

17th Annual Report

2012-13



(A subsidiary of Punjab National Bank)



Shri K. R. Kamath
Chairman



Shri S. R. Bansal
Non-Executive Director



Shri S. K. Dubey
Managing Director



Dr. O. P. Chawla
Independent Director



Dr. Kamal Gupta
Independent Director



Shri S. K. Soni
Independent Director



Shri P. P. Pareek
Independent Director

**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 2012-13. I am pleased to report that in FY 2012-13, your Company performed exceedingly well backed by a solid performance in the core area of operations. More importantly, we continued to deliver value to you, our most important stakeholders. We have begun the new fiscal year on strong hope and belief that the current year would still be better than the previous year and there shall be no looking back in the journey that we have embarked upon.

Domestic macroeconomic environment deteriorated during the year as continued uncertainty in global economy, policy impasse, tight monetary policy and slackening investments took a toll on domestic growth. The global economic distress mainly emanating from European debt crisis and US fiscal cliff concerns had a strong cascading effect on growth in emerging economies. Slowdown in demand for exports from advanced economies severely impacted the growth in world's fastest growing developing nations.

In the milieu of aforesaid global and domestic economic environment, GDP growth as per advance estimates of Central Statistical Organisation (CSO) declined sharply to 5 per cent in FY 2012-13 as against 6.2 per cent in the preceding year. While inflation was subdued owing to tight monetary regime, the current account deficit (CAD) situation remained a cause of concern, which exerted immense pressure on the domestic currency. During the year, CAD surged to a record high of 6.7 per cent as net exports dwindled and imports remained resilient. The fiscal deficit on the other hand was kept under control as government curtailed expenditure to offset the shortfall in revenues. Government resorted to the budgeted borrowing plan envisaged in the annual budget and no additional borrowings were announced during the year.

The G-sec market, which is the main area of operation of your Company, witnessed lesser volatility as compared to the preceding financial year. Market sentiments were largely anchored by rate cut expectations, buyback purchases under Open Market Operations (OMO) conducted by RBI and fiscal prudence delivered by the government. On the other hand, there were a few negative factors such as high inflation, tight liquidity conditions, large current account deficit and unabated prices pressure at the retail level and in food items. Amid these counterbalancing factors, the 10-yr benchmark yield was seen declining from year's highs of 8.76 per cent in April, 2012 to touch a low of 7.79 per cent in February, 2013, before closing at 7.96 per cent as on March 31, 2013 as against 8.57 per cent as on March 31, 2012.

Against the above macro economic conditions and market challenges, your Company maneuvered to its best ability to deliver excellent profits during the year. The Company made some important changes internally and streamlined its risk management and trading operations and also revamped its HR practices. It is heartening to inform you that your Company had registered Profit before Tax of Rs. 88.76 crore in FY 2012-13 as against Rs. 29.64 crore in FY 2011-12. The net worth of your Company increased to Rs. 620.08 crore as on March 31, 2013 as against Rs. 574.69 crore in previous year.

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

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

Future Opportunities

As we enter the new Financial Year, we shall remain highly focused to deliver on our priorities. We shall continue to realign our strategies and resources in order to ensure the best returns for our shareholders and sustain those returns in the long term. The unseen challenges that lie ahead of us shall be met making best use of our skills, competencies and experience. Your Company's trading skills and risk management systems will ensure that the performance is strengthened in the forthcoming year.

We value your partnership as we position the Company to lead into the future. I firmly believe that it will be an exciting journey for all of us, and I want to thank you for your on-going commitment, support, and trust.

With regards,

Yours Sincerely,

Date : May 14, 2013
Place : New Delhi

(K.R.Kamath)
Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the audited accounts of the Company for the year ended March 31, 2013.

1. FINANCIAL RESULTS

The financial results for the year ended March 31, 2013 along with comparative figures for the previous year are given below:

| | For the year ended 31.3.2013 | For the year ended 31.3.2012 |
|--|---------------------------------|---------------------------------|
| Total Income | 28865.00 | 16529.71 |
| Total Expenditure | 19988.47 | 13565.58 |
| Profit/(loss) Before Tax | 8876.53 | 2964.13 |
| Less : Provision for Income Tax (including deferred tax) | 2751.97 | 858.87 |
| Profit /(loss) After Tax | 6124.56 | 2105.26 |
| Add: Balance in Profit & Loss Account brought forward | 6057.48 | 5982.82 |
| Amount available for Appropriation | 12182.04 | 8088.08 |
| Proposed Appropriations | | |
| Transfer to Statutory Reserve | 1224.92 | 421.05 |
| General Reserve | - | - |
| Capital Reserve | 1106.09 | 40.46 |
| Proposed Dividend | 1350.08 | 1350.08 |
| Dividend Distribution Tax | 229.44 | 219.01 |
| Balance carried forward | 8271.51 | 6057.48 |

During FY 2012-13, Company fulfilled all its obligations as a Primary Dealer in both primary and secondary market. With regard to Treasury Bills commitment, Company exceeded the stipulated success ratio of 40 per cent, achieving 42.28 per cent and 47.91 per cent in H1 and H2 respectively. In G-sec category, Company fulfilled the underwriting commitments, thereby supporting the government borrowing program. Company delivered good performance during the year by astutely deriving advantage from conducive G-sec market condition and judicious deployment of funds in high yielding assets. The total Profit Before Tax for FY 2012-13 stands at Rs. 88.77 crores as against Rs. 29.64 crores in FY 2011-12.

The profitability during the year was boosted by sharp surge in trading income, which stands at Rs. 40.06 crores for the fiscal. The outstanding performance in the trading segment was a result of nimble trading technique adopted by the Company and astute prognosis of market behavior. The year was markedly stable for the bond markets vis-a-vis the preceding year, which had witnessed high volatility. The market sentiments remained anchored by rate cut expectations, Open Market Operation (OMO) purchases and deteriorating growth. On the other hand, there were a few challenges such as RBI's hawkish stance towards inflation, tight liquidity conditions, record high Current Account Deficit (CAD) and persistently high retail and food inflation, which kept RBI from cutting rates for 8 months between April, 2012 to January, 2013. Amid these factors, the 10-yr benchmark yield moved from 8.76 per cent in the beginning of the year, which was also the peak point, to close at 7.95 per cent after touching a low of 7.79 per cent.

2. CAPITAL ADEQUACY

Capital adequacy ratio as on March 31, 2013 stood at 42.34 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 (i.e. 10 per cent) for the financial year 2012-13 amounting to Rs. 1350.08 lacs. The total outflow on account of said dividend shall be Rs. 1579.52 lacs (including Dividend Distribution Tax).

4. OTHER MATTERS

4.1. Directors

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

Changes during the financial year 2012-13

The following changes took place in the Board of Directors of the Company during the financial year 2012-13:

- **Sh. Rakesh Sethi**, Executive Director – Punjab National Bank has resigned from the Directorship of the Company w.e.f. January 9, 2013. In his place, the Board has appointed Sh. S. R. Bansal as an Additional Director in its meeting held on January 23, 2013.
- **Sh P. K. Chhokra**, after his retirement as General Manager – Punjab National Bank, has resigned from the Directorship of the Company w.e.f. March 31, 2013.

Retirement of Directors by Rotation

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

Corporate Governance

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

4.2. Directors' Responsibility Statement

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

- The applicable accounting standards have been followed.

- Appropriate accounting policies have been selected and applied consistently. Judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2013 and the Profit and Loss Account for the year ended March 31, 2013.
- 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 and Auditor General of India for the financial year ended March 31, 2013. 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 2012-13, 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 said 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, 2013 was 35 (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, 2013, the Company has not accepted any deposits from the public within the meaning of the provisions of the Non- Banking Financial Companies (Reserve Bank) Directions, 1977 and RBI's notification no. DFC.118DG/(SPT)-98 dated January 31, 1998.

4.7. Acknowledgement

Your Directors thank Government of India, Reserve Bank of India, Securities and Exchange Board of India, National Stock Exchange Ltd., Bombay Stock Exchange Ltd., 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 14, 2013

Place : New Delhi

(K. R. Kamath)

Chairman

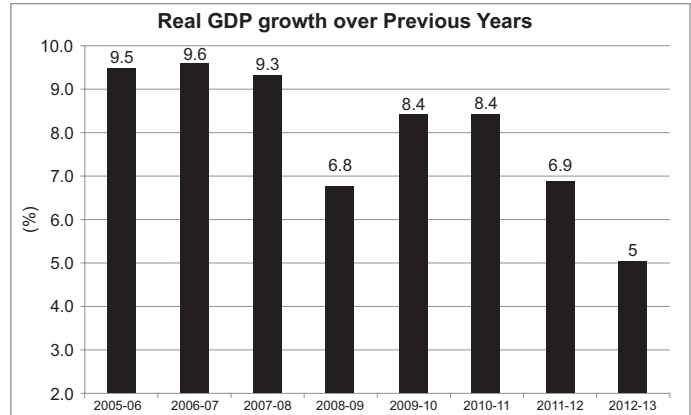
MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW

Gross Domestic Product (GDP)

During 2012-13, growth in GDP (April-December, 2012) declined to 5.0 per cent from 6.6 per cent a year ago. This was mainly due to the protracted weakness in industrial activity aggravated by domestic supply bottlenecks and slowdown in the services sector reflecting weak external demand. The Central Statistics Office (CSO)'s advance estimate places the GDP growth for 2012-13 at 5.0 per cent as against 6.2 per cent in FY 2011-12. The slowdown in growth was witnessed across the board, with all the sectors being affected significantly. While, Industry and

Agriculture continued to decline, the Services sector which is supposedly the most resilient was also seen succumbing to the poor macro economic conditions prevalent during the year. Industry is expected to grow at 3.1 per cent, while agriculture output is expected to grow at 1.9 per cent following lower than normal rainfall in the initial phases of the monsoon season.



The expenditure side analysis suggests sharp slowdown in both private consumption (4.1 per cent in FY 2012-13 as against 8.0 per cent in FY 2011-12) and investment, especially private investment. While high inflation and high interest rates contributed towards the fall in consumption, private investment languished on account of tight monetary policy regime, lower demand for Indian merchandise and stalling of fresh projects due to policy restriction. Net exports also suffered due to weak global demand. Inelastic demand for oil imports and resilient demand for gold imports kept the overall imports high, exacerbating the trade deficit situation. The fall in private consumption, investments and net exports could not be complemented with increased government expenditure due to high fiscal deficit. The government curtailed expenditure to meet the fiscal deficit target for the financial year in order to prevent further imbalances due to capital outflows and rating downgrades.

International Trade and Debt

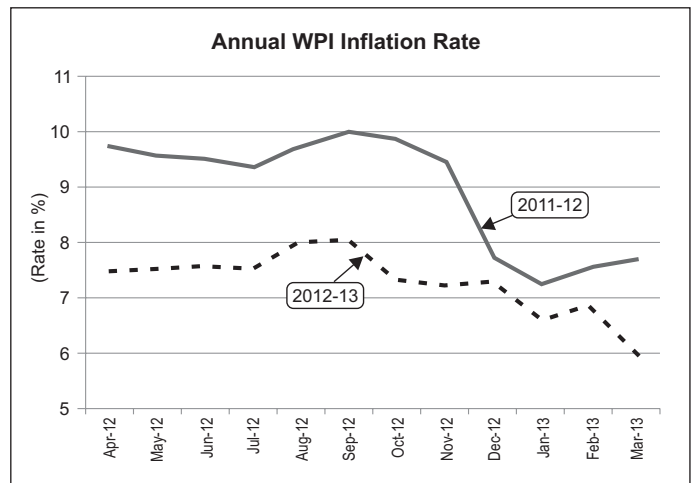
India's international trade situation was precariously placed during FY 2012-13, with exports registering negative growth rates throughout the year except in April, 2012. After getting bolstered by a slew of measures announced in FY 2011-12, exports fell dramatically in FY 2012-13 as global economic conditions deteriorated. Cumulatively, export growth in dollar terms was negative at 4.9 per cent (April to January, 2013) as against 21.3 per cent growth in FY 2011-12. Imports also decelerated during the year, albeit not as sharply as exports. At USD 406.9 billion imports in FY 2012-13 (April-January) registered a growth of 0.01 per cent as against 32.3 per cent in full FY 2011-12. Oil imports grew by 12.8 per cent in period April to December of FY 2012-13, while non-oil imports decelerated by 5.1 per cent, with gold and silver imports declining by 14.7 per cent during the year. The trade deficit of USD

167.2 billion for FY 2012-13 (April-January) was 7.9 per cent higher than the USD 154.9 billion in FY 2011-12 (April- January). The Current Account Deficit (CAD) was also impacted adversely due to decline in net exports. With sharp rise in trade deficit, the CAD widened to USD 39.0 billion in H1 of FY 2012-13 as against USD 36.4 billion in corresponding period of last year. As a proportion of GDP, CAD stands at 4.6 per cent during H1 of FY 2012-13 vis-à-vis 4.0 per cent in H1 of the preceding year.

India's external debt increased by USD 20.0 billion (5.8 per cent) to USD 365.3 billion at end September 2012 over end March 2012 level. The increase has been primarily on account of higher NRI deposits, short-term debt, and External Commercial Borrowings, which together contributed 94.7 per cent of the total increase in the country's external debt. The maturity composition of the external debt remained skewed towards long term loans accounting for around 77 per cent of total outstanding external debt.

Inflation

Inflationary pressures remained strong during the first half of the year mainly led by persistently high food inflation. However, the headline inflation was markedly lower, with WPI inflation averaging at 7.3 per cent as against 8.9 per cent in FY 2011-12. Fuel inflation averaged in double digits during 2012-13, largely reflecting upward revisions in administered prices and the pass-through of high international crude prices to freely priced items. Non-food manufactured products inflation ruled above the comfort level in the first half of 2012-13 but declined in the second half to come down to 3.5 per cent by March, reflecting easing of input price pressures and erosion of pricing power.



Price pressures moderated from December onwards with wholesale inflation decreasing below 7 per cent mark.

However, retail inflation as measured by CPI, having greater weightage of food items, continued to remain at elevated levels due to higher food prices. Nevertheless, the WPI inflation, benefitting from sharp decline in prices of non-food manufactured products, has moderated significantly falling in line with RBI's projected trajectory. By March, 2013, WPI inflation at 6.0 per cent turned out to be lower than the Reserve Bank's indicative projection of 6.8 per cent, mainly due to a sharp deceleration in non-food manufactured products inflation in the second half of the year.

Commodity Prices

Global commodity prices displayed stability during the year, with only grains and oil prices exhibiting upward trend due to supply shortages. Energy and non-energy prices contracted during the year partly due to base effect and partly because of actual decline in prices of commodities such as base metals and beverages. Oil prices remained under pressure due to continued economic headwinds arising from deteriorating Euro crisis and uncertainties pertaining to the US fiscal policies. Average WTI oil price was down at USD 91.95 per barrel in FY 2012-13 as against USD 97.19 per barrel in FY 2011-12.

Fiscal Deficit

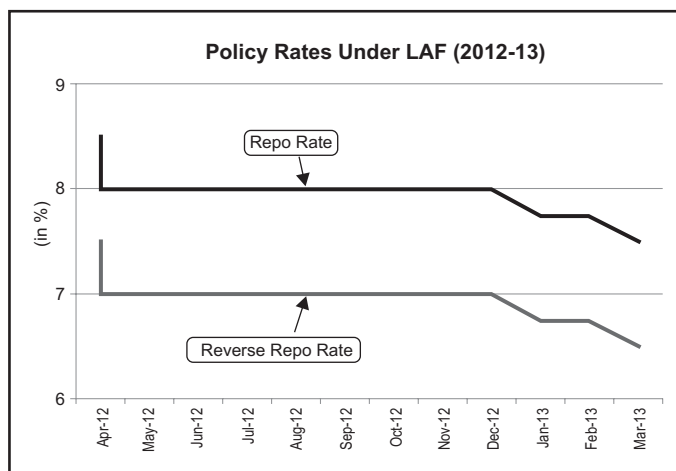
The fiscal health of the government was largely stable during the year, with government being able to meet the fiscal deficit target for the year. The fiscal deficit target was mainly met by cutting down plan expenditure by almost 18 per cent over the budgeted estimate. The non-plan expenditure on the other hand over shot the budgeted estimate by 3.27 per cent on account of higher outflow towards fuel, food and fertilizer subsidy. The disinvestment and spectrum sale targets of Rs. 30000 crore and Rs. 40000 crore respectively were not met as the government could realize only Rs. 24000 crore and Rs. 14407 crore from disinvestment and spectrum sale respectively. On the revenue side, the tax revenues fell short of budgeted estimate by 3.67 per cent on account of slowing corporate activity. Market borrowings through issuance of G-sec were contained well within the budgeted estimate. As against budgeted gross market borrowing of Rs. 570000 crore, the government borrowed Rs. 558000 crore during the year. However, short term borrowings were much higher at Rs. 45746 crore as against budgeted estimate of Rs. 9000 crore. The revised estimates (RE) of Central Government finances for 2012-13 show that the Gross Fiscal Deficit-GDP ratio at 5.2 per cent was around the budgeted level and within the target set out in the revised roadmap.

Government Borrowings

During FY 2012-13, the government adhered to its market borrowing program in the G-sec category as squeeze in expenditure limited the government's requirement for additional funds. The gross borrowing during the year was lower by Rs. 12000 crore to Rs. 558000 crore as against budgeted estimate of Rs. 570000 crore. However, short term borrowings were sharply higher at Rs. 45746 crore as against budgeted estimate of Rs. 9000 crore. In addition to this, state governments also raised funds to the tune of Rs. 170967 crore through market borrowings as against Rs. 159900 crore during the previous year.

Monetary Policy

The combination of growth slowdown, persistence of inflation above the comfort level and a historically high CAD posed a special challenge for monetary policy during 2012-13. The Reserve Bank addressed this with calibrated reductions in the policy rate and liquidity easing measures. Despite a large injection of liquidity through Cash Reserve Ratio (CRR) cuts and Open Market Operations (OMOs), liquidity conditions tightened especially since November, 2012, mainly due to large and persistent build-ups in government cash balances.

