended	Attended last AGM held on September29, 2007
Sh. S. C. Gupta[1]	30/04/07	2	N.A.
Dr. K. C. Chakrabarty[2]	24/05/07	5	Y
Sh. K. Raghuraman	24/07/07	6	Y
Dr. O. P. Chawla	27/10/07	7	N
Dr. Kamal Gupta	13/12/07	7	Y
Sh. S. K. Soni	18/01/08	5	N
Sh. R. S. Lodha	07/03/08	4	Y
Sh. A. S. Agarwal		5	Y
Sh. D. K. Singla		7	Y
Sh. Arun Kaul		6	Y
Sh. A. K. Gupta		7	Y

1. Resigned from the post of Chairman w.e.f. 31/05/07.
2. Appointed as an Additional Director and consequently as Chairman of the Board on 24/07/07.

- *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 2007-08, four meetings of the Committee were held on 28/04/07, 23/07/07, 26/10/07 and 17/01/08. The composition and attendance of Directors in the Committee is as under:

Name of Director	Position Held in the Committee	No. of Committee Meetings attend
Dr. Kamal Gupta	Chairman	Four
Dr. O. P. Chawla	Member	Four
Sh. S. K. Soni	Member	Two
Sh. Arun Kaul	Member	Three

The Company Secretary acts as the Secretary to the Committee.

2. Remuneration of Directors

Matters of remuneration of Executive Director are considered by the Board of Directors of the company, with the Interested Executive Director, not participating/voting. The terms of remuneration of Executive Directors are approved by the shareholders at the general body meeting. The details of remuneration paid to the Executive Director in the financial year 2007-08 is given in Note No. 3 of Notes to Accounts [Schedule 20(B) of the financial statements].

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

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

The details of sitting fees paid to Non-Executive Independent Directors during the financial year 2007-08 is as under:

Name of the Directors	Sitting Fees (Rs.)
Dr. O. P. Chawla	60000/-
Dr. Kamal Gupta	185000/-
Sh. S. K. Soni	105000/-
Sh. R. S. Lodha	20000/-
Sh. A. S. Agarwal	25000/-
Sh. D. K. Singla	35000/-

The remuneration policy of the company is reviewed periodically.

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

During the year 2007-08, twenty-eight meetings of the said Committee were held.

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

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. Arun Kaul	Chairman	Twenty Six
Dr. Kamal Gupta	Member	Twenty five
Sh. A. K. Gupta	Member	Twenty Eight

Only Dr. Kamal Gupta is being paid sitting fees for these meetings.

As on 31st March, 2008, 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 2007-08, thirteen meetings of the Committee were held.

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

Name of the Directors	Position held in the Committee	No. of Meetings attended
Sh. S. K. Soni	Chairman	Thirteen
Sh. Arun Kaul	Member	Eleven
Sh. A. K. Gupta	Member	Thirteen

Only Sh. S. K. Soni is being paid sitting fees for these meetings.

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

During the year, the company had received 38 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 31/03/08.

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

4. Nomination Committee

During the year 2007-08, one Nomination Committee Meeting was held. The composition of Nomination Committee and attendance of the Members is as under :

Name of the Directors	Position held in the Committee	No. of Committee Meetings attended
Sh. K. Raghuraman	Chairman	One
Dr. O. P. Chawla	Member	One
Sh. S. K. Soni	Member	One
Sh. A. K. Gupta	Member	One

- *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 2007-08. 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
2006-07	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	29th September, 2007 at 1100 hrs.
2005-06	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001	30th September, 2006 at 1100 hrs.
2004-05	Talkatora Indoor Stadium, Talkatora, New Delhi	30th September, 2005 at 1100 hrs.

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

- *Management Discussion And Analysis*

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

- *Disclosures*

  During 2007-08, the company did not have any 'materially significant related party transactions', which is considered to have potential conflict with the interests of the company at large. None of Director is related to each other.

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

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

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

- *Means of Communication*

  Print

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

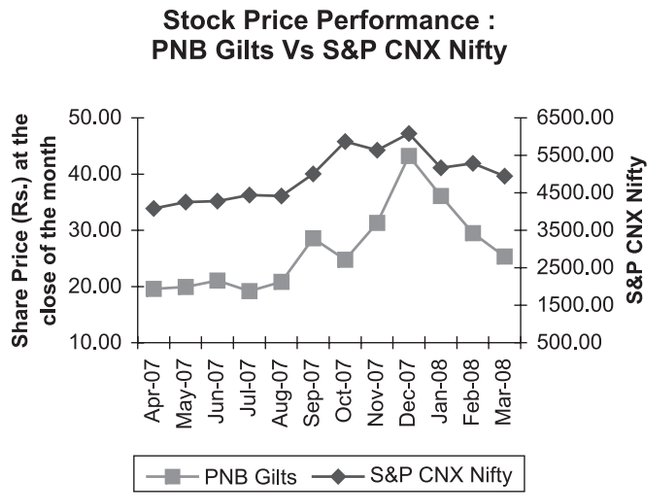
Date and time	:	September 27, 2008 at 11:30 a.m.
Venue	:	FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001
Financial Calendar	:	April 1 to March 31
Date of Book Closure	:	September 20, 2008 to September 27, 2008 (both days inclusive)
Dividend Payment Date	:	October 25, 2008
2. Listing 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 2007-08 on National Stock Exchange is given as under :