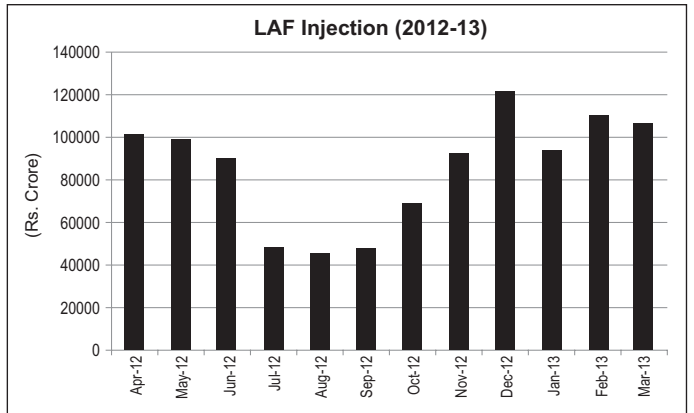


Taking cognizance of falling growth, the Reserve Bank lowered policy interest rate and the Statutory Liquidity Ratio (SLR) by 100 bps each and the CRR by 75 bps in 2012-13 on top of a 125 bps cut in the CRR in Q4 of 2011-12. It also undertook liquidity injections through outright purchases of G-secs as a part of OMOs totaling about Rs. 150000 crore during the year. After front-loading a 50 bps policy rate cut in April, 2012, the Reserve

Bank had to hold rate in the absence of the expected momentum on fiscal consolidation and elevated inflation concerns. However, since September, 2012, a renewed commitment to contain the fiscal deficit provided space to the Reserve Bank for further policy easing. In response, the policy rates were lowered further by 50 bps in Q4 of 2012-13. Rising CAD risks, however, prompted the Reserve Bank to exercise caution while easing.

Money Market

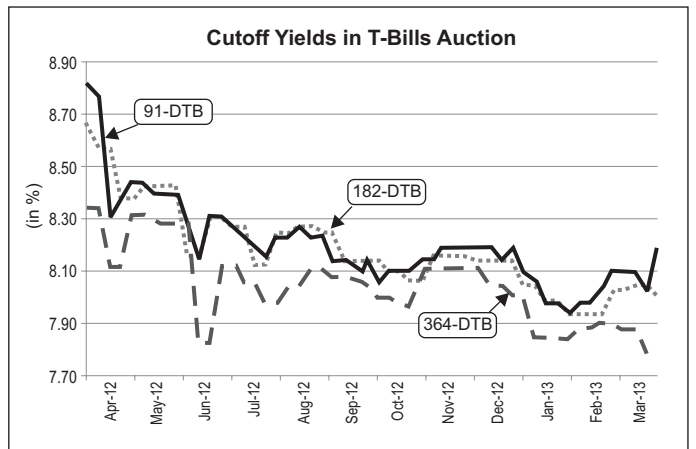
Liquidity remained under pressure throughout the year because of persistently high government cash balances with the Reserve Bank and elevated incremental credit to deposit ratio for much of the year. The net average liquidity injection under the daily liquidity adjustment facility (LAF), at Rs. 73000 crore during the first half of the year, increased significantly to Rs. 101200 crore during the second half. In order to alleviate liquidity pressures, the Reserve Bank lowered the CRR of Scheduled Commercial Banks (SCBs) cumulatively by 75 bps on three occasions and the SLR by 100 bps during the year. Additionally, the Reserve Bank injected liquidity to the tune of Rs. 154600 crore through OMO purchase auctions. The net injection of liquidity under the LAF, which peaked at Rs. 180800 crore on March 28, 2013 reflecting the year-end demand, reversed sharply to Rs. 84200 crore by end-April, 2013.



Additionally, the Reserve Bank injected liquidity to the tune of Rs. 154600 crore through OMO purchase auctions. The net injection of liquidity under the LAF, which peaked at Rs. 180800 crore on March 28, 2013 reflecting the year-end demand, reversed sharply to Rs. 84200 crore by end-April, 2013.

Treasury Bill Market

During FY 2012-13, government borrowed heavily via T-bills in order to offset shortage in revenues. The borrowings through T-bills were much higher than envisaged in the annual budget. Borrowing through T-bills stood same as in preceding financial year at Rs. 610000 crore. However, despite the glut in supply and tight liquidity conditions, yields on treasury bills in primary market eased significantly as rate cut expectations continued to hold throughout the year. Weighted average implicit yield at cut-off price on 91 DTB, 182 DTB and 364 DTB stood at 8.20 per cent, 8.17 per cent and 8.05 per cent as against 8.41 per cent, 8.46 per cent and 8.38 per cent in the previous year respectively.

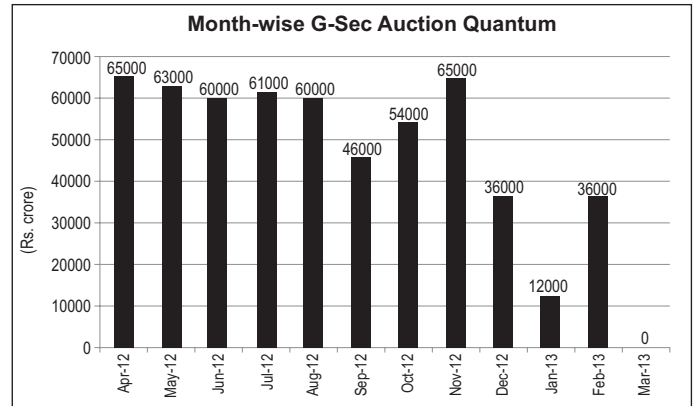


GOVERNMENT DATED SECURITIES

Primary Market

FY 2012-13 was characterized with government's unwavering resolve to maintain fiscal prudence. By keeping the fiscal deficit under control, government managed to keep borrowings well under the budgeted estimate for the year. The gross borrowings through dated issuances for the FY 2012-13 stood at Rs. 558000 crore, while net borrowings stood at

Rs. 467384 crore. The weighted average maturity of the dated securities issued increased over the year, while the primary yields declined in view of the favorable market conditions and lower interest rate regime for long dated securities. The weighted average maturity of issuances stood at 13.50 years vis-a-vis 12.66 years in the previous year. The weighted average yield of dated securities issued during FY 2012-13 eased to 8.36 per cent compared to 8.52 per cent during FY 2011-12.



Secondary Market

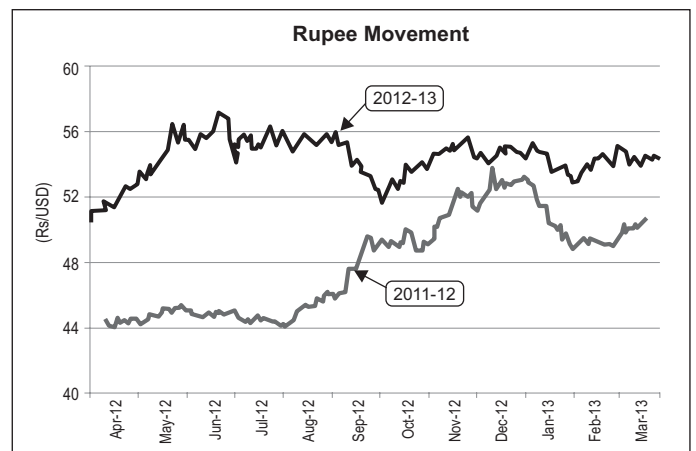
During 2012-13, reflecting expectations of a reduction in policy rate, optimism about improvement in the fiscal situation, reduction in the primary issuances and expectations of further measures from the government to rein in the fiscal deficit, G-sec yields eased. The continuation of OMO purchase auctions also added to the positive sentiment.



The yield curve flattened owing to sharp rise in short term rates and fall in long term yields. While short term rates remained under continuous upward pressure due to tight liquidity conditions and status quo on interest rates, long term yields softened due to lower supply especially in the second half of the year. Yield on 10-yr benchmark paper closed the year at 7.95 per cent after touching a high and low of 8.76 per cent and 7.80 per cent respectively as against 8.57 per cent as on March 31, 2012.

Forex Market

During FY 2012-13, rupee depreciated by over 7 per cent over previous year's closing as record high current account deficit levels, deteriorating domestic growth and fragile global economic scenario weighed on the domestic currency. Rupee eroded sharply in value against the USD in the first quarter of the year, weakening to all time lows as global risk aversion stemming from continued uncertainty surrounding the



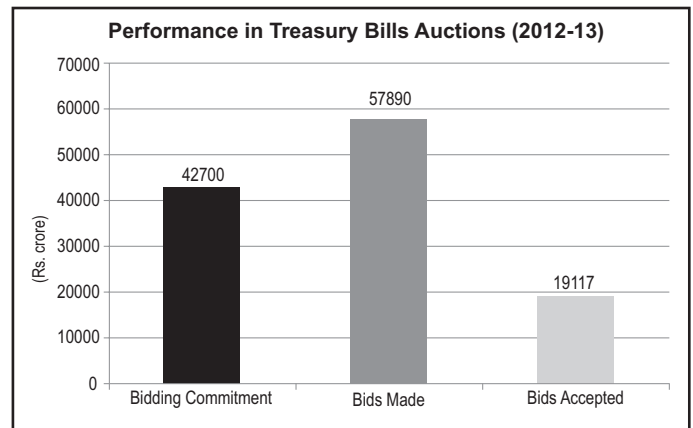
European crisis resulted in waned demand for risky assets. Fear of rating downgrade further weighed on sentiment pushing rupee below 57 per USD mark. However, rupee trimmed the fall by the end of the second quarter, climbing back to 52 per USD levels as improved data flow from US perked up the risk appetite globally. During the residual part of the year, rupee stabilized and traded in a narrow range of 53 to 55 per USD. With US fiscal cliff issue being tackled by the US government, the demand for risk assets received a boost. Rupee closed the FY 2012-13 at 54.34 per USD as against 50.95 per USD as on March 31, 2013.

COMPANY PERFORMANCE

Primary Market

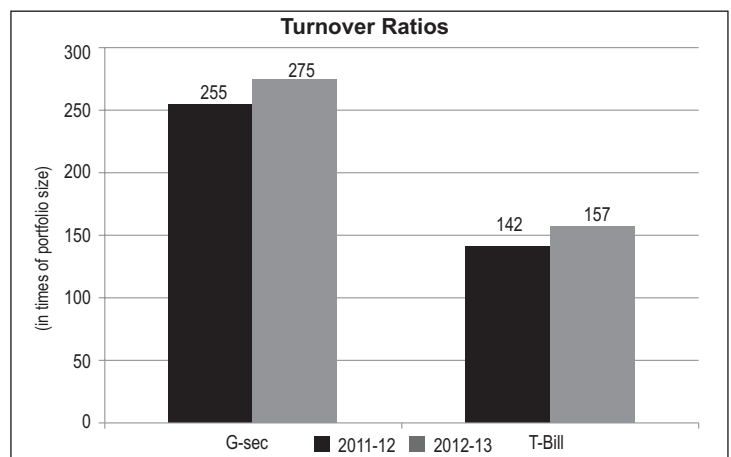
In primary market, the Company continued to comply with all the regulatory requirements of bidding under Minimum Underwriting Commitments (MUC) and Additional Competitive Underwriting (ACU) for Primary Dealers. During the year, Company earned an underwriting commission of Rs. 1.76 crore as against previous year's commission of Rs. 1.77 crore. In Treasury bill auctions, in the first half, Gol raised

Rs. 340000 crore as against Rs. 329000 crore in the corresponding period of last fiscal. In the second half, Gol raised another Rs. 270000 crore through T-bills as against Rs. 281000 crore raised in corresponding period last fiscal. The Company submitted bids aggregating Rs. 57890 crore against the commitment of Rs. 42700 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs. 19117 crore were accepted. Fulfilling its primary market commitment, Company achieved success ratio of 42.28 per cent and 47.91 per cent in H1 and H2 respectively of FY 2012-13.



Secondary Market

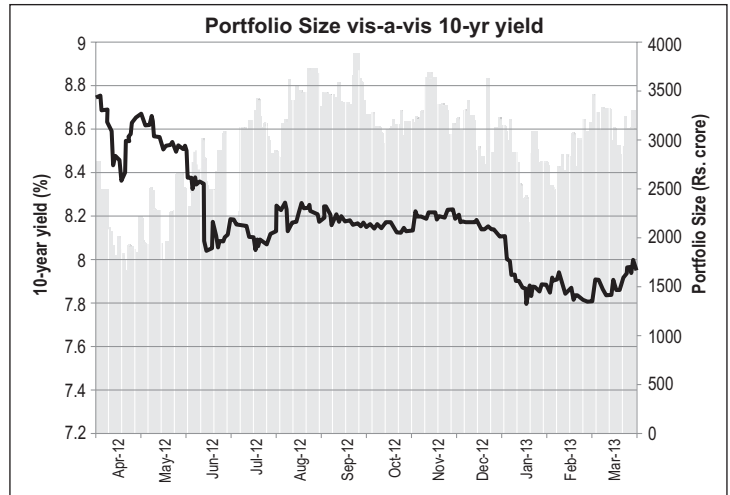
During FY 2012-13, total secondary market outright turnover stood at Rs.1,98,139 crore as against Rs. 208982 crore in FY 2011-12. The Central G-sec segment recorded the maximum turnover of Rs. 162267 crore followed by T-bill segment which registered churning of Rs. 17578 crore. Company's total turnover ratio (secondary market) stands at 157 times for treasury bills and 275 times for government dated securities as on March 31, 2013 against the minimum RBI stipulation of 10 times and 5 times respectively.



Portfolio Size and Composition

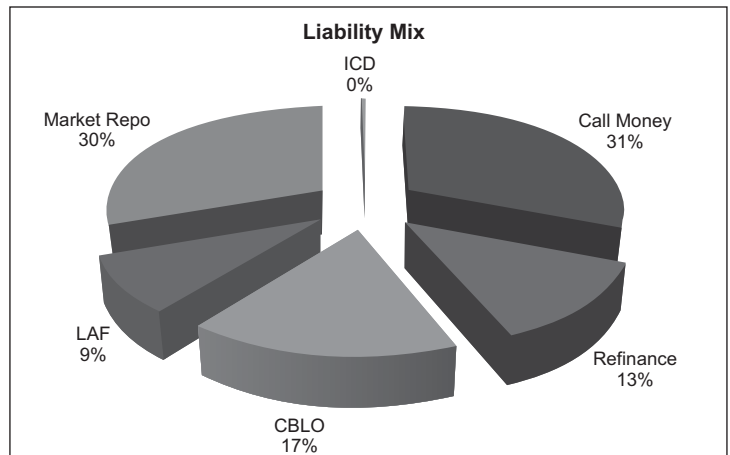
Portfolio size and composition is a function of arbitrage opportunities and tradability. In milieu of improved market conditions and softening of yields, Company increased holding of Central G-sec as compared to the previous year. Daily average holding of Central G-sec during FY 2012-13 stood at Rs. 624 crore as against Rs. 462 crore in FY 2011-12. The Central G-sec holding was strategically increased to more than Rs. 1000 crore in anticipation of fall in yields in the fourth quarter. Yields fell from 8.20 per cent levels in November, 2012 to 7.85

per cent in January, 2012 and Company took advantage of the sharp fall in yields and reduced the Central G-sec holdings booking profits. Company also maintained high holding of Treasury Bills in view of positive arbitrage and minimal risk. Daily average holding in T-bills during the year stood at Rs. 1576 crore as against Rs. 870 crore during the preceding year. The peak holding in T-bills stood at Rs. 2385 crore.



Liability Mix

During the year, Company judiciously utilized different sources of borrowings namely Call Money, Centralized Borrowing and Lending Obligation, Repo, LAF etc. for active fund management. In view of extreme shortage of funds in the banking system, Company heavily utilized finance support made available by RBI to keep the borrowing cost under check. The average borrowings from all sources amounted to Rs. 2330 crore as against Rs. 1531 crore in FY 2011-12. The average leverage size during the year was higher at 3.87 times as against



2.69 times in FY 2011-12, while the maximum leverage for the year stood at 5.56 times of the Net Owned Funds. The average cost of funds during the fiscal at 8.00 per cent (8.14 per cent in FY 2011-12) was about 11 bps lower than the average NSE overnight MIBOR of 8.11 per cent during the year.

Trading Stance and Risk Management

During FY 2012-13, trading performance improved significantly and Company posted trading income of Rs. 40.05 crore as against trading loss of Rs. 14.50 crore in FY 2011-12. The exceptional performance in this segment was a result of a judicious mix of nimble trading technique and astute prognosis of market conditions. Besides, conducive market conditions also contributed towards the improved bottom-line performance. Company

maintained a balanced composition of securities with an aim to maximize arbitrage income and also with a view to have better trading opportunities. Risk management is a critical element of Company's trading business. The Company's Mid-office is primarily responsible for formulating and implementing the risk management policies. Value-at-risk, 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 adequate defense against the operational risk.

Financial Performance

During the year, Company's Profit before Tax (PBT) rose to Rs. 88.76 crore as on March 31, 2013 as against Rs. 29.64 crore as on March 31, 2012. The profitability was boosted by enhanced trading performance by the Company. During the year, Company registered trading income of Rs. 40.05 crore as against trading loss of Rs. 14.50 crore in FY 2011-12. The net worth of the Company has risen by 7.9 per cent to Rs. 620.08 crore as on March 31, 2013. Company was adequately capitalized with capital adequacy ratio at 42.34 per cent as on March 31, 2013 as against RBI's minimum stipulation of 15 per cent.

Human Resource Development

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

Opportunities and Threats

Looking ahead, economic activity during FY 2013-14 is expected to show only a modest improvement over last year, with a pick-up likely only in the second half of the year. Accordingly, the Reserve Bank's baseline projection of GDP growth for 2013-14 is 5.7 per cent. Inflation has been projected at 5 per cent by March, 2014. Based on this, benign interest rate is expected to prevail. However, there are certain risks. First, the biggest risk to the economy stems from the Current Account Deficit (CAD) which, last year, was historically the highest and well above the sustainable level of 2.5 per cent of GDP as estimated by the Reserve Bank. A large CAD, appreciably above the sustainable level year after year, will put pressure on servicing of external liabilities. Second, even as the large CAD is a risk by itself, its financing exposes the economy to the risk of sudden stop and reversal of capital flows, if global liquidity rapidly tighten. The third risk factor is that a sustained revival of growth is not possible without a revival of investment. But investment sentiment remains inhibited owing to subdued business confidence and dented business profitability. And finally, the effectiveness of monetary policy in bringing down inflation pressures and anchoring inflation expectations could be undermined by supply constraints in the economy, particularly in the food and infrastructure sectors. Without policy efforts to unlock the tightening supply constraints and bring enduring improvements in productivity and competitiveness, growth could weaken even further and

inflationary strains could re-emerge. However, as witnessed in FY 2012-13, RBI may yet again deploy OMO buyback purchases to create demand for mammoth G-sec supply and also infuse liquidity in the system as the CRR space for infusing liquidity is now quite limited. With regard to fiscal deficit projection for the next year, we believe that government would be able to stick to its fiscal deficit plan. A high CAD and regular supply of government bonds in form of auctions will weigh negatively on the markets while regular OMOs and benign inflation alongwith subdued growth would be positive factors for the market in the FY 2013-14. Amidst these counterbalancing forces, the markets may remain more volatile than FY 2012-13, though in a narrower range. The Company proposes to be more nimble footed in trading and also look for more stable avenues of revenue to maintain consistency in the returns to the stakeholders. The Company shall also endeavour to focus on non traditional sources of income like fee based services and equity markets.

On behalf of Board of Directors

Date : May 14, 2013

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 seven Directors and the Chairman of the Board is a Non-Executive Director. The composition of the Board as on March 31, 2013 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 and Managing Director of Allahabad Bank. He is the Chairman of Indian Banks' Association (IBA) and Governing Board of Institute of Banking Personnel Selection (IBPS). Shri Kamath is also the President of Indian Institute of Banking and Finance (IIBF) and Bankers' Club, Delhi. He is the member of Governing Board of National Institute of Bank Management (NIBM), Pune and Governing Council of Institute for Development and Research in Banking Technology (IDRBT), Hyderabad. He is having a rich experience of around 37 years in banking industry. He is also Chairman of PNB Housing Finance Ltd., PNB International Ltd. and PNB Investment Services Ltd. and Director on the Board of ECGC Ltd. and IIFCL.

Sh. S. R. Bansal is Executive Director of Punjab National Bank. He is having experience of around 32 years in the banking industry, especially in credit operations.

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

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

Sh. P. P. Pareek is a practising Chartered Accountant. He is a senior partner of M/s S. Bhandari & Co. for the last 30 years. He was member of Central Council and Standing Committees like Executive Committee and Examination Committee of the Institute of Chartered Accountants of India. Presently, he is Director of Jamuna Dream Estates Pvt. Ltd. and Registan Marketing Pvt 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, 2013 is given below:**

| Name of the Directors | Category | No. of other Directorships and Committee Memberships/Chairmanships ¹ | | |
|-----------------------|----------------------------|---|-----------------------|-------------------------|
| | | Directorships | Committee Memberships | Committee Chairmanships |
| Sh. K. R. Kamath | Non-Executive | 5 | - | - |
| Sh. S. R. Bansal | Non-Executive | 1 | 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. S.K. Dubey | Executive | 1 | - | - |

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

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 2013-14, five Board Meetings were held on May 2, 2012, July 28, 2012, October 20, 2012, January 23, 2013 and March 19, 2013. Attendance record of the Directors in the meetings is as under:

| Names of Directors | No. of Board Meetings attended | Attended last AGM held on July 28, 2012 |
|--------------------------------|--------------------------------|---|
| Sh. K. R. Kamath | 5 | Y |
| Sh. Rakesh Sethi ¹ | 3 | Y |
| Sh. S.R. Bansal ² | 2 | N.A. |
| Dr. O. P. Chawla | 5 | Y |
| Dr. Kamal Gupta | 4 | N |
| Sh. S. K. Soni | 5 | Y |
| Sh. P. P. Pareek | 5 | Y |
| Sh. P. K. Chhokra ³ | 4 | Y |
| Sh. S. K. Dubey | 5 | Y |

1. Resigned on January 9, 2013.
2. Appointed as an Additional Director on January 23, 2013.
3. Resigned on March 31, 2013.

- **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 2012-13, five meetings of the Committee were held on May 2, 2012, July 28, 2012, October 20, 2012, January 23, 2013 and March 19, 2013. 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 | Five |
| Sh. S. K. Soni | Member | Five |
| Sh. P. P. Pareek | Member | Five |
| Sh. P. K. Chhokra ¹ | Member | Four |

1. Resigned on March 31, 2013.

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

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

During the year 2012-13, twenty four meetings of the said Committee were held.

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

| Names of the Directors | Position held in the Committee | No. of Committee Meetings attended |
|--------------------------------|---------------------------------------|---|
| Sh. P. K. Chhokra ¹ | Chairman | Eighteen |
| Sh. S. K. Soni ¹ | Chairman | Four |
| Dr. Kamal Gupta | Member | Twenty Four |
| Sh. S. K. Dubey | Member | Twenty Three |

1. The Committee was reconstituted w.e.f. January 23, 2013, whereby Sh. S. K. Soni has been designated as Chairman of the Committee in place of Sh. P. K. Chhokra.

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

As on March 31, 2013, 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 2012-13, twelve meetings of the Committee were held.

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

| Names of the Directors | Position held in the Committee | No. of Committee Meetings attended |
|--------------------------------|--------------------------------|------------------------------------|
| Sh. S. K. Soni | Chairman | Twelve |
| Sh. P. K. Chhokra ¹ | Member | Nine |
| Dr. Kamal Gupta ¹ | Member | Two |
| Sh. S. K. Dubey | Member | Eleven |

1. The Committee was reconstituted w.e.f. January 23, 2013, whereby Dr. Kamal Gupta has been designated as Member of the Committee in place of Sh. P. K. Chhokra.

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

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

During the year, the Company had received 5 complaints (mostly in the nature of 'query') from the shareholders/investors. All the complaints have been redressed to the satisfaction of the complainants. No shareholder/investor complaint was pending as on March 31, 2013.

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

(C) Nomination Committee

During the year 2012-13, two Nomination Committee meetings were held on May 2, 2012 and January 23, 2013.

The composition of Nomination Committee and attendance of the Members is as under:

| Names of the Directors | Position held in the Committee | No. of Committee Meetings attended |
|-------------------------------|--------------------------------|------------------------------------|
| Sh. K. R. Kamath ¹ | Chairman | One |
| Sh. Rakesh Sethi | Chairman | One |
| Dr. O. P. Chawla | Member | Two |
| Sh. S. K. Soni | Member | Two |
| Sh. S.K. Dubey | Member | Two |

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

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 Managing Director (under Executive Category) in the financial year 2012-13 is as under –

(Rs. in lacs)

| Particulars | Amount |
|--|--------|
| Salary and Allowances | 8.25 |
| Company's Contribution to Provident Fund | 0.65 |
| Other Perquisites | 1.42 |

The Managing Director has been appointed for a period of 1 year (w.e.f. February 1, 2013) and his service conditions are regulated by the service regulations of the Company. As per Regulation 15(iii) of the service regulations, his service can be terminated by a notice period of 3 months on either side or surrender of 3 months salary in lieu thereof. No other severance fees is payable.

Further, only Non-Executive Directors are paid the sitting fees for attending the Board/Committee Meetings. Sitting fee payable for attending the Board meeting and its Sub-Committee Meeting is Rs. 10000/- per meeting and Rs. 5000/- per meeting respectively. The same is fixed by the Board and is within the limits prescribed under the Companies Act, 1956. 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 2012-13 is as under:

(in Rs.)

| Name of the Directors | Sitting Fees** |
|-----------------------|----------------|
| Sh. K. R. Kamath* | 55000/- |
| Sh. Rakesh Sethi* | 35000/- |
| Sh. S. R. Bansal* | 20000/- |
| Dr. O. P. Chawla | 85000/- |
| Dr. Kamal Gupta | 190000/- |
| Sh. S. K.Soni | 170000/- |
| Sh. P. P. Pareek | 75000/- |
| Sh. P. K. Chhokra* | 195000/- |

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

** Applicable service tax paid extra.

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 Personnel**

The Code of Conduct for Directors and Senior Management Personnel 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 2012-13. 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 |
|----------------|---|-------------------------------|
| 2011-12 | Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054 | July 28, 2012 at 1230 hrs. |
| 2010-11 | Air Force Auditorium, Subroto Park, New Delhi-110010 | June 25, 2011 at 1200 hrs. |
| 2009-10 | FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001 | July 31, 2010 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 and Analysis has been given separately in the annual report.

- **Disclosures**

During 2012-13, 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. For other penalties refer to page no. 54.

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 approval 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 | : | June 22, 2013 at 11:00 a.m. |
| Venue | : | Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054 |
| Financial Year | : | April 1, 2012 to March 31, 2013 |
| Date of Book Closure for the purpose of Dividend | : | May 25, 2013 to June 1, 2013 (both days inclusive) |
| Dividend Payment Date | : | July 18, 2013 |

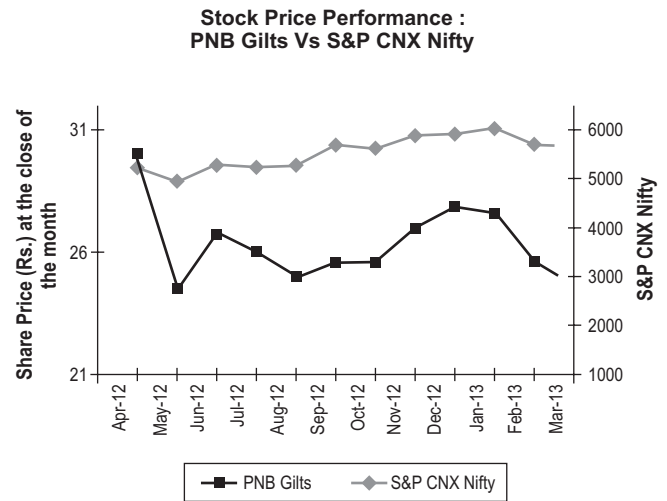
2. Listing on Stock Exchanges

| | |
|---|--|
| : | Listed in September, 2000 |
| | The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai |
| | National Stock Exchange of India Ltd. Exchange Plaza, 5 th 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 2012-13 on National Stock Exchange is given as under :

| Month | High (Rs.) | Low (Rs.) |
|---------|------------|-----------|
| Apr-12 | 31.80 | 24.65 |
| May-12 | 30.35 | 23.80 |
| Jun-12 | 27.50 | 24.05 |
| July-12 | 28.50 | 25.05 |
| Aug-12 | 27.75 | 21.00 |
| Sep-12 | 26.80 | 24.70 |
| Oct-12 | 27.50 | 25.45 |
| Nov-12 | 27.90 | 25.20 |
| Dec-12 | 28.70 | 25.00 |
| Jan-13 | 30.90 | 27.05 |
| Feb-13 | 28.35 | 25.55 |
| Mar-13 | 28.20 | 24.20 |



Source: NSE website

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

The Stock Code at BSE and NSE is as under:

BSE: 532366
NSE: PNBGILTS

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

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

5. **For the shareholders intending to transfer / transmit their shares:** Investors' queries/requests for change in address/ bank details, transfer, transmission, issue of duplicate share certificates, registration of e-mail IDs etc. may please be sent directly to MCS LTD. at the above address.
6. **For the shareholders holding shares in dematerialised form:** Shareholders holding shares in electronic/ dematerialised mode should address all their correspondence like, change of address/bank details, registration of e-mail IDs etc. to their respective depository participants (DPs). The updation of particulars in the records of the DP shall result in automatic updation of records of the Company.

7. Share Transfer / Dematerialisation System

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

- ***Distribution of Shareholding as on March 31, 2013***

| No. of equity shares held | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---------------------------|---------------------|-------------------|--------------------|-------------------|
| Upto 500 | 23373 | 84.01 | 3080107 | 2.28 |
| 501-1000 | 2129 | 7.65 | 1877155 | 1.39 |
| 1001-2000 | 1028 | 3.70 | 1652774 | 1.22 |
| 2001-3000 | 324 | 1.16 | 868543 | 0.64 |
| 3001-4000 | 185 | 0.66 | 677773 | 0.50 |
| 4001-5000 | 205 | 0.74 | 986615 | 0.73 |
| 5001-10000 | 304 | 1.09 | 2355647 | 1.75 |
| 10001 and above | 273 | 0.99 | 123508986 | 91.49 |
| Total | 27821 | 100.00 | 135007600 | 100.00 |

- ***Shareholding pattern as on March 31, 2013***

| Particulars | No. of shares held | % of Shareholding |
|---|--------------------|-------------------|
| Promoter | 100000000 | 74.07 |
| Financial Institutions, Banks and Insurance Companies | 5102636 | 3.78 |
| Bodies Corporates, Trust and Foundations | 8752015 | 6.49 |
| Indian Public | 19120813 | 14.16 |
| NRI's and FII's | 2032136 | 1.50 |
| 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, 2013) 99.68 per cent of the shareholding is held in demat mode.

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

- **Unclaimed/unpaid dividend**

Under Section 205A(5) of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of transfer of dividend to the Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF). No claim shall lie against the Company or the said Fund in respect of dividend amounts that remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account. In pursuance of above, unpaid/unclaimed final dividend for the year 2000-01, interim and final dividend for the year 2001-02, interim and final dividend for the year 2002-03, interim and final dividend for the year 2003-04 and interim dividend for the year 2005-06 have already been transferred by the Company to the Investor Education & Protection Fund.

The shareholders, who have not received or claimed the below mentioned dividends till now, are requested to make the claim at the earliest. The following dividend amount remain unclaimed as at March 31, 2013:

| Financial Year | Amt of dividend (Rs. Lacs) | Unclaimed Dividend as on 31.03.2013 (Rs. Lacs) | Unclaimed dividend Percentage | Last date for making claim | Due Date for making transfer to IEPF |
|--------------------------|----------------------------|--|-------------------------------|----------------------------|--------------------------------------|
| 2007-08 (Final Dividend) | 2025.11 | 7.92 | 0.39 | 1 st Nov 2015 | 1 st Dec 2015 |
| 2008-09 (Final Dividend) | 1080.06 | 5.03 | 0.47 | 18 th Sep 2016 | 18 th Oct 2016 |
| 2009-10 (Final Dividend) | 1350.08 | 4.92 | 0.36 | 5 th Sep 2017 | 5 th Oct 2017 |
| 2010-11 (Final Dividend) | 1620.09 | 6.06 | 0.37 | 26 th Aug 2018 | 25 th Sep 2018 |
| 2011-12 (Final Dividend) | 1350.08 | 5.09 | 0.38 | 29 th Aug 2019 | 28 th Sep 2019 |

The Company is regularly sending individual advice letters (along with format of indemnity bond) to shareholders for claiming their dividend(s) not claimed by them. It is hereby once again requested to shareholders **who have not yet claimed the said dividend(s), to lodge their claim with the Company by submitting an application and an indemnity bond on or before the last date for making claim.** A format of indemnity bond in this respect is also available at the Company's website (www.pnbgilts.com). **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 and Asso. Vice President
 PNB Gilts Ltd.
 5, Sansad Marg
 New Delhi 110 001
 Tel : 011-23325759/ 23325779
 Fax : 011-23325751
 Email : pnbgilts@ndb.vsnl.net.in

On behalf of the Board of Directors

Date : May 14, 2013
 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 2012-13.

For and on behalf of Board

Date : April 8, 2013
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, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

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

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

Date : April 27, 2013
Place : New Delhi

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

FINANCIAL REVIEW

The background features several light gray, semi-transparent graphics. A large arrow points from the bottom-left towards the top-right. A gear with a rupee symbol (₹) is positioned behind the text. A line graph with a jagged upward trend is also visible. On the right side, there are several curved, overlapping bands.

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, 2013 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. These 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred 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, 2013 and taken on record by the Board of Directors in meeting held on April 27, 2013 we report that none of the Director is disqualified as on March 31, 2013 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, 2013.
 - b) In the case of the Profit and 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 : April 27, 2013

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, 2013.

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 not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods and services. We have not observed any continuing failure to correct major weakness in internal control system during the course of the audit.
- (v) In accordance with the legal opinion obtained by the Company, the Directors of the Company, who are nominee of Punjab National Bank are not to be regarded as concerned or interested. Hence the transactions with Punjab National Bank are not to be required to be listed in the register to be maintained under Section 301 of the Companies Act, 1956. Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that there are no transactions, which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) To the best of our knowledge, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

- (viii) To the best of our knowledge and according to the information/explanations given to us, maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956.
- (ix) To the best of our knowledge and according to 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 : April 27, 2013
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. 279 / 03.02.001/2012-13 dated July 2, 2012, we report that :-

- 1) The Company is engaged in the business of Non-Banking Financial Institution. The Company has received Registration Certificate, as provided in Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) from Reserve Bank of India on February 10, 1998.
- 2) The Company is entitled to continue to hold Certificate of Registration in terms of its asset /income pattern as on March 31, 2013.
- 3) A resolution for non-acceptance of any public deposits, was passed by circulation on April 23, 2012 and subsequently, confirmed in the meeting of the Board held on May 2, 2012.
- 4) The Company has not accepted any public deposits during the year ended March 31, 2013.
- 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, 2013 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

Date : April 27, 2013
Place : New Delhi

Membership No. 088767

Comments of The Comptroller and Auditor General of India

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF PNB GILTS LIMITED, NEW DELHI FOR THE YEAR ENDED MARCH 31, 2013.

The preparation of financial statements of PNB Gilts Limited, New Delhi for the year ended March 31, 2013 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 April 27, 2013.