Month	High (Rs.)	Low (Rs.)
Apr-07	21.50	17.05
May-07	20.60	18.20
June-07	23.55	19.40
July-07	22.25	18.25
Aug-07	21.75	19.25
Sept-07	31.95	21.05
Oct-07	29.50	22.05
Nov-07	37.85	22.55
Dec-07	47.20	31.60
Jan-08	53.35	32.95
Feb-08	37.50	28.60
Mar-08	31.95	20.50

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
"Sri Venkatesh Bhawan"
W-40, Phase - II,
Okhla Industrial Area,
New Delhi -110 020
Tel No : (011) 41406149-52
Fax No : (011) 41709881
E-mail : mcsdel@vsnl.com

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

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

7. **Share Transfer / Dematerialisation System:** The shares of the company are traded compulsorily in demat mode. Hence, most of the transfers are executed electronically. However, a few cases of transfer/ transmission are received by the company/registrar in physical mode. For transfer of shares in physical mode the Share Transfer and Issue of Duplicate Share Certificates Committee

meets every fortnight. Further, in pursuance of SEBI's circular, Secretarial Audit is conducted regularly on a quarterly basis. During the course of secretarial audit no discrepancy in updation / maintenance of the Register of Members or processing of the demat requests was found and the capital held in physical mode and demat mode tally with the issued capital.

- *Distribution of Shareholding as on March 31, 2008*

No. of equity shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	30225	84.60	3987511	2.95
501-1000	2799	7.83	2483687	1.84
1001-2000	1228	3.44	2010489	1.49
2001-3000	424	1.19	1131960	0.84
3001-4000	177	0.50	652446	0.48
4001-5000	254	0.71	1228828	0.91
5001-10000	316	0.88	2420325	1.79
10001 and above	305	0.85	121092354	89.70
Total	**35728**	**100.00**	**135007600**	**100.00**

- *Shareholding pattern as on March 31, 2008*

Particulars	No. of Shares held	% of Shareholding
Promoter	100000000	74.07
Financial Institutions, Banks and Mutual Fund	6231504	4.62
Private Corporate Bodies	7122391	5.27
Indian Public	19008994	14.08
NRI's and FII's	2644711	1.96
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, 2008) 99.60% of the shareholding is held in demat mode.

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

- *Unclaimed/unpaid dividend*

Under Section 205A(5) of the Companies Act, 1956 the amount of dividend remaining unclaimed for a period of seven years from the date of transfer of dividend to the Unpaid Dividend Account shall be transferred to the Investor Education And Protection Fund (IEPF). No claim shall lie against the company or the said fund in respect of dividend amounts that remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account.

The shareholders who have not received or claimed the below mentioned dividends till now are requested to make a claim at the earliest. The following dividend amount remain unclaimed as at 31st March, 2008:

Financial Year	Amount of dividend (Rs. Lacs)	Unclaimed Dividend as on 31.03.2008 (Rs. Lacs)	Unclaimed dividend Percentage	Last date for making claim	Due Date for making transfer to IEPF
2000-01 (Final dividend)	2430.10	0.84	0.03	Sep 14, 2008*	Oct 14, 2008
2001-02 (Interim dividend)	1350.07	0.67	0.05	Nov 23, 2008*	Dec 23, 2008
2001-02 (Final dividend)	1890.12	1.25	0.07	Aug 23, 2009	Sep 23, 2009
2002-03 (Interim dividend)	1350.07	1.43	0.11	Feb 14, 2010	Mar 15, 2010
2002-03 (Final Dividend)	2025.11	1.13	0.06	Sept 1, 2010	Oct 1, 2010
2003-04 (Interim Dividend)	1620.10	1.41	0.09	Nov 24, 2010	Nov 24, 2010
2003-04 (Final Dividend)	1755.10	2.37	0.14	Aug 30, 2011	Sep 29, 2011
2005-06 (Interim Dividend)	1080.06	5.54	0.52	Mar 4, 2013	Apr 3, 2013

*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 before 14th September, 2008 or 23rd November, 2008, as the case may be. A format of indemnity bond in this respect is also available at the company's website (www.pnbgilts.com). **Kindly note that no claim shall lie against the Company or the IEPF once the dividend amount is deposited in IEPF.**

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

- *Non-Mandatory Requirements under the Listing Agreement*

1. **The Board**

   a) **Chairman of the Board**

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

   b) **Tenure of Independent Directors**

   The same will be considered in due course.

2. **Remuneration Committee**

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

3. **Shareholders' 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
PNB Gilts Ltd.
5, Sansad Marg,
New Delhi - 110 001
Tel : (011) 23325759, 23325779
Fax : (011) 23325751
Email : pnbgilts@del2.vsnl.net.in

On behalf of the Board of Directors

Date : 11th July, 2008
Place : New Delhi

(K. C. Chakrabarty)
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, Ashok Kumar Gupta, 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 2007-08.

Date : 30th April, 2008
Place : New Delhi

(A. K. Gupta)
Managing Director

AUDITORS' CERTIFICATE

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

We have examined the compliance of conditions of Corporate Governance by PNB Gilts Ltd. for the year ended 31st March, 2008, as stipulated in Clause 49 of the listing agreement of the said company with the 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 conditions 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/Investor Grievance Committee.

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

For **Bansal R. Kumar & Associates**
Chartered Accountants

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

Date : 4th June, 2008
Place : New Delhi