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, 2013. 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
(Brij Mohan)

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

Date : May 10, 2013
Place : New Delhi

BALANCE SHEET AS AT MARCH 31, 2013

(Rs. in lacs)

| | Note | As at 31.03.2013 | | As at 31.03.2012 | |
|---|------|---------------------|------------------|---------------------|------------------|
| I. EQUITY & LIABILITIES | | | | | |
| 1. Shareholders' Funds | | | | | |
| (a) Share Capital | 2.1 | 13500.76 | | 13500.76 | |
| (b) Reserves & Surplus | 2.2 | 48808.82 | 62309.58 | 44263.78 | 57764.54 |
| 2. Share Application Money pending allotment | | | | | |
| | | | | - | - |
| 3. Non-Current Liabilities | | | | | |
| (a) Long Term Provisions | 2.3 | | 42.14 | | 28.61 |
| 4. Current Liabilities | | | | | |
| (a) Short Term Borrowings | 2.4 | 312173.36 | | 220767.99 | |
| (b) Trade Payables | 2.5 | 64.97 | | 24.25 | |
| (c) Other Current Liabilities | 2.6 | 287.21 | | 169.17 | |
| (d) Short Term Provisions | 2.7 | 8733.81 | 321259.35 | 5898.50 | 226859.91 |
| TOTAL | | | 383611.07 | | 284653.06 |
| II. ASSETS | | | | | |
| 1. Non-Current Assets | | | | | |
| (a) Fixed Assets | 2.8 | 436.65 | | 479.41 | |
| - Tangible Assets | | 383.88 | | 409.86 | |
| - Intangible Assets | | 52.77 | | 69.55 | |
| (b) Non Current Investments | 2.9 | 18229.58 | | 17453.68 | |
| (c) Deferred Tax Assets (Net) | 2.10 | 248.53 | | 225.89 | |
| (d) Long Term Loans & Advances | 2.11 | 662.50 | 19577.26 | 637.54 | 18796.52 |
| 2. Current Assets | | | | | |
| (a) Inventories | 2.12 | 325175.92 | | 248694.67 | |
| (b) Trade Receivables | 2.13 | 14.90 | | 1.78 | |
| (c) Cash & Cash Equivalents | 2.14 | 29593.55 | | 10204.40 | |
| (d) Short Term Loans & Advances | 2.15 | 9.16 | | 4.57 | |
| (e) Other Current Assets | 2.16 | 9240.28 | 364033.81 | 6951.12 | 265856.54 |
| TOTAL | | | 383611.07 | | 284653.06 |

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

(S. R. Bansal)
Director

(O. P. Chawla)
Director

(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
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

(R.K. Mittal)
Partner

Membership No. 088767

Date : April 27, 2013

Place : New Delhi

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2013

(Rs. in lacs)

| | Note | As at 31.03.2013 | As at 31.03.2012 |
|---|------|---------------------|---------------------|
| CONTINUING OPERATIONS | | | |
| I. Revenue Operations | | | |
| (a) Discount Income | 2.17 | 12901.51 | 7488.81 |
| (b) Interest Income | 2.18 | 11535.17 | 10039.39 |
| (c) Trading Income | 2.19 | 4005.63 | (1450.62) |
| (b) Other Operational Income | 2.20 | 364.29 | 28806.60 |
| | | | 391.07 |
| II. Other Income | 2.21 | 58.40 | 16468.65 |
| III. Total Revenue (I + II) | | 28865.00 | 16529.71 |
| IV. Expenses | | | |
| (a) Interest Expenses | 2.22 | 18864.88 | 12567.26 |
| (b) Operating Costs | 2.23 | 276.66 | 259.82 |
| (c) Employees Benefits Expenses | 2.24 | 399.04 | 314.09 |
| (b) Depreciation & Amortization on Fixed Assets | 2.8 | 70.54 | 90.54 |
| (e) Other Expenses | 2.25 | 377.35 | 19988.47 |
| | | | 333.87 |
| V. Profit Before Exceptional and Extra ordinary Items and Tax (III-IV) | | 8876.53 | 2964.13 |
| VI. Exceptional Items | | - | - |
| VII. Profit Before Extra Ordinary Items and Tax (V-VI) | | 8876.53 | 2964.13 |
| VIII. Extra ordinary Items | | - | - |
| IX. Profit Before Tax (PBT) (VII-VIII) | | 8876.53 | 2964.13 |
| X. Tax Expenses | | | |
| (a) Current Tax | | 2774.60 | 851.57 |
| (b) Deferred Tax Adjustment | | (22.63) | (6.27) |
| (c) Adjustment for earlier years | | - | 2751.97 |
| | | | 13.57 |
| XI. Profit (Loss) for the period from Continuing Operations (IX-X) | | 6124.56 | 2105.26 |
| 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) | | 6124.56 | 2105.26 |
| XVI. Earning per Equity (in Rs.) | | | |
| (a) Basic | | 4.54 | 1.56 |
| (b) Diluted | | 4.54 | 1.56 |

There has been no change in the share capital during the period. 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

(S. R. Bansal)
Director

(O. P. Chawla)
Director

(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
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

(R.K. Mittal)
Partner

Membership No. 088767

Date : April 27, 2013

Place : New Delhi

NOTE - 1

SIGNIFICANT ACCOUNTING POLICIES

1.1. Method of Accounting

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

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

1.3. Revenue Recognition

- i) The difference between the acquisition cost and maturity value of Certificates of Deposit, Commercial Papers, Bills Re-discounted, Treasury Bills (including Cash Management Bills) and Zero Coupon Bonds is apportioned on time basis. The above is recognised as accrued income and included in the carrying cost of the securities.
- ii) Interest accrued on Government Dated Securities and Corporate Bonds and Debentures is recognised at its coupon rate and that of Floating Rate Bonds is recognised on the yield of instruments to which these are linked.
- iii) Purchase and sale price of Fixed Income Securities is bifurcated into cost and accrued interest paid or realised. Accrued interest paid on purchase and received on sale is netted and reckoned as expense/income.
- iv) Profit/loss on sale of securities is accounted on weighted average cost method and is recognised on settlement date. Profit on sale of securities is netted with loss on sale of securities.
- v) Brokerage and front-end fee received on subscription of securities is deducted in arriving at the cost of relevant securities. Underwriting fee earned is reduced from the cost of securities devolved/allotted and the remaining amount is directly recognised as income.
- vi) For continuing or long term duration activities (e.g. Mutual fund Distribution), the fee is accrued proportionately as per performance (Proportionate Completion Method). The revenue is recognized only if there is no significant uncertainty regarding the amount of consideration.
- vii) For Mutual Fund (MF) Investment, in case of Daily Dividend Reinvestment Plan, the income (dividend) is accounted based on the dividend declaration by the Mutual Fund. In case of growth plan, the income is accounted daily on the basis of closing NAV declared by Mutual Fund.

1.4. Expenses Recognition

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

1.5. Valuation of Inventories / Investment

a. Inventories

- i) All securities in which the Company deals are regarded as Inventory (Stock-in-Trade) and grouped as hedged and non-hedged portfolio.
- ii) The stock of Central Government Securities, Treasury Bills (including Cash Management Bills), State Development Loans and PSU/Corporate Bonds, Debentures and Equity Shares are valued at weighted average cost or market value, whichever is lower (except securities under HTM category as per RBI guidelines). Market Value is determined by the prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA), except for Equity Shares. Market value of Equity shares is determined by the closing rates provided by the stock exchanges. For this purpose, the securities in each category are considered scrip-wise and the cost and market value aggregated for all securities in each category. Net diminution, if any, for each category of securities is provided for and charged to Profit and Loss Account. Net appreciation, if any, is ignored. The diminution in one category of securities is not set off against appreciation in another category.

- iii) Certificates of Deposit, Commercial Papers, Bills Re-discounted and Zero Coupon Bonds held on the balance sheet date are valued at carrying cost.
- iv) In case of units of Mutual Fund, valuation is done on the basis of closing NAV declared by the Mutual Fund.
- v) In case of Hedging Contracts, the diminution/appreciation of hedged assets is netted with diminution/ appreciation of hedging swaps and net diminution, if any, is charged to Profit and Loss Account and net appreciation, if any, is ignored.

b. Non-Current Investments

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

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

1.6 Accounting for Repo Transactions

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

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

1.7 Interest Rate Swaps (IRS)

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

i) Trading Swaps

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

ii) Hedge Swaps

Hedge Swaps are accounted for on accrual basis. A hedge swap designated to an asset/liability is carried at market value. The resulting Marked-to-Market loss/gain on swap is recorded as an adjustment to the market value of designated asset/liability. Gain or loss on the termination / redesignation of Hedge Swaps is recognized against the offsetting gain or loss recognized on the designated Asset or Liability.

On redesignation of a Hedge Swap from one item of asset/liability to another item of Asset/Liability, the 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 Institute of Chartered Accountants of India on "Accounting for Taxes on Income".

1.11 Depreciation

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

1.12 Preliminary Expenses

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

1.13 Share Issue Expenses

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

1.14 Tax on Dividend

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

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

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

1.16 Operating Cycle

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

NOTE 2

NOTES TO ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2013

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| 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 capitalizing general reserves in FY 1999- 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 crores shares of Rs. 10/- each) (Shareholding %) | 10000.00 74.07% | 10000.00 74.07% |
| Shareholding more than 5% details | | |
| Punjab National Bank (10 crores shares of Rs. 10/- each) (Shareholding %) | 10000.00 74.07% | 10000.00 74.07% |

| | | | |
|--|----------|-----------------|-----------------|
| NOTE - 2.2 | | | |
| RESERVES AND SURPLUS | | | |
| General Reserves | | | |
| Opening Balance | 9776.54 | | 9776.54 |
| Transfer from Profit and Loss Account | - | 9776.54 | 9776.54 |
| Statutory Reserves | | | |
| (Created pursuant to Section 45-IC of Reserve Bank of India Act, 1934) | | | |
| Opening Balance | 15087.78 | | 14666.73 |
| Transfer from Profit and Loss Account | 1224.92 | 16312.70 | 421.05 |
| Share Premium Account | | 7001.52 | 7001.52 |
| Market Fluctuation Reserve | | 6300.00 | 6300.00 |
| Capital Reserve Account | | | |
| Opening Balance | 40.46 | | - |
| Transfer from Profit and Loss Account | 1106.09 | 1146.55 | 40.46 |
| Surplus | | | |
| Opening Balance | 6057.48 | | 5982.82 |
| Current Year Profit | 6124.56 | | 2105.26 |
| Amount Available for Appropriation | 12182.04 | | 8088.08 |
| Appropriations: | | | |
| - Capital Reserve | 1106.09 | | 40.46 |
| - Statutory Reserve Fund | 1224.92 | | 421.05 |
| - General Reserve | - | | - |
| - Proposed Dividend | 1350.08 | | 1350.08 |
| - Dividend Tax | 229.44 | | 219.01 |
| Balance Carried Forward to next year | | 8271.51 | 6057.48 |
| TOTAL | | 48808.82 | 44263.78 |

- A sum of Rs. 1224.92 lacs (20% of Profit After Tax) has been transferred to Statutory Reserve Fund as per RBI Guidelines.
- Net Profit (after tax) through sale of securities from HTM category amounting Rs. 1106.09 lacs has been transferred to Capital Reserve Account as per RBI guidelines. The same will be utilized as per the provisions of the Companies Act, 1956.
- The Board of Directors, in its meeting held on January 9, 2003, had decided to build up Market Fluctuation Reserve over a period of time with the cap equal to paid up capital of the Company. At the time of 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 2012-13, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding as on March 31, 2013 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. 229.44 lacs has been made @ 15 per cent plus surcharge @ 10 per cent plus Education Cess @ 2 per cent and Secondary and Higher Education Cess @ 1 per cent.
- Net Owned Funds (after deducting Deferred Tax and Intangible Assets) of the Company stands at Rs. 62008.28 lacs as against the minimum stipulated capital of Rs. 25000.00 lacs. Return on networth for the year 2012-13 stands at 10.25 per cent.
- Capital Adequacy Ratios as on June 30, 2012, September 30, 2012, December 31, 2012 and March 31, 2013 were 52.32 per cent, 41.61 per cent, 35.88 per cent and 42.34 per cent respectively as against RBI stipulation of 15 percent.

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|---|---------------------|---------------------|
| NOTE - 2.3 | | |
| LONG TERM PROVISIONS | | |
| Provision for Employee Benefits | 42.14 | 28.61 |
| (Details of provision for employee benefits (leave liability) are given in note 2.34) | | |

| | | | | |
|---|----------|----------|----------|----------|
| NOTE - 2.4 | | | | |
| SHORT TERM BORROWINGS | | | | |
| LOAN REPAYABLE ON DEMAND | | | | |
| • From Banks | | | | |
| (a) Secured Loans (Secured by Govt. Securities) | | | | |
| LAF Borrowings from RBI (Face Value - Rs. 68300.00 lacs and Book Value - Rs. 67070.51 lacs (Prev. Year: Face Value - Rs. 45852.90 lacs and Book Value - Rs. 46024.21 lacs) | 64500.00 | | 43000.00 | |
| Refinance from RBI (Face Value - Rs. 35440.00 lacs and Book Value - Rs. 34394.06 lacs (Prev. Year: Face Value - Rs. 36269.60 lacs and Book Value - Rs. 36567.19 lacs) | 32292.00 | 96792.00 | 32761.00 | 75761.00 |
| (b) Unsecured Loans | | | | |
| Call and Notice Money Borrowings | | 43095.00 | | 75725.00 |
| • From Others | | | | |
| (a) Secured Loans (Secured by Govt. Securities) | | | | |
| CBLO Borrowings from CCIL (Face Value - Rs. 43200.00 lacs and Book Value - Rs. 42204.39 lacs (Prev. Year: Face Value - Rs. 29600.00 lacs and Book Value - Rs. 28644.04 lacs) | 40162.58 | | 26121.78 | |
| Repo Borrowing (Face Value - Rs. 36276.00 lacs and Book Value - Rs. 36139.48 lacs (Prev. Year: Face Value - Rs. 35363.00 lacs and Book Value - Rs. 35089.23 lacs) | 36223.83 | 76386.41 | 35546.98 | 61668.76 |

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| (b) Unsecured Loans | | |
| Inter Corporate Borrowings | – | 2600.00 |
| LOANS AND ADVANCES FROM RELATED PARTIES | | |
| (a) Secured Loans (Secured by Pledge of Fixed Deposits) | | |
| From Punjab National Bank | 25569.33 | 5013.23 |
| (b) Unsecured Loans (Line of Credit) | | |
| From Punjab National Bank | 70330.62 | 0.00 |
| TOTAL LOANS REPAYABLE ON DEMAND | 312173.36 | 220767.99 |
| TOTAL SECURED LOANS | 198747.74 | 142442.99 |
| TOTAL UNSECURED LOANS | 113425.62 | 78325.00 |

- During the year, Net Average and Peak borrowings in Call Money amounted to Rs.72192.00 lacs and Rs.161505.00 lacs respectively. (Prev. Year: Net Average and Peak borrowings - Rs. 43892.52 lacs and Rs.12775.00 lacs)
- For the year, average and peak leverage ratio stands at 3.87 and 5.56 times respectively (Prev. Year: average and peak leverage ratio stands at 2.68 and 4.92 times respectively)

NOTE - 2.5**TRADE PAYABLES**

| | | | | |
|----------------------------|--------------|--------------|-------|-------|
| Stale Cheques | 1.76 | 1.64 | | |
| Brokerage Payable | 0.25 | 0.03 | | |
| Sundries - Operation | 32.37 | - | | |
| Settlement Charges Payable | 30.59 | 64.97 | 22.58 | 24.25 |
| TOTAL | 64.97 | 24.25 | | |

NOTE - 2.6**OTHER CURRENT LIABILITIES**

| | | | | |
|--|---------------|---------------|------|--------|
| Sundry Establishment | 10.71 | 11.05 | | |
| Investor Education & Protection Fund shall be credited by Unclaimed Dividend | 29.02 | 29.16 | | |
| TDS Payable | 8.31 | 1.19 | | |
| Interest Accrued but not due on Short Term Borrowing | 238.74 | 127.03 | | |
| Stale Cheques | 0.43 | 287.21 | 0.74 | 169.17 |
| TOTAL | 287.21 | 169.17 | | |

NOTE - 2.7**SHORT TERM PROVISIONS**

| | | | | |
|---|----------------|----------------|---------|---------|
| Proposed Dividend (including Dividend Distribution Tax) | 1579.52 | 1569.09 | | |
| Provisions - For Employee Benefits | 11.34 | 7.65 | | |
| - Other Provisions for expenses | 90.25 | 43.66 | | |
| Provisions for Income Tax | 7052.70 | 8733.81 | 4278.10 | 5898.50 |
| TOTAL | 8733.81 | 5898.50 | | |

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

NOTE - 2.8**FIXED ASSETS AND DEPRECIATION**

| S.No. | Description | Gross Block | | | | Depreciation | | | | Net Block | |
|-------|-------------------------------|---------------------|--------------------------------|--|---------------------|---------------------|-------------------------------------|---|---------------------|---------------------|---------------------|
| | | As at 01-04-2012 | Addition during the year | Adjustments/ Deductions during the year | As at 31-03-2013 | As at 01-04-2012 | For the year ended 31-03-2013 | Accumulated Depreciation on deductions | As at 31-03-2013 | As at 31-03-2013 | As at 31-03-2012 |
| 1 | Buildings (Built up Flats) | 589.44 | - | - | 589.44 | 266.27 | 16.15 | - | 282.42 | 307.02 | 323.17 |
| 2 | Office Equipments | 83.36 | 7.25 | 13.05 | 77.56 | 58.85 | 4.04 | 10.51 | 52.38 | 25.18 | 24.51 |
| 3 | Computers | 195.20 | 0.52 | 65.57 | 130.15 | 173.23 | 8.78 | 65.18 | 116.83 | 13.32 | 21.97 |
| 4 | Furniture & Fixtures | 156.85 | 8.48 | 10.84 | 154.49 | 134.71 | 5.06 | 10.23 | 129.54 | 24.95 | 22.14 |
| 5 | Vehicles | 32.52 | 0.03 | 0.03 | 32.52 | 14.45 | 4.68 | 0.02 | 19.11 | 13.41 | 18.07 |
| 6 | Intangibles (Software) | 241.01 | 15.05 | - | 256.06 | 171.46 | 31.83 | - | 203.29 | 52.77 | 69.55 |
| | Total | 1298.38 | 31.33 | 89.49 | 1240.22 | 818.97 | 70.54 | 85.94 | 803.57 | 436.65 | 479.41 |
| | Previous Year | 1291.29 | 36.81 | 29.72 | 1298.38 | 748.03 | 90.54 | 19.60 | 818.97 | 479.41 | 543.28 |

During the year 2012-13, 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.

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

NOTE - 2.9**NON CURRENT INVESTMENTS (at Book Value)****a) Quoted Investments**

| | | |
|--------------------------------------|----------|----------|
| Government Securities - HTM category | 18229.58 | 17453.68 |
|--------------------------------------|----------|----------|

- Market Value of the above stock as on March 31, 2013 was Rs.18259.36 lacs (Prev. Year: Rs. 16769.22 Lacs). For basis of valuation, refer to note 1.5b.
- As per the RBI Circular, the Company had Govt. securities of Rs. 17367.10 lacs Face Value (Book Value - Rs. 17453.68 lacs) in Held to Maturity (HTM) category as on March 31, 2012. During the current year, amount of Rs.121755.62 (Face Value) was classified to HTM category, by subscribing from the primary market (Prev. Year: Rs. 12119.10 lacs) and an amount of Rs. 10452.90 lacs (Face Value) has been transferred to HTM category (Prev. Year: Rs. 8905.30 lacs). Securities amounting to Rs. 118977.80 lacs (Face Value) were sold directly from the HTM category (Prev. Year: Rs. 16486.60 lacs) and the Company earned a gross profit of Rs. 1637.33 lacs (Prev. Year: Rs. 59.89 lacs). Balance after tax amounting to Rs. 1106.09 lacs has been transferred to Capital Reserve Account in accordance with RBI guidelines (Prev. Year: Rs. 40.46 lacs). An amount of Rs. 12842.20 lacs (Face Value) has been transferred from HTM category to trading category (Prev. Year: Rs. NIL). Further, an amount of Rs. 41.85 lacs is amortised by Straight line basis on the securities (Prev. Year: Rs. 12.20 lacs). The outstanding under HTM category as on March 31, 2013 is Rs. 17755.62 lacs Face Value (Book Value Rs. 18229.58 lacs).

b) Unquoted Investments

| | | |
|---|-----------------|-----------------|
| Call Money Lending to Madhavpura Mercantile Co-operative Bank Ltd. (MMCBL) converted into Fixed Deposit | 761.88 | 761.88 |
| Less: Provision for Investment | (761.88) | (761.88) |
| TOTAL (a + b) | 18229.58 | 17453.68 |

- An amount of Rs. 1000 lacs was lent in Call Money to Mahavpura Mercantile Co-operative Bank Ltd. (MMCBL) in March 2001, which became over due as on March 31, 2001. We have been informed by MMCBL that the Government of India (Ministry of Agriculture, Department of Agriculture and Co-operation, New Delhi), in consultation with RBI, has formed Reconstruction Scheme and the amount would be paid accordingly. However, the repayment was not done by them as per the scheme and vide Government's notifications instructed that all payments by bank including installment of repayment due in August 2007, August 2008 and August 2009 (totaling to Rs. 761.88 lacs against which Rs. 761.88 lacs provision was outstanding) and payments of interest and the deposit amount are deferred till August 2011. Now, RBI has cancelled the license of MMCBL to carry on banking business in India and Liquidator has been appointed. We have lodged the Claim with the Liquidator as per the format advertised by them in the news papers, and awaiting response from them.

(Rs. in lacs)

| | | As at 31.03.2013 | As at 31.03.2012 |
|---|------------------------------------|---------------------|---------------------|
| Annexure 1 to Note 2.9 - Details of Government Securities - HTM Category | | | |
| S.No. | Nomenclature | Book Value | Book Value |
| A . State Government Securities | | | |
| 1. | 7.65% SL TAMIL NADU 02.03.2019 | - | 7.82 |
| 2. | 7.68% SL PUNJAB 02.03.2019 | - | 319.05 |
| 3. | 7.76% SL KARNATAKA 02.03.2019 (I) | - | 2020.17 |
| 4. | 7.77% SL MADHYA PRADESH 02.03.2019 | - | 219.35 |
| 5. | 7.77% SL RAJASTHAN 02.03.2019 | - | 273.59 |
| 6. | 7.83% SL MAHARASTRA 02-03-2019 | - | 1260.08 |
| 7. | 7.98% SL J&K 02-03-2019 | - | 1008.38 |
| 8. | 8.46% SL MAHARASTRA 02-03-2019 | - | 1750.31 |
| 9. | 7.82% SL PUNJAB 24-06-2019 | - | 64.79 |
| 10. | 7.83% SL GUJARAT 24-06-2019 | - | 175.08 |
| 11. | 7.83% SL HARYANA 24-06-2019 | - | 200.09 |
| 12. | 7.83% SL KERALA 24-06-2019 | - | 103.54 |
| 13. | 7.83% SL RAJASTHAN 24-06-2019 | - | 400.19 |
| 14. | 7.77% SL PUNJAB 30.07.2019 | - | 2391.12 |
| 15. | 7.77% SL RAJASTHAN 30-07-2019 | - | 2442.53 |
| 16. | 7.95% SL KARNATAKA 05-08-2019 | - | 250.59 |
| 17. | 9.23% SL GUJARAT 30-03-2022 | - | 539.40 |
| 18. | 9.32% SL NAGALAND 30-03-2022 | - | 500.00 |
| 19. | 9.32% SL JHARKAND 30-03-2022 | - | 500.00 |
| 20. | 9.36% SL WEST BENGAL 30-03-2022 | - | 501.30 |
| 21. | 9.39% SL HARYANA 30-03-2022 | - | 502.25 |
| 22. | 9.42% SL TRIPURA 30-03-2022 | - | 503.20 |
| 23. | 9.49% SL J&K 30-03-2022 | - | 1520.84 |
| Sub Total - (A) | | - | 17453.68 |
| B . Central Government Securities | | | |
| 1. | 8.28% GOI 21.09.2027 | 1969.51 | - |
| 2. | 8.97% GOI 05.12.2030 | 529.91 | - |
| 3. | 8.83% GOI 12.12.2041 | 5176.66 | - |
| 4. | 8.30% GOI 31.12.2042 | 10553.50 | - |
| Sub Total - (B) | | 18229.58 | - |
| TOTAL (A + B) | | 18229.58 | 17453.68 |

NOTE - 2.10**DEFERRED TAX ASSETS**

| | | | | |
|--|---------------|--------|---------------|--------|
| For Provision against Investments | 258.97 | 247.19 | | |
| For Provision against Leave Liability | 18.17 | 11.76 | | |
| | 277.14 | 258.95 | | |
| Less : Deferred Tax Liabilities | | | | |
| For Fixed Assets | 28.61 | 248.53 | 33.06 | 225.89 |
| NET DEFERRED TAX ASSETS | 248.53 | | 225.89 | |

This 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. 22.64 lacs (Prev. Year: Rs. 6.26 lacs) has been made out of the profits for the current year.

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|---|---------------------|---------------|---------------------|---------------|
| NOTE - 2.11 | | | | |
| LONG TERM LOANS & ADVANCES | | | | |
| a) Secured and considered good- | | | | |
| Loans to Staff | | | | |
| Consumer Loan to staff | 0.89 | | - | |
| Housing Loan to Staff | 33.06 | | 13.33 | |
| Vehicle Loan to Staff * | | | | |
| *Includes loan to Company Secretary Rs. 0.83 lacs (Prev. Year: Rs.1.10 lacs) | 10.14 | 44.09 | 5.49 | 18.82 |
| b) Unsecured and considered good- | | | | |
| Security Deposit | | | | |
| Security Deposits with CCIL | 601.00 | | 601.00 | |
| F&O Margin Money Deposit | 12.00 | | 12.00 | |
| Security Deposit with others | 5.41 | 618.41 | 5.72 | 618.72 |
| | | 662.50 | | 637.54 |

| | | | | |
|--|--------------|------------------|--------------|------------------|
| NOTE - 2.12 | | | | |
| INVENTORIES | | | | |
| STOCK-IN-TRADE | | | | |
| Quoted | | | | |
| Treasury Bills - 91 days | 118009.13 | | 51661.00 | |
| Treasury Bills - 182 days | 28870.58 | | 25691.55 | |
| Treasury Bills - 364 days | 53772.37 | | 29129.03 | |
| Government Securities | 39270.44 | | 123428.79 | |
| Certificate of Deposit and Commercial Papers | 59055.97 | | 4547.23 | |
| Corporate Bonds and Debentures | 26280.58 | | 15296.09 | |
| Equity Shares Investment | 22.50 | 325281.57 | 638.79 | 250392.48 |
| Less: Provision for Diminution of Stocks | | (105.65) | | (1697.81) |
| | | 325175.92 | | 248694.67 |
| Constituent Investment Account | 1893388.88 | | 1773349.29 | |
| Less: Constituent Securities Account | (1893388.88) | - | (1773349.29) | - |
| TOTAL | | 325175.92 | | 248694.67 |

- For basis of valuation, please refer accounting policy (note 1.5a). Details of securities are given in Annexure 2.
- Stock-in-Trade includes hedged securities (Book Value - Rs. 5007.00 lacs and the market value of the same is Rs. 5098.97 lacs) (Prev. Year: Face Value - Rs. 33640.80 lacs and Book Value - Rs.33556.20 lacs).

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| Annexure 2 to Note 2.12 - DETAILS OF STOCK-IN-TRADE | | |
| S.No. Nomenclature | Book Value | Book Value |
| I. TREASURY BILLS | | |
| A. 91 DAYS (maturing on) | | |
| 1. 06-Apr-2012 | - | 5.24 |
| 2. 13-Apr-2012 | - | 7585.37 |
| 3. 20-Apr-2012 | - | 9711.14 |
| 4. 27-Apr-2012 | - | 9470.17 |
| 5. 04-May-2012 | - | 13998.24 |
| 6. 25-May-2012 | - | 13.08 |
| 7. 01-Jun-2012 | - | 2306.18 |
| 8. 08-Jun-2012 | - | 8571.58 |
| 9. 02-May-2013 | 16593.36 | - |
| 10. 09-May-2013 | 20140.10 | - |
| 11. 16-May-2013 | 17552.37 | - |
| 12. 23-May-2013 | 5520.79 | - |
| 13. 30-May-2013 | 7442.24 | - |
| 14. 13-Jun-2013 | 393.65 | - |
| 15. 20-Jun-2013 | 16031.11 | - |
| 16. 27-Jun-2013 | 34335.51 | - |
| TOTAL (A) | 118009.13 | 51661.00 |
| B. 182 DAYS (maturing on) | | |
| 1. 27-Apr-2012 | - | 4872.26 |
| 2. 20-Jul-2012 | - | 9265.74 |
| 3. 03-Aug-2012 | - | 8498.55 |
| 4. 31-Aug-2012 | - | 3055.00 |
| 5. 10-May-2013 | 991.63 | - |
| 6. 20-Jun-2013 | 4032.91 | - |
| 7. 04-Jul-2013 | 3922.95 | - |
| 8. 18-Jul-2013 | 18353.36 | - |
| 9. 01-Aug-2013 | 539.12 | - |
| 10. 12-Sep-2013 | 1030.61 | - |
| TOTAL (B) | 28870.58 | 25691.55 |
| C. 364 DAYS (maturing on) | | |
| 1. 04-May-2012 | - | 4.97 |
| 2. 15-Jun-2012 | - | 14.76 |
| 3. 21-Sep-2012 (Hedge) | - | 19263.33 |
| 4. 02-Nov-2012 | - | 42.15 |
| 5. 02-Nov-2012 (Hedge) | - | 9528.65 |
| 6. 25-Jan-2013 | - | 270.51 |
| 7. 08-Feb-2013 | - | 4.66 |
| 8. 17-May-2013 | 379.25 | - |
| 9. 26-Jul-2013 | 633.59 | - |

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| S.No. Nomenclature | Book Value | Book Value |
| 10. 23-Aug-2013 | 15.04 | - |
| 11. 04-Oct-2013 | 961.87 | - |
| 12. 01-Nov-2013 | 16732.74 | - |
| 13. 15-Nov-2013 | 14866.64 | - |
| 14. 28-Nov-2013 | 6558.74 | - |
| 15. 23-Jan-2014 | 6587.06 | - |
| 16. 20-Feb-2014 | 6740.51 | - |
| 17. 20-Mar-2014 | 296.93 | - |
| TOTAL (C) | 53772.37 | 29129.03 |
| TOTAL (A + B+ C) | 200652.08 | 106481.58 |
| II. MONEY MARKET INSTRUMENTS | | |
| A . CERTIFICATE OF DEPOSITS | | |
| 1. Canara Bank CD - 05-Mar-2012 | - | 2279.23 |
| 2. PNB CD - 15-Mar-2013 | - | 2268.00 |
| 3. Bank of India CD- 30-May-2013 | 4926.03 | - |
| 4. Bank of India CD- 14-June-2013 | 4907.53 | - |
| 5. Punjab National Bank CD- 14-June-2013 | 9823.18 | - |
| 6. South Indian Bank CD- 14-June-2013 | 4904.84 | - |
| 7. State Bank of Travancore CD- 14-June-2013 | 9823.07 | - |
| 8. Vijaya Bank CD- 18-June-2013 | 9812.36 | - |
| 9. Syndicate Bank CD- 19-June-2013 | 9805.99 | - |
| 10. Andhra Bank CD- 14-Mar-2014 | 5052.97 | - |
| TOTAL (A) | 59055.97 | 4547.23 |
| B . COMMERCIAL PAPERS | | |
| TOTAL (B) | - | - |
| TOTAL (A + B) | 59055.97 | 4547.23 |
| III. GOVERNMENT DATED SECURITIES | | |
| A . CENTRAL GOVERNMENT SECURITIES | | |
| 1. 6.85% Gol 05-04-2012 | - | 4994.89 |
| 2. 11.03% Gol 18-07-2012 | - | 0.12 |
| 3. 7.59% Gol 12-04-2016 | - | 3825.47 |
| 4. 7.49% Gol 16-04-2017 | 0.78 | 0.78 |
| 5. 7.83% Gol 11-04-2018 (Hedge) | - | 4848.82 |
| 6. 8.24% Gol 22-04-2018 | 0.30 | 0.35 |
| 7. 10.03% Gol 09-08-2019 | 0.27 | 0.27 |
| 8. Gol FRB 21-12-2020 | 259.58 | 259.58 |
| 9. 8.19% Gol 16-01-2020 | 1013.56 | 647.97 |
| 10. 8.12% Gol 10-12-2020 | 248.11 | - |
| 11. 8.79% Gol 08-11-2021 | 9.87 | 13805.56 |
| 12. 8.35% Gol 14-05-2022 | 0.05 | 0.05 |
| 13. 8.15% Gol 11-06-2022 | 2494.40 | - |
| 14. 9.15% Gol 14-11-2024 | - | 0.83 |

(Rs. in lacs)

| S.No. Nomenclature | As at | As at |
|---------------------------------------|-----------------|-----------------|
| | 31.03.2013 | 31.03.2012 |
| | Book Value | Book Value |
| 15. 8.20% GoI 24-09-2025 | 4509.79 | - |
| 16. 8.33% GoI 09-07-2026 | 2581.86 | - |
| 17. 8.24% GoI 15-02-2027 | 834.87 | 841.64 |
| 18. 8.97% GoI 05-12-2030 | 3307.21 | - |
| 19. 7.95% GoI 28-08-2032 | 1.08 | 1.08 |
| 20. 7.40% GoI 09-09-2035 | 1188.27 | 1188.27 |
| 21. 8.33% GoI 07-06-2036 | 3089.26 | - |
| 22. 8.83% GoI 12-12-2041 | - | 1135.25 |
| 23. 8.30% GoI 31-12-2042 | 83.73 | - |
| TOTAL (A) | 19622.99 | 31550.93 |
| B. STATE GOVERNMENT SECURITIES | | |
| 1. 7.87% KERALA 12-05-2016 | 0.10 | 0.10 |
| 2. 7.89% AP 12-05-2016 | 0.05 | 0.05 |
| 3. 8.50% MAHARASTRA 03-12-2017 | 0.60 | 0.60 |
| 4. 8.43% GUJARAT 10-03-2018 | 0.05 | 0.05 |
| 5. 9.89% AP 01-08-2018 | 0.20 | 0.20 |
| 6. 8.50% KERALA 08-10-2018 | - | 2715.06 |
| 7. 8.30% MP 12-11-2018 | 10.21 | 12.22 |
| 8. 7.02% PUNJAB 12-12-2018 | 9.38 | 9.38 |
| 9. 7.65% TAMIL NADU 02-03-2019 | 7.70 | - |
| 10. 7.68% PUNJAB 02-03-2019 | 310.60 | - |
| 11. 7.77% MP 02-03-2019 | 214.27 | - |
| 12. 7.77% RAJASTHAN 02-03-2019 | 267.30 | - |
| 13. 7.83% MAHARASTRA 02-03-2019 | 1229.64 | - |
| 14. 7.98% J & K 02-03-2019 | 990.00 | - |
| 15. 7.76% KARNATAKA 02-03-2019 | - | 1773.57 |
| 16. 8.46% MAHARASTRA 12-03-2019 | 1707.75 | 1572.94 |
| 17. 8.57% UP 12-03-2019 | - | 2294.82 |
| 18. 8.89% ASSAM 12-03-2019 | - | 519.10 |
| 19. 8.59% UP 18-03-2019 | 26.99 | 4138.40 |
| 20. 8.13% PUNJAB 25-03-2019 | - | 161.40 |
| 21. 8.28% RAJASTHAN 25-03-2019 | - | 402.43 |
| 22. 7.82% PUNJAB 24-06-2019 | 63.66 | - |
| 23. 7.83% GUJARAT 24-06-2019 | 171.99 | - |
| 24. 7.83% HARYANA 24-06-2019 | 196.56 | - |
| 25. 7.83% KERALA 24-06-2019 | 101.72 | - |
| 26. 7.83% RAJASTHAN 24-06-2019 | 393.12 | - |
| 27. 7.76% KARNATAKA 30-07-2019 | 1986.90 | - |
| 28. 7.77% PUNJAB 30-07-2019 | 2351.28 | - |
| 29. 7.77% RAJASTHAN 30-07-2019 | 2401.83 | - |
| 30. 7.95% KARNATAKA 05-08-2019 | 259.88 | 113.24 |
| 31. 7.95% RAJASTHAN 05-08-2019 | - | 561.35 |

(Rs. in lacs)

| S.No. Nomenclature | As at | As at |
|---|-----------------|------------------|
| | 31.03.2013 | 31.03.2012 |
| | Book Value | Book Value |
| 32. 7.99% MAHARASTRA 05-08-2019 | - | 1830.49 |
| 33. 8.03% UP 05-08-2019 | - | 1793.09 |
| 34. 8.20% RAJASTHAN 26-08-2019 | - | 1005.42 |
| 35. 8.21% GUJARAT 26-08-2019 | - | 60.80 |
| 36. 8.25% KARNATAKA 09-09-2019 | - | 5.50 |
| 37. 8.31% MP 09-09-2019 | - | 12.82 |
| 38. 8.06% RAJASTHAN 25-11-2019 | - | 907.08 |
| 39. 8.55% UP 28-04-2020 | 0.10 | 0.10 |
| 40. 8.11% RAJASTHAN 09-06-2020 | - | 1270.50 |
| 41. 8.54% MAHARASTRA 19-01-2021 | 0.50 | 0.50 |
| 42. 9.04% WB 07-12-2021 | 2.03 | 3.15 |
| 43. 8.73% MP 25-01-2022 | 1003.06 | 1003.06 |
| 44. 8.99% MP 14-03-2022 | - | 52.06 |
| 45. 8.99% GUJARAT 14-03-2022 | 0.40 | 0.40 |
| 46. 9.23% GUJARAT 30-03-2022 | - | 12235.97 |
| 47. 9.25% KERALA 30-03-2022 | - | 2707.86 |
| 48. 9.28% UP 30-03-2022 | - | 13586.70 |
| 49. 9.32% JHARKHAND 30-03-2022 | - | 2503.25 |
| 50. 9.36% WB 30-03-2022 | - | 7577.25 |
| 51. 9.49% J&K 30-03-2022 | - | 30388.50 |
| 52. 9.23% GUJARAT 30-03-2022 (NC) | - | 100.40 |
| 53. 9.25% KERALA 30-03-2022 (NC) | - | 558.05 |
| 54. 8.63% KERALA 06-03-2023 | 233.20 | - |
| 55. 8.64% AP 06-03-2023 | 199.03 | - |
| 56. 8.65% KARNATAKA 20-03-2023 | 500.35 | - |
| 57. 8.75% GUJARAT 21-11-2016 (HEDGE) | 2505.00 | - |
| 58. 8.68% KARNATAKA 07-11-2017 (HEDGE) | 2502.00 | - |
| TOTAL (B) | 19647.45 | 91877.86 |
| TOTAL (A + B) | 39270.44 | 123428.79 |
| IV. CORPORATE BONDS AND DEBENTURES | | |
| 1. 8.80% PNB 18-04-2012 | - | 11.46 |
| 2. 7.50% IDBI OMNI BONDS 28-11-2012 | - | 450.00 |
| 3. 5.88% BOI 30-04-2014 | 159.32 | 159.32 |
| 4. 7.15% UNION BANK 08-05-2015 | 210.00 | 210.00 |
| 5. 7.15% VIJAYA BANK 15-06-2015 | 9.88 | 9.88 |
| 6. 9.25% POWER GRID 26-12-2017 | - | 501.94 |
| 7. 8.70% PFC 15-01-2020 | 494.07 | 497.92 |
| 8. 8.70% PFC 14-05-2020 | 2001.63 | 2001.63 |
| 9. 8.80% REC 25-10-2020 | 999.39 | 999.39 |
| 10. 9.36% PFC 01-08-2021 | - | 502.04 |
| 11. 8.84% PFC 04-03-2023 | 496.98 | - |
| 12. 8.80% POWER GRID 13-03-2023 | 1002.25 | - |

(Rs. in lacs)

| S.No. Nomenclature | As at | As at |
|--|-------------------|-------------------|
| | 31.03.2013 | 31.03.2012 |
| | Book Value | Book Value |
| 13. 8.80% FCI 22-03-2028 | 5000.00 | - |
| 14. 8.94% PFC 25-03-2028 | 6000.00 | - |
| 15. 8.65% IDFC 24-05-2020 NCD | 999.80 | 999.80 |
| 16. 8.90% HDFC 18-08-2020 NCD | 498.50 | 498.50 |
| 17. 8.95% HDFC 19-10-2020 NCD | 1000.00 | 1000.00 |
| 18. 9.75% MAHESH HYDRA POWER CORPN 2022 | 409.09 | 454.54 |
| 19. 6.85% IIFCL 22-01-2014 Tax Free | 1000.00 | 1000.00 |
| 20. 6.00% IRFC 08-03-2015 Tax Free | 999.67 | 999.67 |
| 21. 6.05% IRFC 20-12-2015 Tax Free | 500.00 | 500.00 |
| 22. 6.30% IRFC 08-03-2017 Tax Free | 1000.00 | 1000.00 |
| 23. 6.32% IRFC 20-12-2017 Tax Free | 1000.00 | 1000.00 |
| 24. 6.72% IRFC 20-12-2020 Tax Free | 1500.00 | 1500.00 |
| 25. 8.09% PFC 25-11-2021 Tax Free | 1000.00 | 1000.00 |
| TOTAL (IV) | 26280.58 | 15296.09 |
| V. EQUITY SHARES | | |
| 1. ACC Ltd. | - | 40.63 |
| 2. Bharti Airtel | - | 43.88 |
| 3. BHEL | - | 40.64 |
| 4. Cipla Ltd. | - | 39.25 |
| 5. GAIL | - | 28.40 |
| 6. HDFC Bank | - | 30.77 |
| 7. HDFC Ltd. | - | 102.32 |
| 8. Hindalco | - | 38.83 |
| 9. Infosys Tech | - | 43.11 |
| 10. LIC Housing Finance | - | 26.35 |
| 11. NTPC | - | 26.20 |
| 12. ONGC Ltd. | - | 27.29 |
| 13. Reliance Industries | - | 56.87 |
| 14. State Bank of India | - | 66.47 |
| 15. Sun Pharmaceuticals Ltd. | - | 27.78 |
| 16. Cipla Ltd. | 12.77 | - |
| 17. Yes Bank | 9.73 | - |
| TOTAL | 22.50 | 638.79 |
| TOTAL (I + II + III + IV+ V) | 325281.57 | 250392.48 |
| LESS : DIMINUTION IN MARKET VALUE | 105.65 | 1697.81 |
| STOCK-IN-TRADE | 325175.92* | 248694.67* |

* The aggregate carrying value and market value as at March 31, 2013 is Rs. 325175.92 lacs and Rs. 325175.92 lacs (Prev. Year: Rs. 248694.67 lacs and Rs. 248694.67 lacs) respectively.

(i) Govt. Securities pledged for availing LAF : Face Value - Rs. 68300.00 lacs, Book Value - Rs.67051.51 lacs (Prev. Year: Face Value - Rs. 45852.90 and Book Value - Rs. 46024.21 lacs).

(ii) Govt. Securities pledged for availing CBLO borrowing : Face Value - Rs. 43200.00 lacs, Book Value - Rs. 42204.39 lacs (Prev. Year: Face Value - Rs. 29600.00 lacs and Book value - Rs. 28644.04 lacs) .

(iii) Govt. Securities pledged for availing RBI Refinance : Face Value Rs - 35440.00 lacs, Book Value - Rs.34394.06 lacs (Prev. Year: Face Value - Rs. 36269.60 and Book Value - Rs. 36567.19 lacs).

The securities mentioned in (i) ,(ii) and (iii) above were not available for trading as on March 31, 2013.

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|---|---------------------|--------------|---------------------|-------------|
| NOTE - 2.13 | | | | |
| TRADE RECEIVABLES | | | | |
| Mutual Fund Commission Receivables | 14.90 | | 1.78 | |
| MTM F&O Receivables | – | 14.90 | – | 1.78 |
| (Unsecured considered good and outstanding for a period not exceeding 6 months) | | | | |
| TOTAL | | 14.90 | | 1.78 |

| | | | | |
|--|----------|-----------------|----------|-----------------|
| NOTE - 2.14 | | | | |
| CASH AND CASH EQUIVALENTS | | | | |
| Balance with Reserve Bank of India | 34.72 | | 9.34 | |
| Balance with Scheduled Banks in Current Accounts | 0.81 | | 4.90 | |
| Balance with Scheduled Banks in Call Lending | – | | – | |
| Balance with Scheduled Banks in Fixed Deposits (maturing within 12 months) (All Fixed Deposits are pledged with the bank for availing overdraft facilities. As on March 31, 2013, availment of overdraft against the Fixed Deposits is Rs. 25569.33 lacs) (Prev. Year: Rs. 5013.23 lacs) Please see note 2.4 | 29529.00 | | 10161.00 | |
| Balance with Scheduled Banks earmarked towards Unclaimed Dividends | 29.02 | 29593.55 | 29.16 | 10204.40 |
| TOTAL | | 29593.55 | | 10204.40 |

| | | | | |
|---|------|-------------|------|-------------|
| NOTE - 2.15 | | | | |
| SHORT TERM ADVANCES | | | | |
| Related Parties | – | | – | |
| Others (unsecured and considered good)- | | | | |
| i) MTM F&O with SHCIL | 7.10 | | 2.80 | |
| ii) Festival Loans to Staff* | 2.06 | 9.16 | 1.77 | 4.57 |
| TOTAL | | 9.16 | | 4.57 |
| * includes loan to Company Secretary Rs. 0.10 lacs (Prev. Year : Rs. 0.06 lacs) | | | | |

| | | | | |
|---|---------|----------------|---------|----------------|
| NOTE - 2.16 | | | | |
| OTHER CURRENT ASSETS | | | | |
| A) INTEREST ACCRUED BUT NOT DUE ON | | | | |
| Government Dated and Approved Securities | 1042.46 | | 1462.80 | |
| Bonds and Debentures | 573.23 | | 600.47 | |
| Fixed Deposits with Scheduled Banks | 346.61 | 1962.30 | 227.30 | 2290.57 |
| B) OTHERS | | | | |
| Prepaid Expenses | 13.28 | | 8.32 | |
| Income Tax paid | 7258.11 | | 4483.50 | |
| Rent Receivables | 0.23 | | 0.24 | |
| Accrual on Swaps | 6.36 | 7277.98 | 168.49 | 4660.55 |
| TOTAL | | 9240.28 | | 6951.12 |

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|--|---------------------|-----------------|---------------------|----------------|
| NOTE - 2.17 | | | | |
| DISCOUNT INCOME | | | | |
| A) Commercial papers | | | | |
| Sales and Redemption | - | | 37874.37 | |
| Add: Closing Stock | - | - | - | 37874.37 |
| Less: Purchases | - | | 36487.06 | |
| Opening Stock | - | - | 982.76 | 37469.82 |
| TOTAL (A) | | - | | 404.55 |
| B) Certificate of Deposits | | | | |
| Sales and Redemption | 14315.93 | | 76942.78 | |
| Add: Closing Stock | 59055.97 | 73371.90 | 4547.22 | 81490.00 |
| Less: Purchases | 68460.84 | | 78947.34 | |
| Opening Stock | 4547.22 | 73008.06 | 2420.36 | 81367.70 |
| TOTAL (B) | | 363.84 | | 122.30 |
| C) Deep Discount Bonds | | | | |
| Sales and Redemption | 627.88 | | - | |
| Add: Closing Stock | - | 627.88 | - | - |
| Less: Purchases | 627.74 | | - | |
| Opening Stock | - | 627.74 | - | - |
| TOTAL (C) | | 0.14 | | - |
| D) Treasury Bills / Cash Management Bills | | | | |
| Sales and Redemption | 1869950.87 | | 1779444.28 | |
| Add: Closing Stock | 200573.67 | 2070524.54 | 106424.46 | 1885868.74 |
| Less: Purchases | 1951562.55 | | 1856668.53 | |
| Opening Stock | 106424.46 | 2057987.01 | 22238.25 | 1878906.78 |
| TOTAL (D) | | 12537.53 | | 6961.96 |
| TOTAL (A + B + C + D) | | 12901.51 | | 7488.81 |
| Opening and Closing Stock are adjusted for diminution in market value of securities at the year end, if any. | | | | |

| | | | | |
|-------------------------------|--|-----------------|--|-----------------|
| NOTE - 2.18 | | | | |
| INTEREST INCOME | | | | |
| Call and Notice Money Lending | | 3.55 | | 2.04 |
| Short Term Lending | | 35.61 | | 34.96 |
| Government Dated Securities | | 8889.71 | | 7882.76 |
| Corporate Bonds & Debentures | | 1204.24 | | 1183.24 |
| Fixed Deposits | | 1402.06 | | 936.39 |
| TOTAL | | 11535.17 | | 10039.39 |

Interest on Short Term lending includes interest from CBLO Lending of Rs. 2.64 lacs. (Prev. Year : Rs. 6.59 lacs), LAF Lending Rs. 0.44 lacs (Prev. Year : Rs.12.60 lacs) and Reverse Repo Lending of Rs. 32.53 lacs (Prev. Year : Rs. 15.77 lacs)

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|--|---------------------|----------------|---------------------|------------------|
| NOTE - 2.19 | | | | |
| TRADING INCOME | | | | |
| a) Government Securities | | | | |
| Sales and Redemption | 9905358.04 | | 10055926.29 | |
| Add: Closing Stock | 39245.73 | 9944603.77 | 121849.27 | 10177775.56 |
| Less: Purchases | 9818952.12 | | 10101258.27 | |
| Opening Stock | 121849.27 | 9940801.39 | 77955.94 | 10179214.21 |
| | | 3802.38 | | (1438.65) |
| b) Corporate Bonds & Debentures | | | | |
| Sales and Redemption | 304104.09 | | 332553.76 | |
| Add: Closing Stock | 26280.58 | 330384.67 | 15249.72 | 347803.48 |
| Less: Purchases | 315000.41 | | 333419.63 | |
| Opening Stock | 15249.72 | 330250.13 | 14478.28 | 347897.91 |
| | | 134.54 | | (94.43) |
| c) Equity Shares | | | | |
| Sales | 1475.75 | | 7545.96 | |
| Add: Closing Stock | 19.97 | 1495.72 | 623.98 | 8169.94 |
| Less: Purchases | 871.77 | | 8103.15 | |
| Opening Stock | 623.98 | 1495.75 | 55.57 | 8158.72 |
| | | (0.03) | | 11.22 |
| d) Mutual Fund Units | | | | |
| Sales and Redemption | 19930.76 | | 48871.82 | |
| Add: Closing Stock | - | 19930.76 | - | 48871.82 |
| Less: Purchases | 19865.38 | | 48785.91 | |
| Opening Stock | - | 19865.38 | - | 48785.91 |
| | | 65.38 | | 85.91 |
| e) Derivatives | | | | |
| Interest Rate Swaps (Trading) | - | | (14.44) | |
| Futures & Options | 3.36 | 3.36 | (0.23) | (14.67) |
| TOTAL (a+b+c+d+e) | | 4005.63 | | (1450.62) |

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

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

| | | | | |
|---------------------------------|--|---------------|--|---------------|
| NOTE - 2.20 | | | | |
| OTHER OPERATIONAL INCOME | | | | |
| Underwriting Fees | | 74.96 | | 94.37 |
| Commission and Other Fees | | 289.33 | | 296.70 |
| TOTAL | | 364.29 | | 391.07 |

| | | | | |
|-----------------------------|--|--------------|--|--------------|
| NOTE - 2.21 | | | | |
| OTHER INCOME | | | | |
| Dividend Income from Equity | | 4.83 | | 4.78 |
| Rent | | 12.42 | | 14.28 |
| Miscellaneous Income | | 41.15 | | 42.00 |
| TOTAL | | 58.40 | | 61.06 |

(Rs. in lacs)

| | As at 31.03.2013 | As at 31.03.2012 |
|--|---------------------|---------------------|
| NOTE - 2.22 | | |
| INTEREST EXPENSES | | |
| Call and Notice and Short Term Borrowing | 5848.14 | 3614.85 |
| CBLO Borrowing | 3127.11 | 2633.43 |
| Repo Borrowing | 5620.02 | 2760.93 |
| RBI Borrowing | 4025.12 | 3296.17 |
| Overdraft Borrowing | 170.42 | 30.61 |
| ICD Borrowing | 74.07 | 231.27 |
| TOTAL | 18864.88 | 12567.26 |

| | | |
|---|---------------|---------------|
| NOTE - 2.23 | | |
| OPERATING COSTS | | |
| Brokerage on Securities and Financial Instruments | 0.45 | 0.36 |
| Financial Information Services | 30.44 | 24.06 |
| Operating Expenses for Futures and Options etc. | 4.11 | 8.52 |
| Operating Expenses on Equity | 4.40 | 20.27 |
| Transaction Charges | 236.11 | 205.73 |
| Bank Charges | 1.15 | 0.88 |
| TOTAL | 276.66 | 259.82 |

| | | |
|--------------------------------------|---------------|---------------|
| NOTE - 2.24 | | |
| EMPLOYEE BENEFITS EXPENSES | | |
| Salaries and Allowances | 260.71 | 190.75 |
| Contribution to PF and Gratuity Fund | 30.55 | 20.16 |
| Staff Welfare Expenses | 105.81 | 101.14 |
| Staff Recruitment and Training | 1.97 | 2.04 |
| TOTAL | 399.04 | 314.09 |

| | | |
|---|-------|-------|
| NOTE - 2.25 | | |
| OTHER EXPENSES | | |
| Rent on Business Premises | 66.09 | 64.85 |
| Postage, Telephone and Telegram | 33.43 | 42.03 |
| Travelling, Conveyance and Motor Car Expenses | 21.96 | 19.28 |
| Printing and Stationery | 10.01 | 12.56 |
| Repairs to Building | 16.71 | 12.77 |
| Repairs and Maintenance - Others | 47.42 | 48.91 |
| Internal Audit Fees and Expenses | 12.37 | 11.78 |
| Legal and Professional Fees | 12.85 | 8.70 |
| Listing Fees | 3.09 | 3.03 |
| Books and Periodicals | 2.26 | 2.39 |
| Workshops and Business Meet | 35.31 | 31.59 |
| Water and Electricity Expenses | 12.17 | 11.84 |
| Insurance Charges | 1.64 | 2.36 |
| Directors' Sitting Fees | 9.93 | 8.35 |
| Auditors' Remuneration | | |
| - Statutory Audit Fee | 4.49 | 4.41 |

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|--|---------------------|---------------|---------------------|---------------|
| - Tax Audit Fee | 1.12 | | 1.11 | |
| - Certification Fee | 4.99 | 10.60 | 4.74 | 10.26 |
| Loss on Sale of Fixed Assets (Net) | | 2.84 | | 0.08 |
| Share Transfer Fees | | 5.85 | | 4.43 |
| Corporate Membership | | 2.84 | | 2.33 |
| Advertisement and Publicity | | 2.60 | | 2.34 |
| Board / General Meeting Expenses | | 6.50 | | 11.06 |
| Miscellaneous Expenses | | | | |
| - Penalties* | 7.81 | | - | |
| - Corporate Social Responsibility Exp. | 0.88 | | - | |
| - Others ** | 10.34 | 19.03 | 10.73 | 10.73 |
| Amortization of HTM Portfolio | | 41.85 | | 12.20 |
| TOTAL | | 377.35 | | 333.87 |

* Penalty imposed by RBI and CCIL on SGL bouncing on July 6, 2012 Rs. 5.00 lacs and Rs. 2.81 lacs respectively.

** Others include donation of Rs. NIL (Prev. Year : Rs. 0.50 lacs)

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 2011-12

| | T-Bills / CP/CD | Corp. Bonds and 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 | 3960.63 |
| 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 |

FY 2012-13

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

- Provision for Diminution of Rs. 24.71 lacs on Government Securities, Rs. 78.41 lacs on Treasury Bills, Rs. 2.53 lacs on Equity Investments and Rs. NIL on Corporate Bonds as on March 31, 2013 has been provided for and included in segment liabilities (Prev. Year Rs. 1584.35 lacs on Government Securities, Rs. 52.28 lacs on Treasury Bills and Rs. 14.81 lacs on Equity Investments and Rs.46.37 lacs 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 of the previous year have been regrouped and rearranged accordingly.

(Rs. in lacs)

NOTE - 2.27 RELATED PARTY INFORMATION

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

- The overall supervision and control of the Company vests with the Board of Directors. The Managing Director of the Company, appointed by the Board of Directors, is working full time with the Company.
- Out of the total Seven Directors on the Board of the Company as at March 31, 2013, four are independent Directors. Only the Non-Executive Directors are being paid sitting fees for the Board / Committee Meetings. The sitting fees for attending the Board Meeting is Rs. 10000/- per meeting and for Committee Meeting sitting fee payable is Rs. 5000/- per meeting. During the year, the Company has paid a sum of Rs. 9.93 lacs towards sitting fee, including applicable service tax (Prev. Year : Rs. 8.35 lacs)

NOTE - 2.28 DISCLOSURE ON INTEREST RATE SWAPS

| | Hedging Swaps | | Trading Swaps | |
|---|---|------------|---------------|------------|
| | 31.03.2013 | 31.03.2012 | 31.03.2013 | 31.03.2012 |
| Notional Principal | 5000.00 | 35000.00 | NIL | NIL |
| Marked to Market Positions | 5010.83 | 35050.00 | NIL | NIL |
| Max. of 100 * PV01 observed during the year | 396.98 | 635.66 | NIL | NIL |
| Min. of 100 * PV01 observed during the year | 151.46 | 105.28 | NIL | NIL |
| Market Risk | In the event of 100 basis points adverse movement in interest rate there will be a negative impact of Rs. 151.46 lacs (Prev. Year : Rs. 344.05 lacs) on Hedging Swaps in Swap Book. The losses, which would be incurred if, counter parties fail to fulfill their obligations works out to Rs. Nil lacs (Prev. Year : Rs.220.99 lacs) The Company exposure with regard to outstanding swap transactions is limited to banks and Primary Dealers | | | |
| Collateral | No Collateral is insisted upon from counterpart | | | |
| Credit Risk Concentration | Rs. NIL lacs (Prev. Year : Axis Bank Rs. 131.63 lacs) | | | |

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

As on March 31, 2013, the total stock of Rs. 325175.92 lacs comprises of Government Securities (including Treasury Bills) of Rs. 239819.40 lacs (Prev. Year : Rs. 248694.67 lacs), Equity Instruments Rs. 19.97 lacs (Prev. Year : Rs. 623.98 lacs), Money Market instruments Rs. 59055.97 lacs (Prev. Year : Rs. 4547.23 lacs) and Corporate Bonds and Debentures Rs. 26280.58 lacs (Prev. Year : Rs. 15249.72 lacs). The portfolio of Non-Government Securities comprises of Rs. 25901.38 lacs (Book value) of AAA rated), Rs. 379.20 lacs (Book Value) of AA+ rated bonds and Rs. 59055.97 lacs (Book Value) of A1+ rated Bank CDs. (Prev. Year : Rs. 14466.90 lacs of AAA rated, Rs. 829.20 lacs of AA rated and Rs. 4547.23 lacs of A1+ rated Bank CDs).

There is no migration / decline in ratings of these Bonds during the year 2012-13.

| S. No. | Issuer | Amount (Book Value) | Extent of Private Placement | Extent of 'Below Investment Grade' Securities | Extent of Unlisted Securities | Extent of Unrated Securities |
|--------|-----------------------------------|---------------------|-----------------------------|---|-------------------------------|------------------------------|
| 1 | PSUs | 21993.99 | NA | NA | NA | NA |
| 2 | FIs | 3498.30 | NA | NA | NA | NA |
| 3 | Banks | 59435.17 | NA | NA | NA | NA |
| 4 | Other PDs | NIL | NA | NA | NA | NA |
| 5 | Private Corporates | 409.09 | 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 | 85336.55 | NA | NA | NA | NA |

NOTE - 2.30 CRAR AND RELATED INFORMATION

| Sl. No. | Particulars | Current Year | Prev. Year |
|---------|----------------------------|--------------|------------|
| i) | CRAR (%) | 42.34 | 74.72 |
| ii) | CRAR - Tier I Capital (%) | 42.34 | 74.72 |
| iii) | CRAR - Tier II Capital (%) | NA | NA |

Forward Rate Agreement / Interest Rate Swaps

| Sl. No. | Particulars | Current Year | Prev. Year |
|---------|---|--------------|------------|
| i) | The Notional Principal of swap agreements | 5000.00 | 35000.00 |
| ii) | Losses which would be incurred if counterparties fail to fulfill their obligations under the agreements | - | 220.99 |
| iii) | Concentration of credit risk arising from the swaps | - | 131.63 |
| iv) | The fair value of the swap book | 5010.83 | 35050.30 |

Quantitative Disclosures for Financial Year 2012-13 are as under:**[Currency Derivatives : NIL (Prev. Year - NIL)]**

| Sl. No. | Particulars of Interest Rate Derivatives | Current Year | Prev. Year |
|---------|---|-----------------|-----------------|
| i) | Derivatives (Notional Principal Amount) | | |
| | a) For Hedging | 5000.00 | 35000.00 |
| | b) For Trading | - | - |
| ii) | Marked to Market Positions | | |
| | a) Asset (+) | 5010.83 | 35050.30 |
| | b) Liability (-) | - | - |
| iii) | Credit Exposures | - | 220.99 |
| iv) | Likely impact of one percentage change in interest rate (100* PV01) | | |
| | a) On Hedging Derivatives | 151.46 | 344.05 |
| | b) On Trading Derivatives | - | - |
| v) | Maximum and Minimum of 100*PV01 observed | | |
| | a) On Hedging Derivatives | 396.96 & 151.46 | 635.66 & 105.28 |
| | b) On Trading Derivatives | - | - |

NOTE - 2.31 REAL ESTATE EXPOSURES

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

NOTE - 2.32 ASSET LIABILITY MANAGEMENT

| | 1 day to one month | Over one month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to one year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|------------------------|--------------------|----------------------------|---------------------------|---------------------------|---------------------------|------------------------|-------------------------|--------------|-----------|
| Liabilities | | | | | | | | | |
| Borrowings from Banks | 235786.95 | - | - | - | - | - | - | - | 235786.95 |
| Market Borrowings | 76386.41 | - | - | - | - | - | - | - | 76386.41 |
| Assets | | | | | | | | | |
| Advances / Investments | - | - | - | - | 14.57 | - | 11.03 | 646.06 | 671.66 |

(in Rs.)

NOTE - 2.33 CESS PROVISION

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

NOTE - 2.34 PROVISIONS FOR EMPLOYEE BENEFITS

Provision for leave liability has been done in accordance with the requirement of AS-15 (revised) as per Actuarial Valuation for the year 2012-13 on March 31, 2013 as per the Projected Unit Credit Method (PUCM), details for which are given hereunder:

| | |
|---|----------------------|
| a) The Principal Assumptions used in actuarial valuation are as under: | |
| Attrition Rate (per annum) | 2.00% |
| Imputed Rate of Interest (per annum) | 8.15% |
| Salary Rise (per annum) | 8.00% |
| Remaining Working Life (in years) | 20.91 |
| Mortality Rate | IAL 2006-08 Ultimate |
| b) Changes in the present value of the Long Term Obligations: | |
| Present Value of obligations at the beginning of the I.V.P. | 2861273.00 |
| Interest Cost | 221232.00 |
| Current Service Cost | 1409073.00 |
| Benefits Paid | (293548.00) |
| Actuarial (Gain) / Loss on obligation | 15556.00 |
| Present Value of obligations at the end of the I.V.P. | 4213586.00 |
| c) Short Term Obligations | |
| | 1133473.00 |
| d) Fair Value of Plan Assets | |
| Fair Value of Plan Assets at the beginning of the I.V.P. | NIL |
| Actual Return of Plan Assets | NIL |
| Contribution | NIL |
| Benefits Paid | (293548.00) |
| Fair Value of obligations at the end of the I.V.P. | NIL |
| Present Value of Long Term obligations at the end of the I.V.P. | 4213586.00 |
| Funded Status | (4213586.00) |
| e) Amount to be recognized in the Balance Sheet | |
| Present Value of Long Term obligation at the end of the I.V.P. | 4213586.00 |
| Fair Value of the Assets at the end of the I.V.P. | NIL |
| Contribution | NIL |
| Funded Status | (4213586.00) |
| Unrecognized Actuarial (Gain) / Loss at the end of the I.V.P. | NIL |
| Net Asset / (Liability) Recognized in the Balance Sheet * | 5347059.00* |
| *including short term liability of Rs.1133473/- as given in (c) | |

(in Rs.)

| f) Expenses Recognized in the Statement of Profit and Loss Account: | |
|--|------------|
| Current Service Cost | 1409073.00 |
| Interest Cost | 221232.00 |
| Benefits Paid | 293548.00 |
| Expected Return on Plan Assets | NIL |
| Actuarial (Gain) / Loss recognized in the I.V.P. | 15556.00 |
| Short Term Liability (Additional) | 368985.00 |
| Expenses recognized in the Statement of Profit and Loss Account | 1721298.00 |

NOTE - 2.35 OTHERS

Tax deducted at source on the interest, miscellaneous income and commission and fees during the financial year 2012-13, amounted to Rs. 142.23 lacs (Prev. Year : Rs. 88.36 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

(S. R. Bansal)
Director

(O. P. Chawla)
Director

(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
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

(R.K. Mittal)
Partner

Membership No. 088767

Date : April 27, 2013
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)
Chairman

(S. R. Bansal)
Director

(O. P. Chawla)
Director

(Kamal Gupta)
Director

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Exec. Vice President
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

(R.K. Mittal)
Partner

Date : April 27, 2013
Place : New Delhi

Membership No. 088767

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Rs. in lacs)

| | As at 31.03.2013 | | As at 31.03.2012 | |
|---|---------------------|-----------------|---------------------|-----------------|
| CASH FLOW FROM THE OPERATING ACTIVITY | | | | |
| Profit as per the Profit & Loss Account | | 8876.53 | | 2964.13 |
| Add: Depreciation on Fixed Assets | 70.54 | | 90.54 | |
| Decrease/(Increase) in Long Term Advances | (24.96) | | (102.72) | |
| Decrease/(Increase) in Current Inventory | (76481.26) | | (130563.52) | |
| Decrease/(Increase) in Trade Receivables | (13.12) | | 80.27 | |
| Decrease/(Increase) in Short Term Advances | (4.59) | | 7.52 | |
| Decrease/(Increase) in Other Current Assets | 485.45 | | (666.87) | |
| Increase/(Decrease) in Long Term Provisions | 13.53 | | 2.78 | |
| Increase/(Decrease) in Trade Payables | 40.72 | | 8.59 | |
| Increase/(Decrease) in Current Liabilities | 118.04 | | (37.63) | |
| Increase/(Decrease) in Short Term Provisions | 50.29 | | (9.37) | |
| Tax Refund | - | | - | |
| Taxes Paid | (2774.61) | (78519.97) | (973.73) | (132164.14) |
| (A) Net Cash Flow from Operating Activities | | (69643.44) | | (129200.01) |
| CASH FLOW FROM THE INVESTING ACTIVITY | | | | |
| Add: Sale Proceeds of Fixed Assets | 0.70 | | 2.57 | |
| Decrease/(Increase) in Non-Current Investments -HTM | (775.90) | | (4554.80) | |
| Provision for Diminution in Portfolio | (31.33) | | (29.33) | |
| Loss/(Profit) on Sale of Fixed Assets | 2.84 | (803.69) | 0.08 | (4581.48) |
| (B) Net Cash Flow from Investing Activities | | (803.69) | | (4581.48) |
| CASH FLOW FROM THE FINANCING ACTIVITY | | | | |
| Add: Increase/(Decrease) in Secured/Unsecured Loans | 91405.37 | | 135303.02 | |
| Dividend Distribution including Div. Distribution Tax | (1569.09) | 89836.28 | (1889.17) | 133413.85 |
| (C) Net Cash Flow from Financing Activities | | 89836.28 | | 133413.85 |
| Consolidated Cash Flow during the Year (A+B+C) | | 19389.15 | | (367.64) |
| Cash at the beginning of the year | | 10204.40 | | 10572.04 |
| Cash at the end of the year | | 29593.55 | | 10204.40 |
| Balance in RBI Account | 34.72 | | 9.34 | |
| Balance in PNB Account | 0.81 | | 4.90 | |
| Balance in Unclaimed Dividend Account (not available for use of the company) | 29.02 | | 29.16 | |
| Fixed Deposit Pledged with PNB for overdraft facilities (not available for use of the company) | 29529.00 | 29593.55 | 10161.00 | 10204.40 |

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Chairman

(S. R. Bansal)
Director

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Exec. Vice President
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

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

Date : April 27, 2013
Place : New Delhi

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

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

(Rs. in lacs)

| Particulars | | |
|--|---------------------------|-----------------------|
| Liabilities Side : | | |
| (1) Loans and advances availed by the non-banking financial Company inclusive of Interest accrued thereon but not paid: | Amount outstanding | Amount overdue |
| (a) Debentures : Secured | - | - |
| Unsecured | - | - |
| (Other than falling within the meaning of public deposits*) | | |
| (b) Deferred Credits | - | - |
| (c) Term Loans | - | - |
| (d) Inter-Corporate loans and Borrowing | - | - |
| (e) Commercial Paper | - | - |
| (f) Other Loans (specify nature) | 312173.36 | - |
| Secured Loans | | |
| 1. Borrowings from RBI | 96792.00 | - |
| 2. CBLO Borrowings | 40162.58 | - |
| 3. Repo Borrowing | 36223.83 | |
| 4. Overdraft Borrowing | 25569.33 | |
| Unsecured Loans | | |
| 1. Call Money Borrowings | 43095.00 | - |
| 2. Inter Corporate Borrowings | - | - |
| 3. Others | 70330.62 | - |
| * 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 | 44.09 | - |
| (b) Unsecured | 7898.96 | - |
| (3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities | NA | NA |
| (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 | - | - |

| (4) Break-up of Investments / Stock-in-trade : | Amount outstanding | |
|--|--------------------|-----------------------------------|
| Current investments (Stock-in-trade): | | |
| 1. Quoted : | | |
| (I) Shares: (a) Equity | 22.50 | (Market Value Rs.19.97 lacs) |
| (b) Preference | - | |
| (ii) Debentures and Bonds | 26280.58 | (Market Value Rs.26597.272 lacs) |
| (ii) Units of Mutual Funds | - | |
| (iv) Government Securities | 239922.52 | (Market Value Rs. 239819.40 lacs) |
| (v) Others (Please specify) | | |
| - Certificate of Deposits | 59055.97 | (Market Value Rs. 59055.97 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) Others (Please specify) | - | |
| 2. Unquoted : | | |
| (I) Shares : (a) Equity | - | |
| (b) Preference | - | |
| (ii) Debentures and Bonds | - | |
| (iii) Units of Mutual Funds | - | |
| (iv) Government Securities | - | |
| (v) Others (please specify) | - | |
| TOTAL : | 266225.60 | |

**(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 | 9823.18 | 9823.18 |
| (c) Other related parties | - | - |
| 2. Other than related parties | 315352.74 | 315352.74 |
| TOTAL | 325175.92 | 325175.92 |

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other Information

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

Notes :

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

(K. R. Kamath)
Chairman

(S. R. Bansal)
Director

(O. P. Chawla)
Director

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Director

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Director

(P. P. Pareek)
Director

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Managing Director

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Sr. Exec. Vice President

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Exec. Vice President
(Accounts)

(Monika Kochar)
Company Secretary and
Asso. Vice President

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

(R.K. Mittal)
Partner

Membership No. 088767

Date : April 27, 2013

Place : New Delhi

FINANCIALS AT A GLANCE

FINANCIAL PARAMETERS

| | 2012-13 (%) | 2011-12 (%) | 2010-11 (%) | 2009-10 (%) |
|--|----------------|----------------|----------------|----------------|
| Financial Performance | | | | |
| Interest Income/ Total Income | 84.66 | 106.03 | 104.94 | 119.15 |
| Trading Income/ Total Income | 13.87 | (8.78) | (10.94) | (30.26) |
| Other Income/ Total Income | 1.46 | 2.73 | 6.00 | 11.11 |
| Interest Expense/ Total Income | 65.35 | 76.03 | 50.02 | 33.98 |
| Interest Expense/ Total Expense | 94.38 | 92.64 | 87.33 | 75.64 |
| Establishment Expense/ Total Expense | 2.00 | 2.31 | 4.49 | 6.32 |
| Admn and other Expense/ Total Expense | 3.62 | 5.04 | 8.16 | 9.63 |
| PBT/ Total Income | 30.75 | 17.93 | 42.72 | 55.08 |
| PAT/ Total Income | 21.22 | 12.74 | 29.66 | 36.08 |
| Human Assets | | | | |
| Security Turnover per employee (Rs. Crore) | 6889.63 | 6927.28 | 2440.50 | 2055.68 |
| Profit before tax per employee (Rs. crore) | 2.54 | 0.82 | 1.22 | 1.81 |
| Average Age of the employees (years) | 39.00 | 38.00 | 38.00 | 43.00 |
| Per Share Data | | | | |
| Earnings Per Share (Rs.) | 4.54 | 1.56 | 2.26 | 2.72 |
| Cash Earnings Per Share (Rs.) | 5.45 | 2.89 | 3.11 | 3.80 |
| Book Value Per Share (Rs.) | 45.93 | 42.57 | 42.14 | 41.31 |
| Price Earnings, end of year (Rs.) | 5.45 | 16.35 | 10.42 | 8.75 |
| Price/ Cash Earnings, end of year (Rs.) | 4.54 | 8.82 | 7.57 | 6.26 |
| Price/ Book Value, end of year (Rs.) | 0.54 | 0.60 | 0.56 | 0.58 |
| Dividend Per Share (Rs.) | 1.00 | 1.00 | 1.20 | 1.00 |

FINANCIALS: Last 10 Years

(Rs. Crore)

| Financials \ Financial Year | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-------------------------------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| INCOME | 237.94 | 11.31 | 127.06 | 126.14 | 172.63 | 112.47 | 101.73 | 103.09 | 165.30 | 288.65 |
| I Interest & Discount on Securities | 121.89 | 112.99 | 143.43 | 156.70 | 181.57 | 135.92 | 121.21 | 108.19 | 175.28 | 244.37 |
| II Profit on Sale of Securities | 113.30 | (103.85) | (22.86) | (35.07) | (12.97) | (31.10) | (30.78) | (11.28) | (14.51) | 40.06 |
| III Other Income | 2.75 | 2.17 | 6.49 | 4.51 | 4.03 | 7.65 | 11.30 | 6.18 | 4.53 | 4.22 |
| EXPENDITURE | 69.29 | 79.44 | 98.54 | 109.75 | 105.62 | 74.35 | 45.70 | 59.05 | 135.66 | 199.88 |
| I Interest Expenses | 61.62 | 71.86 | 91.69 | 103.37 | 98.87 | 67.12 | 34.57 | 51.57 | 125.67 | 188.65 |
| II Operating Expenses | 6.73 | 6.54 | 6.06 | 5.75 | 6.22 | 6.78 | 6.83 | 6.56 | 9.08 | 10.53 |
| III Depreciation on fixed assets | 0.94 | 1.04 | 0.79 | 0.63 | 0.53 | 0.45 | 0.46 | 0.91 | 0.91 | 0.70 |
| IV Bad debts written off | | | | | | | 0.02 | 0.01 | | |
| Prov. Against overdue call lending | | | | | | | 3.82 | | | |
| PROFIT BEFORE TAX | 168.65 | (68.13) | 28.52 | 16.38 | 67.01 | 38.12 | 56.03 | 44.04 | 29.64 | 88.77 |
| Less Prov. / (Release) for Taxation | 61.69 | 0.12 | (1.12) | 0.42 | 21.85 | 13.63 | 19.33 | 13.47 | 8.59 | 27.52 |
| PROFIT AFTER TAX | 106.96 | (68.25) | 29.64 | 15.96 | 45.16 | 24.49 | 36.70 | 30.58 | 21.05 | 61.25 |
| PAID UP CAPITAL | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 | 135.01 |
| RESERVES | 406.32 | 338.07 | 355.40 | 371.36 | 392.82 | 404.68 | 425.59 | 437.28 | 442.64 | 488.08 |
| NET WORTH | 541.33 | 471.51 | 485.58 | 502.85 | 525.41 | 538.48 | 557.76 | 568.92 | 574.69 | 620.08 |
| Total Turnover | 116336 | 61740 | 53390 | 33552 | 59868 | 62187 | 63726 | 87858 | 249382 | 241137 |

NOTICE

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

NOTICE is hereby given that the SEVENTEENTH 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 June 22, 2013 at 11:00 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2013 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, 2013.
3. To appoint a Director in place of Dr. O. P. Chawla, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sh. P. P. Pareek, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the year 2013-14 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. S. R. Bansal, 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."

Re-appointment of Managing Director

7. 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 reappointment of Sh. S. K. Dubey as the Managing Director of the Company for a period of one year w.e.f. February 1, 2013 on the terms and conditions as set out in the Explanatory Statement annexed to the notice."

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

BY ORDER OF THE BOARD

Date : May 14, 2013
 Place : New Delhi

(Monika Kochar)
Company Secretary

NOTES FOR MEMBER'S ATTENTION :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company remain closed from May 25, 2013 to June 1, 2013 (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 2012-13.

The Transfer Deed(s) along with Share Certificate(s) received upto Friday, the May 24, 2013 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 2012-13.

4. The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid on July 18, 2013, to those members or their mandates whose names stand registered on the Company's Register of Members :-
 - a) As Beneficial Owners as at the end of the business on May 24, 2013 as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - b) As Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before May 24, 2013.
5. Members are requested to notify the change of address (with pincode), dividend mandate, bank details (including complete details of bank account, branch & bank name, address of branch etc), nomination etc. quoting reference of their folio number to the Share Transfer Agents at the following address :

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

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

6. The members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, etc. to their depository participant (DP). These changes will be automatically reflected in the Company's records, which will help the Company to provide efficient and better service to members.
7. Under the provisions of Section 109A and 109B of the Companies Act, 1956, every individual member is entitled to nominate in the prescribed manner, a person to whom his/her shares in the Company, shall vest in the event of his/her death. Members who are interested in availing this nomination facility are requested to write to the Company.
8. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting is contained in the Explanatory Statement for the item of Special Business and is separately annexed hereto for the item of Ordinary Business. None of the Directors is related to other.
9. The Company's shares are listed on the Stock Exchanges at Mumbai and National Stock Exchange. The listing fees of these Exchanges have been paid on time.

10. E-COMMUNICATION FACILITY :

Shareholders are requested to avail E-Communication facility by registering their Email ID with M/s MCS Ltd, our Share Transfer Agents (in case the shareholding is in physical form) or with their Depository Participant (if the shareholding is in demat form) so as to enable the Company to send notice of AGM, annual report and such other important communication directly by e-mail. A format in this respect for shareholders holding shares in physical form is available at page no. 70. 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. 71. Shareholders are therefore requested to fill the same and submit to MCS Ltd. or to their DP, as the case may be.

12. NON-RECEIPT OF DIVIDEND:

The Company has received back some undelivered envelopes containing dividend warrants in the past due to various reasons. As such, shareholders who have not received dividend(s) of previous years, are requested to contact the Company by giving details like Folio No./DP ID & Client ID, Address, Contact No. etc. Please refer page no. 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. S. R. Bansal, Executive Director of Punjab National Bank, was co-opted as an Additional Director by the Board of Directors in its meeting held on January 23, 2013. Under Section 260 of the Companies Act, 1956 read with Article 101 of the Articles of Association of the Company, Sh. S. R. Bansal 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. S. R. Bansal as a candidate for the office of Director.

Prior to his appointment as Executive Director of Punjab National bank, Sh. S. R. Bansal was General Manager of Dena Bank. He is having a rich experience of around 32 years in banking industry. He is not holding any shares of the Company.

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

ITEM NO. 7

The Board of Directors in its meeting held on January 23, 2013, has extended the term of appointment of Sh. S. K. Dubey as Managing Director for another year w.e.f. February 1, 2013.

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

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

The re-appointment shall be for a period of one year effective from February 1, 2013.

The CTC of Sh. S. K. Dubey shall be decided by the Board, subject to Service Regulations of the Company and 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. 70000/- p.m. |
| Special Allowance | Rs. 40000/- p.m. |
| Other Allowance | Rs. 15000/- p.m. |

Other Allowances and other 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 type of emoluments payable for the month during which the availing 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 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. 7.

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

ITEM NO. 3

| | |
|---|--|
| Name of Director | Dr. O. P. Chawla |
| Date of Birth | 15/02/1934 |
| Date of Appointment/Reappointment | 11/04/1996 |
| Expertise in Specific functional area | Former Director of National Institute of Bank Management |
| Qualifications | M.Com, Ph.D |
| List of outside Directorships held | <ul style="list-style-type: none"> Shree Ram Urban Infrastructure Ltd. |
| Chairman/Member of the Committee of the Board of Directors of the Company. | <ul style="list-style-type: none"> Member - 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 - Shree Ram Urban Infrastructure Ltd. |
| b) Shareholders' Grievance Committee | - |
| No. of Shares held in Company | Nil |

ITEM NO. 4

| | |
|--|---|
| Name of Director | Sh. P. P. Pareek |
| Date of Birth | 01/10/1959 |
| Date of Appointment/Reappointment | 10/02/2009 |
| Expertise in specific functional area | Sr. Partner in S. Bhandari & Co. for last 30 years |
| Qualifications | B.Com, LL.B, F.C.A. |
| List of outside Directorships held | <ul style="list-style-type: none"> Jamuna Dream Estates Pvt. Ltd. Registan Marketing Pvt Ltd. |
| Chairman/Member of the Committee of the Board of Directors of the Company | <ul style="list-style-type: none"> 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 | 1000 (One thousand only) |

BY ORDER OF THE BOARD

Date : May 14, 2013
Place: New Delhi

(Monika Kochar)
Company Secretary

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 SEVENTEENTH ANNUAL GENERAL MEETING of the shareholders of the Company to be held on June 22, 2013 at 11:00 a.m. at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi-110054 and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Please Affix Revenue Stamp (not less than 15 paise)

Signature of the Proxy

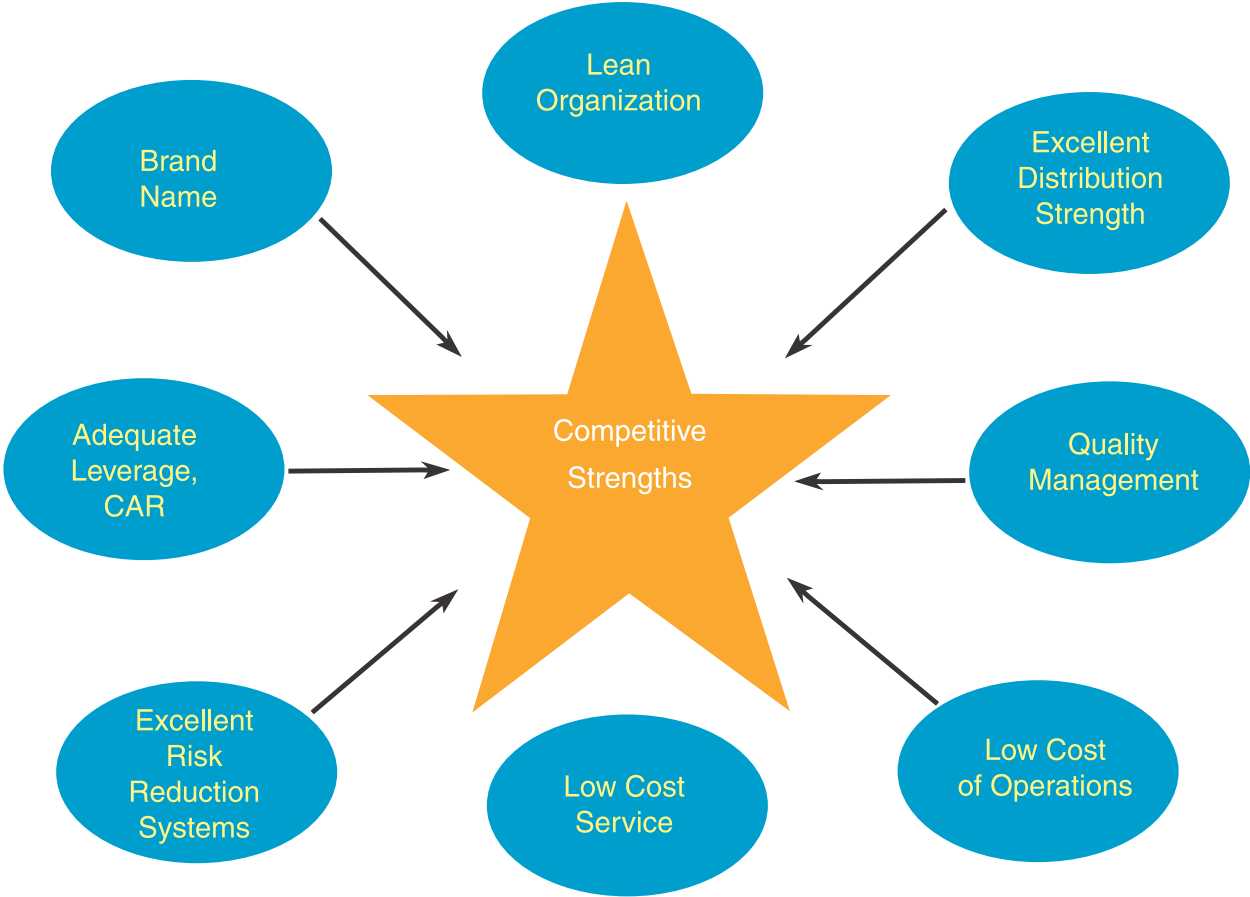
Signature of the Shareholder

..... (TEAR HERE)

INSTRUCTIONS FOR SIGNING AND LODGING THE PROXY FORM

- 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 11:00 a.m. on 20th June, 2013 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

ADDENDUM TO NOTICE

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

Members are hereby informed that in addition to the Businesses, as mentioned in the Notice dated May 14, 2013, as appended with the Annual Report of the Company, following **additional Special Business** shall also be transacted at the 17th Annual General Meeting of the Company, scheduled to be held on June 22, 2013.

SPECIAL BUSINESS

Issue of Bonus Shares

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**: -

“RESOLVED THAT in accordance with applicable provisions of the Companies Act, 1956, the provisions of the Articles of Association of the Company and recommendations of the Board of Directors, the provisions of Foreign Exchange Management Act, 1999 and rules and regulations framed there under and subject to the guidelines issued by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the Regulations) and subject to such approvals, consents, permissions and sanctions, as may be necessary from appropriate authorities and also subject to such terms and conditions as may be specified while according such approvals, the consent of Members, be and is hereby accorded to be Board of Directors of the Company (hereinafter referred to Board, which term shall be deemed to include any Committee which the Board may constitute to exercise its powers including but not limited to powers conferred by this resolution) to capitalize a sum not exceeding Rs. 45,00,25,340/- (Rupees Forty Five Crore Twenty Five Thousand Three Hundred and Forty only), out of balance standing to the credit of the Share Premium Account for the purpose of issue of Bonus Equity Shares of Rs. 10/- (Rupees Ten) each, credited as fully paid-up Equity Shares to the holders of the Equity Shares of the Company, whose names shall appear in the Register of Members or in the respective beneficiary account with their respective Depository Participants, on the ‘Record Date’ to be determined by the Board for the purpose, in the proportion of 1 (One) Bonus Equity Share of Rs. 10/- (Rupees Ten) each for every 3 (Three) fully paid-up Equity Share of Rs. 10/- (Rupees Ten) each held by them.”

“RESOLVED FURTHER THAT the new equity shares to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing equity shares including for the payment of dividend, if any, declared by the company any time after the allotment of aforesaid bonus shares.”

“RESOLVED FURTHER THAT no letter of allotment shall be issued in respect of the Bonus Shares but in the case of Members who hold Equity Shares in dematerialized form, the Bonus Shares shall be credited to the respective beneficiary accounts of the Members with their respective Depository Participants and in the case of Members who hold Equity Shares in physical form, the share certificates in respect of the Bonus Shares shall be dispatched, within such time as prescribed by law and the relevant authorities.”

“RESOLVED FURTHER THAT no fractional entitlement shall be allotted to the Members and all fractional entitlements remaining after allotment of Bonus Shares as aforesaid shall be consolidated into fully paid-up bonus shares, rounded off to the next whole number, and which shall be allotted to an Independent Trustee, to be nominated by the Board. The said Trustee shall sell the same, in one or more tranches, at the prevailing market price(s) through the stock exchange(s) and pay to the Company net sale proceeds for distribution to the members in proportion to their fractional entitlements.”

“RESOLVED FURTHER THAT the issue and allotment of the Bonus Shares to Non-Resident Members, Foreign Institutional Investors (FIIs) and other foreign investors and / or distribution of net sale proceeds in respect of

fractions to which such Members may be entitled shall be subject to the compliance under the applicable regulations under the Foreign Exchange Management Act, 1999, if required.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all the acts, deeds, matters and things, as may be necessary in the interest of the Company to give effect to this resolution, including but not limited to signing and execution of necessary deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in this regard thereto.”

BY ORDER OF THE BOARD

Date : May 23, 2013
Place : New Delhi

(Monika Kochar)
Company Secretary

NOTES FOR MEMBER'S ATTENTION - REFER NOTES given on page no. 65 to 67 given in the notice forming part of annual report for the year 2012-13.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 8

Your company is pleased to share that during the fiscal 2012-13, it has posted good results and thus it is proposed to reward the shareholders in this successful value creation cycle of last 17 years. Accordingly, Board of Directors, in its meeting held on May 23, 2013, has recommended an issue of Bonus Shares in the proportion of 1:3 i.e. one new fully paid up equity share of Rs. 10/- each for every three fully paid up equity shares of Rs. 10/- each, to the eligible members of the company as on the Record Date to be fixed by the Board for this purpose.

The Bonus Shares shall be issued pursuant to applicable provisions of the Companies Act, 1956, Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subject to such other approvals, if any required, after capitalizing a sum not exceeding Rs. 45,00,25,340/- from the Company's Share Premium Account.

The Bonus Shares so allotted shall rank *pari passu* in all respects and carry the same rights as the existing fully paid-up equity shares of the Company and shall be entitled to participate in full in dividend declared, if any, for the financial year in which the Bonus shares are allotted.

No fractional entitlement shall be allotted to the Members and all fractional entitlements remaining after allotment of Bonus Shares as aforesaid shall be consolidated into fully paid-up bonus shares, which shall be allotted to an Independent Trustee, nominated by the Board. If any fractional entitlement arises post consolidation, the said fractional entitlement shall be rounded off to the next whole number. The said Trustee shall sell the same, in one or more tranches, at the prevailing market price(s) through the stock exchange(s) and pay to the Company net sale proceeds for distribution to the members in proportion to their fractional entitlements.

The Directors of the Company may be deemed to be concerned or interested in the issue of bonus shares to the extent of their respective holding in the company or to the extent of the shareholdings of the companies/institutions/trusts etc. of which they are directors or members or trustees etc, without any beneficial interest.

In terms of Articles of Association of the Company, any capitalization of Reserves will require the approval of shareholders to be obtained by way of an ordinary resolution. Accordingly, the Board commends the Ordinary Resolution as set out in the above Notice for your approval.

BY ORDER OF THE BOARD

Date : May 23, 2013
Place : New Delhi

(Monika Kochar)
Company Secretary



PNB GILTS LTD.

5, Sansad Marg, New Delhi-110 001

ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

Regd. Folio No./DP.ID.No. _____ Client ID.No. _____

No. of Shares held _____

I _____ S/o/W/oD/o _____

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

I hereby record my presence at the Seventeenth Annual General Meeting of the Company at Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi -110054 held on June 22, 2013 at 11:00 a.m.

Member's / Proxy's Name in Block Letter

Signature of Member/Proxy

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

ENTRY PASS

Name :

DP ID & CL ID/Folio No. :

Member's / Proxy's Signature

Notes:

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